

Notice of Hearing

File No. 201962



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Rebecca Wai-Chiu Li

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of the Central Regional Council (“Hearing Panel”) of the Mutual Fund Dealers Association of Canada (“MFDA”) in the hearing room at the MFDA offices, 121 King Street West, Suite 1000, Toronto, Ontario on December 10, 2019 at 10:00 a.m. (Eastern), or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Rebecca Wai-Chiu Li (“Respondent”).

DATED this 1st day of October, 2019.

“Michelle Pong”

Michelle Pong
Director, Regional Councils

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Telephone: 416-945-5134
Email: corporatesecretary@mfda.ca

NOTICE is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

Allegation #1: Between July 2013 and November 2015, the Respondent engaged in securities related business that was not carried on for the account of the Member or conducted through its facilities by recommending, selling or facilitating the sale of syndicated mortgage investments to clients and other individuals, contrary to the Member's policies and procedures and MFDA Rules 1.1.1, 2.1.1, 2.5.1 and 1.1.2.

Allegation #2: Between July 2013 and November 2015, the Respondent engaged in an outside activity which was not disclosed to or approved by the Member, by recommending, selling, or facilitating the sale of syndicated mortgage investments to clients and other individuals, contrary to MFDA Rules 1.2.1(c) (now MFDA Rule 1.3), 2.1.1, 2.5.1 and 1.1.2.

Allegation #3: Between July 2013 and November 2015, the Respondent participated in an unapproved referral arrangement by making referrals in respect of the sale of syndicated mortgage investments to clients and other individuals, contrary to the Member's policies and procedures, MFDA Rules 2.4.2, 2.1.1, 2.5.1 and 1.1.2, and the requirements of sections 13.7 to 13.10 of National Instrument 31-103.

Allegation #4: Between July 2013 and November 2016, the Respondent accepted or acted upon general powers of attorney in respect of five clients, and failed to inform the Member that she held these powers of attorney over the financial affairs of clients whose accounts she serviced, contrary to the Member's policies and procedures and MFDA Rules 2.1.4 and 2.1.1.

Allegation #5: Between June 2014 and May 2015, the Respondent engaged in personal financial dealings with clients by accepting cheques from clients payable to her and co-mingling client monies with her own monies by depositing the cheques in bank accounts that she could access or control, contrary to Member's policies and procedures and MFDA Rules 3.3.1 and 3.3.2(a).

Allegation #6: Between October 2013 and August 2016, the Respondent provided false and misleading information in response to Member supervisory questionnaires, thereby misleading the Member and interfering with its ability to supervise the Respondent's conduct, contrary to MFDA Rule 2.1.1.

Allegation #7: Between April 2017 and March 2018, the Respondent provided false or misleading information to Staff during its investigation of her conduct, contrary to MFDA Rule 2.1.1.

Allegation #8: Commencing no later than December 13, 2018, the Respondent failed to cooperate with Staff's investigation of her conduct, contrary to section 22.1 of MFDA By-law No. 1.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

Registration History

1. Between June 20, 2006 and May 17, 2013, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with W.H. Stuart Mutuals Ltd., a Member of the MFDA.
2. Between May 17, 2013 and December 6, 2018, the Respondent was registered in Ontario as a dealing representative with Keybase Financial Group Inc. (the "Member"), a Member of the MFDA.
3. The Member terminated the Respondent on December 6, 2018. The Respondent is not currently registered in the securities industry in any capacity.
4. At all material times, the Respondent conducted business in Richmond Hill, Ontario.

Respondent's Activities Relating to the Sale of Syndicated Mortgages

5. Starboard View Homes Ltd. ("SVH") and Black Bear Homes Ltd. ("BBH") were corporations that purported to be in the business of developing properties in or around Crystal Beach and Port Colborne, Ontario, utilizing funds raised through syndicated mortgage investment products (the "Syndicated Mortgages").

6. SVH and BBH engaged DH, a mortgage broker, and Global Choice Alliance Group (“GCA”) to secure third party investors to invest in the Syndicated Mortgages.

7. DH is a friend of the Respondent.

8. Starting in or about July 2013, the Respondent recommended, sold, facilitated the sale of, or made referrals in respect of the sale of approximately \$2.2 million in Syndicated Mortgages to at least 14 clients and 1 other individual who was not a client of the Member (collectively, the “Investors”). The particulars of these investments are described in the table below.

