

**INVESTMENT INDUSTRY
REGULATORY ORGANIZATION OF CANADA**

IN THE MATTER OF:

**THE RULES OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF
CANADA (IIROC)**

AND

CTI CAPITAL SECURITIES INC.

SETTLEMENT AGREEMENT

I. BACKGROUND

1. The Enforcement Staff of IIROC and the Respondent, CTI Capital Securities Inc. (CTI), consent and agree to the settlement of these matters by way of this settlement agreement (the Settlement Agreement);
2. The Enforcement Department Staff (Staff) of IIROC has conducted an investigation (the Investigation) into the conduct of CTI;
3. The Investigation disclosed matters for which the Respondent may be disciplined by a Hearing Panel appointed pursuant to Part C of Schedule C.1 to Transition Rule No. 1 of IIROC (the Hearing Panel).

II. JOINT SETTLEMENT RECOMMENDATION

4. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement;
5. The Respondent admits to the following contraventions of IIROC Dealer Member Rules, Guidelines, Regulations or Policies:
 - a) Between September 2010 and December 2011, CTI failed to use due diligence to ensure that the acceptance of orders in the accounts of investment advisor Milad Nassif, and in those of his wife and son, was within the bounds of good business practice

contrary to Rule 1300.1(o) and to Part 1C(4) of Rule 2500 of the IIROC Dealer Member Rules.

6. Staff and the Respondent have accepted the following terms of settlement:
 - a) A fine in the amount of \$25,000;
7. The Respondent agrees to pay IIROC costs in the amount of \$5,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

8. Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Factual Background

SUMMARY

9. CTI is an IIROC-regulated firm and had employed Milad Nassif (Mr. Nassif) as an investment advisor since January 2005;
10. Between September 2010 and December 2011 (the material period), Mr. Nassif, while in the employ of CTI, effected numerous trades in the accounts he handled, namely his own margin account, the margin and RRSP accounts of his spouse, Mrs. AD, and the margin account of his son, Mr. EN (the PRO accounts), which were all PRO accounts, whereas these accounts did not have sufficient funds or margins to cover the trades and whereas no effort was made to ensure adequate settlement of these trades, thus engaging in the practice commonly known as “free-riding”;
11. In so doing, the Respondent also contravened the rules applicable to margin accounts and RRSP accounts, in that he:
 - a. neglected or refused to maintain a sufficient margin in the margin accounts;
 - b. neglected or refused to submit to the margin calls issued by the CTI Compliance Department;
 - c. contravened the fiscal rules applicable to RRSP accounts by placing these accounts in debt positions.
12. CTI did not intervene adequately to rectify the margin calls issued against Mr. Nassif;

13. CTI did not intervene adequately with regard to the free-riding trades effected by Mr. Nassif in his PRO accounts while he was under close supervision;
14. CTI did not intervene adequately regarding the trades that Mr. Nassif effected in PRO RRSP accounts, notably tolerating the latter's PRO RRSP accounts being placed in a debit position.

THE REPRESENTATIVE MILAD NASSIF

15. At all material times, Mr. Nassif was employed with CTI as an investment advisor and was subject to close supervision;
16. At all material times, Mr. Nassif held authorizations to trade for the accounts of his spouse, Mrs. AD, and his son, Mr. EN;
17. On October 15, 2013, Mr. Nassif left his job with CTI, effective that same day, and is no longer employed with any IIROC-regulated firm.

IRREGULAR TRADES BY MILAD NASSIF

ACCOUNTS OF MRS. AD

18. Mrs. AD had three (3) accounts at CTI:

Account Holder	Account No.	Account Type
Mrs. AD	4FXXX9E/F	CDN AND US MARGIN
Mrs. AD	4FXXX9S	RRSP
Mrs. AD	4FXXX9R	RRSP benefiting SPOUSE

19. As previously stated, Mr. Nassif held authorizations to trade for these three (3) accounts and carried out all the transactions;
20. On numerous occasions during the material period, Mr. Nassif executed trades in these accounts whereas the accounts did not have the necessary funds or cash to purchase securities and, on the transaction settlement date, he made no effort to deposit the required funds or cash to pay for the purchases, thus engaging in free-riding;
21. Moreover, during the material period, Mr. Nassif executed trades in the margin account of Mrs. AD, transactions that did not respect the margin rate prescribed by regulation, thus repeatedly placing the account in a deficit margin position;

