



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: Fangzhou Du

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of the Prairie Regional Council (the “Hearing Panel”) of the Mutual Fund Dealers Association of Canada (the “MFDA”) on July 21 2021 at 9:30 a.m. (Mountain) or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Fangzhou Du (the “Respondent”). Members of the public who would like to listen to the teleconference should contact hearings@mfd.ca to obtain particulars.

DATED this 18th day of May, 2021.

“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@mfd.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 November 2017 and May 23, 2019, the Respondent engaged in personal financial dealings with a client that gave rise to a conflict or potential conflict of interest that the Respondent failed to disclose to the Member or otherwise address by the exercise of reasonable business judgment influenced only by the best interests of the client, contrary to the Member's policies and procedures and MFDA Rules 2.1.4, 2.5.1, 1.1.2 and 2.1.1.

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 January 2017 and May 23, 2019, the Respondent was registered in Alberta as a dealing representative with CIBC Securities Inc. (the "Member"), a Member of the MFDA.
2. At all material times, the Respondent was also employed with CIBC Bank (the "Bank"), which is affiliated with the Member.
3. On May 23, 2019, the Member terminated the Respondent for the conduct described below, and he is not currently registered in the securities industry in any capacity.
4. At all material times, the Respondent carried on business in the Edmonton, Alberta area.

Accepting Monies from Client YM - November 2018

5. At all material times, Approved Persons of the Member were required to disclose any real, potential or perceived conflicts of interest to their manager as soon as possible so that action or further consultations could be undertaken to address any conflict of interest.
6. At all material times, client YM was a client of the Member.
7. At all material times, ZZ was a client of the Bank but was not a client of the Member. In November 2018, ZZ was in a personal relationship with the Respondent. ZZ was also a friend of client YM.

8. On or about November 5, 2018, the Respondent paid \$5,000 on behalf of ZZ as a deposit towards the purchase of a vehicle that ZZ intended to buy.
9. On or about November 5, 2018, client YM agreed to lend ZZ \$41,000 towards the purchase of the same vehicle. Client YM transferred \$41,000 to the Respondent's personal bank account so that the Respondent could apply the money towards the vehicle purchase by ZZ.
10. The next day, the Respondent obtained a bank draft in the amount of \$41,690, consisting of the \$41,000 provided by client YM as well as an additional \$690 from the Respondent that the Respondent provided to ZZ to pay towards the purchase price of the vehicle.
11. On or about November 8, 2018, ZZ provided the Respondent with a bank draft in the amount of \$46,690¹. On the same day, the Respondent transferred monies to repay client YM the amounts client YM loaned to ZZ.
12. The acceptance by the Respondent of the monies from client YM into his personal bank account gave rise to a conflict or potential conflict of interest. The Respondent did not disclose to the Member that he accepted monies from or made payments to client YM to facilitate the repayment of the loan as described above.
13. The Respondent withheld \$200 from the amount repaid to client YM, claiming that it was in respect of monies client YM owed the Respondent for a purchase the Respondent had previously made for client YM. This also constituted personal financial dealings with a client that gave rise to a conflict or potential conflict of interest which the Respondent did not disclose to the Member.

Accepting Monies from Client YM – December 2018

14. At all material times, SL was a client of the Bank but was not a client of the Member.
15. In December 2018, SL asked client YM to lend him \$30,000 so that he could purchase a vehicle.

¹ The bank draft in the amount of \$46,690 that ZZ provided to the Respondent included \$41,000 to be repaid to client YM to reimburse him for the amount that ZZ had borrowed from client YM, and reimbursement to the Respondent of the \$5,690 that the Respondent had paid towards the deposit (\$5,000) and the balance of the purchase price (\$690) of the vehicle on ZZ's behalf.

16. To facilitate this loan, on or around December 7, 2018, client YM transferred \$31,000 to the Respondent's personal bank account, and on or about the next day, the Respondent transferred \$30,000 to SL's bank account.

17. Between January 2019 and May 2019, SL made monthly payments of \$2,800 to the Respondent's personal line of credit in order to facilitate repayment of the loan that SL obtained from client YM. The Respondent then transferred these monies to client YM shortly after each payment was received.

18. The acceptance by the Respondent of the monies from client YM into his personal bank account gave rise to a conflict or potential conflict of interest. The Respondent did not disclose to the Member that he accepted monies from or made payments to client YM to facilitate the repayment of the loan as described above.

19. As described above at paragraph 16, client YM transferred to the Respondent \$1,000 more than the \$30,000 that client YM loaned to SL. The Respondent claims that \$1,000 was for the repayment of monies that client YM owed the Respondent for purchases the Respondent had previously made for client YM. This also constituted personal financial dealings with a client that gives rise to a conflict or potential conflict of interest which the Respondent did not disclose to the Member.

20. In May 2019, the Member terminated the Respondent when it discovered that the Respondent had been engaging in personal financial dealings with client YM as described herein.

21. Subsequently, client YM and SL established an arrangement between them for the repayment of the outstanding borrowed amounts that did not involve the Respondent.

22. By virtue of the foregoing, the Respondent engaged in personal financial dealings with a client that gave rise to a conflict or potential conflict of interest, which the Respondent failed to disclose to the Member or otherwise address by the exercise of reasonable business judgment influenced only by the best interests of the client, contrary to the Member's policies and procedures and MFDA Rules 2.1.4, 2.5.1, 1.1.2 and 2.1.1.

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;
- 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 Director of Regional Councils within twenty (20) 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
Prairie Regional Office
Suite 850, 800 – 6th Ave SW
Calgary, AB T2P 3G3
Attention: Sakeb Nazim
E-mail: snazim@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.

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