	Investor Name	Member Client?	Amount Invested	Date mortgage registered	Borrower
1	CL	Yes	\$105,000	July 13, 2013	SVH
	CL	Yes	\$125,000	August 15, 2014	BBH
	CL	Yes	\$150,000	September 23, 2014	BBH
	CL	Yes	\$50,000	August 7, 2015	BBH
2	WY	Yes	\$100,000	July 31, 2013	SVH
3	SYC	Yes	\$100,000	August 27, 2013	SVH
	SYC	Yes	\$100,000	April 10, 2015	BBH
4	KBG	Yes	\$100,000	September 4, 2013	SVH
	KBG	Yes	\$50,000	April 10, 2015	BBH
5	EC	Yes	\$100,000	July 29, 2014	BBH
6	MC	Yes	\$440,000	October 29, 2014	BBH
	MC	Yes	\$100,000	July 23, 2015	BBH
	MC	Yes	\$200,000	August 7, 2015	BBH
7	PPC/KM	Yes	\$100,000	December 20, 2014	BBH
8	TL/BL	Yes	\$50,000	February 6, 2015	BBH
9	TL/CT	Yes	\$25,000	June 1, 2015	BBH
10	DL	Yes	\$30,000	April 10, 2015	BBH
11	HM	Yes	\$30,000	April 25, 2015	BBH
12	PY	Yes	\$49,450	May 29, 2015	BBH
13	IL	Yes	\$150,000	July 23, 2015	BBH
14	JL	Yes	\$25,000	October 30, 2015	BBH
15	PT	No	\$25,000	July 23, 2015	BBH
	Total		\$2,204,450		

9. The Respondent earned, or directly or indirectly received, at least \$42,500 in fees from GCA or DH in respect of her activities relating to the Syndicated Mortgages.

10. Between September 10, 2013 and November 6, 2015, the Respondent earned, or indirectly received, an additional \$131,000 from GCA or DH in respect of her activities relating to the Syndicated Mortgages which was deposited into joint accounts the Respondent held with her friend, JLA, her children, CL and VL, and husband, BL. As detailed below, the Respondent has failed to cooperate with Staff in the investigation into her conduct and has refused to provide information in respect of these deposits.

11. The Respondent did not disclose to the Member, and the Member was not otherwise aware, that she was recommending, selling, facilitating the sale of, or making referrals in respect of the sale of the Syndicated Mortgages to clients of the Member and other individuals who were not clients of the Member.

12. The Member did not approve the Syndicated Mortgages for sale to its clients by its Approved Persons including the Respondent, and none of the investments in the Syndicated Mortgages were carried on for the account of the Member or through its facilities.

Allegation #1– Securities Related Business

13. At all material times, the Member's policies and procedures required that its Approved Persons only offer products approved for sale by the Member, and conduct all securities related business on behalf of the Member and through its facilities.

14. The Respondent recommended, sold or facilitated the sale of approximately \$100,000 in Syndicated Mortgages to clients PPC and KM.

15. The Respondent recommended, sold or facilitated the sale of the Syndicated Mortgages to some or all of the other clients and one individual as described in paragraph 8 above.

16. The Respondent engaged in one or more of the following activities in relation to the investments in the Syndicated Mortgages:

- a) introduced the Investors to the opportunity to invest in the Syndicated Mortgages;
- b) provided the Investors with investment documents for the Syndicated Mortgages;
- c) discussed the terms and features, including purported rates of return, of the Syndicated Mortgages with the Investors;

- d) provided the Investors with an assessment of the risks and merits of investing in the Syndicated Mortgages;
- e) recommended the Syndicated Mortgages to the Investors; and
- f) attended and participated in GCA seminars about the Syndicated Mortgages.

17. The Member did not approve the Syndicated Mortgages for sale to its clients.

18. None of the investments in the Syndicated Mortgages were carried on for the account of the Member or through its facilities.

19. By virtue of the foregoing, the Respondent engaged in securities related business that was not carried on for the account of the Member and conducted through its facilities, contrary to the Member's policies and procedures and MFDA Rules 1.1.1, 2.1.1, 2.5.1 and 1.1.2.