22. On numerous occasions during the material period, Mrs. AD's margin account was the object of margin calls, without Mrs. AD or Mr. Nassif depositing the sums required under the terms of these margin calls;
23. During the material period, there were approximately 66 margin calls on Mrs. AD's margin account;
24. As an example, on September 2, 2010, while Mrs. AD's margin account was the object of a margin call that had yet to be rectified, Mr. Nassif purchased 10,000 shares in Advanced Micro Device for a net amount of \$58,429;
25. On the settlement date, namely September 7, 2010, Mr. Nassif made no effort to ensure adequate settlement of this purchase;
26. For the month of September 2010, there were 32 purchases of securities in Mrs. AD's margin account, for a total value of \$2,107,739.10 and sales of \$2,086,475.45, whereas the estimated market value of the securities in the account was \$55,377.61 with an estimated equity of \$7,639.52 as at September 30, 2010;
27. The near totality of the trades effected in Mrs. AD's margin account that month were a function of free-riding, with Mr. Nassif making no effort to ensure the adequate settlement of these purchases, contenting himself with rapidly selling off the securities thus purchased;
28. Moreover, during the material period, Mr. Nassif effected trades in Mrs. AD's RRSP accounts whereas these accounts did not have the funds or the necessary liquidity to purchase securities, thus repeatedly placing the accounts in a debit position, contrary to the rules and the fiscal legislation applicable to this type of account;
29. Mr. Nassif effected purchases in Mrs. AD's RRSP account no. 4FXXX9S, whereas the account liquidity was less than the sum of the purchases and the RRSP portfolio value was substantially less than the sum of the trades;
30. Mr. Nassif was doing day trading in this RRSP account, without freeing up sufficient cash to cover the purchases, contenting himself with closing out said position before the markets closed;
31. As an example, on September 15, 2011, Mr. Nassif purchased 4,000 shares of Research in Motion through this RRSP account, a net value of \$116,909, whereas the account liquidity at the time of the purchase was \$972;
32. The portfolio's value as at August 31, 2011 was \$46,159, with a cash credit balance of \$1,343.93, for current holdings of \$47,503.87;

33. The findings were the same in the spouse's RRSP account.

ACCOUNT OF MR. EN

34. Mr. EN held the CND/US margin account bearing no. 4FXXX4E/F at CTI;

35. Mr. Nassif had an authorization to trade for this account and, during the material period, executed all the transactions in this account;

36. On numerous occasions during the material period, Mr. Nassif effected trades in this account, whereas the account did not contain the funds or cash necessary to complete the share purchase, and on the settlement date for the share purchase, did not deposit the funds or cash required to pay for the purchase, thus engaging in free-riding;

37. What's more, during the material period, Mr. Nassif executed trades in this account contrary to the margin rate prescribed in the regulations, thus repeatedly placing the account in a deficit margin position;

38. On numerous occasions during the material period, Mr. EN's margin account was the object of margin calls, without Mr. EN or Mr. Nassif depositing the sums required in accordance with the terms of these margin calls;

39. More specifically, 34 margin calls were issued by the CTI Compliance Department on a total of 56 trades effected by Mr. Nassif.

ACCOUNT OF MILAD NASSIF

40. Mr. Nassif held the CND/US margin account bearing no. 4FXXX1F/E at CTI;

41. During the material period, the trading in this account was mainly concentrated in the month of November 2010;

42. During the material period and especially during the month of November 2010, Mr. Nassif effected trades in this account, whereas it did not contain the funds or cash necessary to complete a stock purchase and, on the settlement date for the stock purchase, Mr. Nassif did not deposit the funds or cash required to pay for the purchase, thus engaging in free-riding;

43. What's more, during the material period, Mr. Nassif executed trades in this account contrary to the margin rate prescribed in the regulations, thus repeatedly placing the account in a deficit margin position;