Allegation #2 – Undisclosed and Unapproved Outside Activities

20. At all material times, the Member's policies and procedures required its Approved Persons to disclose to the Member, and obtain approval from the Member in order to engage in, any outside activities.

21. To the extent the Respondent's activities with respect to the sale of the Syndicated Mortgages described above does not constitute securities related business, then the Respondent had and continued in an outside activity that was not disclosed to and approved by the Member, contrary to the Member's policies and procedures, MFDA Rules 1.2.1(c) (now MFDA Rule 1.3), 2.1.1, 2.5.1 and 1.1.2.

Allegation # 3 – Referral Fee Arrangement

22. At all material times, the Member's policies and procedures required, among other things, that its Approved Persons only participate in referral arrangements that it had approved, that the Member be a party to a written referral arrangement, and that all fees or commissions must flow through the books and records of the Member.

23. To the extent that the Respondent purported to engage in the activities described above relating to the Syndicated Mortgages pursuant to a referral arrangement, the Respondent failed to

disclose to or obtain approval from the Member to have any referral arrangement with GCA or DH, or in relation to the Syndicated Mortgages.

24. The Member was not a party to any referral arrangements with GCA or DH, or in relation to the Syndicated Mortgages.

25. None of the fees the Respondent received relating to the Syndicated Mortgages flowed through the books and records of the Member.

26. By virtue of the foregoing, the Respondent participated in an unapproved referral arrangement to which the Member was not a party, contrary to the Member's policies and procedures, MFDA Rules 2.4.2, 2.1.1, 2.5.1 and 1.1.2, and the requirements of sections 13.7 to 13.10 of National Instrument 31-103.

Allegation #4 – Respondent was Power of Attorney

27. At all material times, the Member's policies and procedures prohibited its Approved Persons from accepting or acting upon a general power of attorney or similar authorization in favour of the Member or Approved Person.

28. The Respondent accepted and acted upon powers of attorney that granted her authority over the financial affairs of the following five clients:

Name of Client	Date POA Granted
WY	July 16, 2013
CL	November 21, 2014
JL	December 3, 2014
PNY	May 14, 2015
VL	November 19, 2016

29. The Respondent did not disclose to the Member that she held powers of attorney for clients.

30. By virtue of the foregoing, the Respondent contravened the Member's policies and procedures and MFDA Rules 2.3.1 and 2.1.1.

Allegation #5 – Accepted Cheques From Clients and Co-mingled Client Funds

31. At all material times the Member’s policies and procedures stated that under no circumstances should a cheque from a client be made payable to an Approved Person.

32. The Respondent received cheques from clients that were payable to her, and deposited the funds into a bank account that she held jointly with other individuals and which she controlled. The particulars are set out in the chart below:

Client	Date of Cheque	Amount of Cheque
WPY	June 24, 2014	\$100,000
WPY	June 27, 2014	\$100,000
VY	October 15, 2014	\$20,000
SYC	April 13, 2015	\$100,071.78
DL	April 2, 2015	\$30,000
WPY	May 2, 2015	\$100,000
WPY	May 16, 2015	\$50,000

33. By virtue of the forgoing, the Respondent contravened the Member’s policies and procedures and MFDA Rules 2.1.4 and 2.1.1.

Allegation #6 – False and Misleading Information to the Member

34. As set out in the table below, starting in October 2013, the Respondent made false and misleading statements to the Member.

Date	Communication	False and Misleading Statement by the Respondent
10/2/2013	In response to questions on a Sub-Branch Review Interview	Stated that she only offered mutual funds to clients through the Member and that no other products are offered. Stated that she does not have any referral arrangements.
11/9/2014	In response to questions on the Member’s Approved Person Fact Sheet	Answered ‘No’ in response to a question asking whether she has power of attorney for any clients. Answered ‘No’ in response to a question asking whether she has a power of attorney for any family members that are clients.