44. On numerous occasions during the material period, Mr. Nassif's margin account was the object of margin calls, without Mr. Nassif depositing the sums required in accordance with the terms of these margin calls;
45. As an example, on November 2, 2010, while Mr. Nassif's margin account was under a margin call for a sum of \$5,808.00, Mr. Nassif proceeded with the following purchases:
 - Advanced Micro Device: US \$37,200;
 - Caterpillar: US \$160,067.20;
 - Freeport McMoRan Copper & Gold: US \$97,277.50;
 - Radian Group: US \$62,491.67.
46. Mr. Nassif should have rectified the margin call in his account before making any other purchases;
47. Mr. Nassif's margin account had a deficit margin of \$7,867.30 as at November 30, 2010; yet during that month, he made purchases worth a total of \$2,300,000 while the equity in the portfolio was \$3,682.28 on October 31, 2010 and \$2,450.27 on November 30, 2010;
48. Mr. Nassif did not make any deposits or any contributions to this account in November 2010;
49. In November 2010, Mr. Nassif received eight (8) margin calls on his account, without these margin calls being rectified;
50. From September 2010 to December 2011, Mr. Nassif did not make any financial contribution to his margin account or provide any valid guarantees to secure his purchases.

FIRM'S FAILURE TO USE DUE DILIGENCE WITH RESPECT TO MILAD NASSIF

51. Mr. Nassif had been under close supervision since July 2009;
52. The supervision reports for the material period, with the exception of the December 2011 report, show no intervention regarding the free-riding;
53. During the material period, with the exception of the December 2011 report, none of CTI's reports raised any problems whatsoever with the trades executed by Mr. Nassif in his PRO accounts;
54. The December 2011 report indicates some irregular purchases and forced sales in Mr. Nassif's PRO accounts;

55. The comments in CTI's December 2011 supervision report were added after the findings from the examination by IIROC's Business Conduct Compliance Department (BCC);
56. It was not until January 2012 that the CTI Compliance Department finally addressed a warning letter to Mr. Nassif, advising him that he was engaging in transactions although his accounts were in default, informing him moreover that, henceforth, all transactions in an account without the necessary funds would be cancelled and transferred to the error account;
57. CTI furthermore reserved the right to impose additional measures, including restricting his accounts;
58. Between September 2010 and September 2011, Mr. Nassif executed over 450 day-trades, most of which contravened the rules and constituted free-riding, without CTI intervening appropriately or with due diligence;
59. During the material period, the CTI Compliance Department issued an approximate total of 116 margin calls to Mr. Nassif for the accounts of Mrs. AD, Mr. EN and Mr. Nassif;
60. During the material period, the only financial contributions made by Mr. Nassif to the aforementioned accounts were the deposit of a sum of \$16,000 to Mrs. AD's margin account, and a sum of \$20,000 to the RRSP account of Mrs. AD's spouse;
61. Aside from the letter of January 10, 2012 in which CTI recognizes the irregularities and rule violations committed by Mr. Nassif as a result of the trades effected in his PRO accounts, CTI, during the material period, failed to take appropriate corrective measures to put an end to Mr. Nassif's irregular practices, thus failing in its obligation of diligence.

IV. TERMS OF SETTLEMENT

62. This settlement is agreed upon in accordance with IIROC Dealer Member Rules 20.35 to 20.40 inclusive, and Rule 15 of the Dealer Member Rules of Practice and Procedure.
63. The Settlement Agreement is subject to acceptance by the Hearing Panel;
64. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel;

65. The Settlement Agreement will be presented to the Hearing Panel at a hearing (“the Settlement Hearing”) for approval. Following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement.
66. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives its right, under IIROC rules and any applicable legislation, to a disciplinary hearing, review or appeal.
67. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement; or Staff may proceed to a disciplinary hearing in relation to the matters disclosed in the Investigation.
68. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.
69. Staff and the Respondent agree that if the Hearing Panel accepts the Settlement Agreement, they, or anyone on their behalf, will not make any public statements inconsistent with the Settlement Agreement.
70. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.
71. Unless otherwise stated, any suspensions, bars, expulsions, restrictions or other terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

AGREED TO by the Respondent at Montreal, Quebec, this February 26, 2014.

(s) Linda Julien

(s) Viet Buu

WITNESS

VIET BUU, President,
for the Respondent

AGREED TO by Staff, at Montréal, Québec, this February 26, 2014.

(s) Linda Vachet

(s) Martin Hovington

WITNESS

ME MARTIN HOVINGTON
Enforcement Counsel, for Staff of
IIROC