		<p>Answered ‘No’ in response to a question asking whether she has a referral arrangement.</p> <p>Answered ‘No’ in response to a question asking whether she has accepted any cheques payable to herself.</p>
10/17/2015	In response to questions on the Member’s Annual Registration Renewal form	<p>Answered ‘No’ in response to a question asking whether she has a power of attorney for any clients.</p> <p>Answered ‘No’ in response to a question asking whether she has a power of attorney for any family members that are clients.</p> <p>Answered ‘No’ in response to a question asking whether she has a referral arrangement.</p> <p>Answered ‘No’ in response to a question asking whether she has accepted any cheques payable to herself.</p>
11/10/2015	In response to questions on the Member’s Advisor – Periodic Visit Fact Sheet.	<p>Answered ‘No’ in response to a question asking whether she has a power of attorney for any clients.</p> <p>Answered ‘No’ in response to a question asking whether she has a power of attorney for any family members that are clients.</p> <p>Answered ‘No’ in response to a question asking whether she has a referral arrangement.</p> <p>Answered ‘No’ in response to a question asking whether she has accepted any cheques payable to herself.</p>
08/31/2016	In response to the Member’s Advisor Audit Questionnaire form	<p>Stated that she only offered mutual funds and that no other products are offered.</p> <p>Answered ‘No’ in response to a question asking whether she has a referral arrangement.</p> <p>Answered ‘No’ in response to a question asking whether she has accepted any cheques payable to herself.</p>

35. The Respondent’s statements set out in the above chart were false and misleading.

36. By virtue of the foregoing, the Respondent misled the Member in the course of the Member carrying out its supervision functions, contrary to MFDA Rule 2.1.1.

Allegation #7 – False and Misleading Information to the MFDA

37. In or about March 2017, Staff of the MFDA (“Staff”) commenced its investigation into the Respondent’s conduct.

38. On April 2, 2017 the Respondent stated in a letter to Staff that she “did not receive any referral fee or commission by referring people to the seminars or investing in the [Syndicated Mortgages].”

39. On August 16, 2017, the Respondent stated in a letter to the Staff that she did not refer or recommend syndicated mortgages to her mutual fund clients, and she did not receive any commission or referral fee in relation to the Syndicated Mortgages. The Respondent provided a list of 8 individuals and stated that she “only introduced them [to] syndicated mortgages”.

40. On January 18, 2018, the Respondent stated in a letter to Staff that she did not receive any referral fee or commission for “referring friends to attend the seminar or invest in the [Syndicated Mortgages]”.

41. On January 28, 2018 the Respondent provided Staff with a “Letter of Undertaking” dated December 12, 2017, in which she stated:

I did not advise or refer [clients] to invest [in the Syndicated Mortgages], just to attend the seminar. Their decision to invest or not to invest was between the individuals and the syndicated mortgage promotor. I also declare that I did not receive commission or referral fee in the syndicated mortgage investments.

42. On March 20, 2018, Staff interviewed the Respondent. During her interview, the Respondent stated, among other things:

- a) she did not receive any referral fee or commission in relation to the Syndicated Mortgages;
- b) neither DH nor GCA paid her any fees;
- c) she did not receive a marketing fee; and

d) she did not receive a cheque from GCA.

43. The above statements by the Respondent were false and misleading.

44. By virtue of the foregoing, the Respondent engaged in conduct contrary to MFDA Rule 2.1.1.

Allegation #8 – Failing to Cooperate with the MFDA

45. On March 20, 2018, the Respondent attended an interview with Staff. During the interview, the Respondent gave undertakings to provide certain information to Staff. The Respondent, through her counsel, terminated the interview before Staff was able to complete it.

46. On March 29, 2018, Staff sent a letter to the Respondent's counsel listing the undertakings given by the Respondent at her interview before it was terminated and requested copies of bank statements of the bank accounts in which the Respondent is a joint account holder or any account in her name or under her control, from June 1, 2013 to March 1, 2016, with corresponding copies of cheques, transfers and e-transfers over \$5,000. Staff also requested the Respondent's counsel contact Staff to schedule the continuation of the Respondent's interview within 10 days.

47. On April 4, 2018, the Respondent's counsel advised that she was no longer representing the Respondent, and that she had provided a copy of Staff's March 29, 2018 letter to the Respondent.

48. On April 12, 2018 Staff wrote to the Respondent, reiterating its request for banking information outlined in Staff's March 29 letter, and requested production by April 20, 2018. Staff also advised that the Respondent was required to attend a continuation of her interview with Staff on April 25, 2018. The letter was hand delivered to the Respondent on April 12, 2018.

49. On April 24, 2018 the Respondent wrote an email to Staff stating, "I have no more documents to submit."

50. On April 25, 2018, the Respondent failed to attend the continuance of her interview.

51. On May 14, 2018, Staff wrote to the Respondent reiterating its request that she answer her undertakings and provide the banking information outlined in Staff's March 29 letter. Staff requested production by May 24, 2018. Staff also advised the Respondent that she was to contact Staff to schedule the continuation of her interview by May 24, 2018.

52. In June 2018, the Respondent retained new counsel.

53. In July 2018, the Respondent, through her counsel, provided Staff with copies of banking information for joint accounts the Respondent held with her children (CL, VL), her husband (BL), and JLA. The information disclosed additional cheques from GCA totaling \$131,000 payable to the Respondent's children or JLA, which were deposited into the bank accounts jointly held with the Respondent.

54. On August 14, 2018, Staff sent a series of questions to the Respondent concerning the \$131,000 in deposits and asked for her response by August 28, 2018.

55. The Respondent's counsel advised that she required additional time to respond to Staff's questions, and stated that she expected to be in a position to respond by September 11, 2018.

56. Neither the Respondent, nor her counsel, responded by September 11, 2018.

57. On September 17, 2018, the Respondent sent an email to Staff stating that she had terminated her counsel and would provide an update to Staff on October 9, 2018.

58. On October 9, 2018, the Respondent sent an email to Staff advising that she continued to be in the process of finding a new lawyer. She also stated that she was experiencing various health issues and would provide an update to Staff on November 12, 2018.

59. On October 17, 2018, Staff advised the Respondent that a date for the continuation of the Respondent's interview would need to be set by November 12, 2018. Staff also advised that they would provide accommodations for any mobility issues during the interview.

60. On October 18, 2018 the Respondent wrote to Staff stating, "I will get back to you, thanks."

61. The Respondent failed to contact Staff and schedule the continuation of her interview by November 12, 2018.

62. On November 29, 2018, Staff wrote to the Respondent stating that its investigation had been escalated to the MFDA's litigation group. Staff's November 29 letter was served on the Respondent by a process server.

63. On December 9, 2018, the Respondent wrote to Staff stating the MFDA's investigation has "affected my health", and that she had resigned from the Member and would not be working in the mutual fund business in the future. The Respondent also provided documentation indicating that she had experienced an "undisplaced fracture" in her foot.

64. On December 13, 2018, Staff advised that the MFDA's enforcement proceeding will continue regardless of her resignation from the Member. Staff asked what dates the Respondent was available for an interview in January 2019, and again noted they would make accommodations for any mobility issues she had at the interview.

65. On December 13, 2018, the Respondent wrote to Staff stating:

This matter with MFDA has significantly impacted my health negatively and because of this, does not allow me to participate in the investigation. I would like to withdraw my participation from this entire process going forward and I would very much appreciate if you and staff from MFDA and Ontario Securities Commission do not contact me further.

66. The Respondent has not communicated with Staff since December 13, 2018.

67. The Respondent has refused to provide further information about the deposits identified in the joint accounts held with her children, husband and JLA, and she has refused to re-attend for the continuation of her interview with Staff. As a result of her failure to cooperate with Staff's investigation, Staff has been unable to determine the full nature and extent of her conduct, including the amount of referral fees she earned from GCA or DH.

68. By virtue of the foregoing, the Respondent has failed to cooperate with Staff's investigation of her conduct, contrary to section 22.1 of MFDA By-law No. 1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with the MFDA;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- a) a reprimand;
- b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- d) revocation of the authority of such person to conduct securities related business;
- e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time; and
- f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel.

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary within twenty days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: David Barbaree
Email: dbarbaree@mfd.ca

A **Reply** shall be **filed** by:

- a) providing four copies of the **Reply** to the Office of the Corporate Secretary by personal delivery, mail or courier to:

The Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Office of the Corporate Secretary; or

- b) transmitting one electronic copy of the **Reply** to the Office of the Corporate Secretary by e-mail at corporatesecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- a) to **serve** and **file** a **Reply**; or
- b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-laws.

END.

DM 695274