

IN THE MATTER OF:

**THE RULES OF THE INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA**

AND

PAUL WAYNE LYNCH

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Investment Industry Regulatory Organization of Canada (“IIROC”) will issue a Notice of Application to announce that it will hold a settlement hearing to consider whether, pursuant to Section 8215 of the Consolidated Enforcement, Examination and Approval Rules of IIROC, a hearing panel (“Hearing Panel”) should accept the settlement agreement (“Settlement Agreement”) entered into between the staff of IIROC (“Staff”) and Paul Wayne Lynch (“Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

Overview

4. In 2014, the Respondent’s Dealer Member firm, CIBC World Markets Inc. (“CIBC”), investigated a complaint made by the Respondent’s client LC about the trading in her accounts. As a result of this internal investigation, CIBC determined that between 2010

and 2012, the Respondent had exercised discretion with respect to the timing and price of securities transactions in certain client accounts. None of these accounts were designated as discretionary or managed accounts.

5. Furthermore, between 2010 and 2012, the Respondent accepted trading instructions from his client HM (the father of his client MM) for his client MM's account. The Respondent did not obtain written authorization from MM to do so.

Background

6. The Respondent is currently a Registered Representative employed at a CIBC branch located in Ottawa, Ontario. He has never been registered as a Portfolio Manager.
7. LC had been the Respondent's client since approximately 1998. LC had three accounts with the Respondent.
8. HM and SM are spouses and had been the Respondent's clients since approximately 2005. HM and SM had one joint account with the Respondent where HM was the primary contact.
9. MM is the daughter of HM and SM and had been the Respondent's client since approximately 2006. MM had one account with the Respondent.

Discretionary Trading

10. In May 2012, LC complained to CIBC about the trading in her accounts. CIBC investigated the complaint. The Respondent admitted that on occasion he had exercised discretion with respect to the timing and price of securities transactions made in the accounts of LC. CIBC also concluded during the course of its investigation that the Respondent had exercised time and price discretion in respect of the joint account of HM and SM.
11. Between 2010 and 2012, approximately 67 transactions were effected in the accounts of LC and the joint account of HM and SM. During this period, LC had a capital gain of \$208,271.39, and HM and SM had a capital loss of \$12,628.95 though had positive returns over the term of their account.
12. The Respondent admitted to Staff that on occasion he exercised discretion with respect to the timing and price of transactions effected in the accounts of LC and the joint account

of HM and SM. The Respondent was not able to identify which of these trades were discretionary.

13. None of LC's accounts or HM and SM's joint account had been accepted or approved as discretionary accounts by CIBC. None of LC, or HM and SM provided any written authorization to the Respondent or to CIBC to effect discretionary trades in their accounts.
14. LC, HM and SM received trade confirmations and month end statements for their accounts.

Trades in MM's Account without Written Trading Authorization

15. Between 2010 and 2012, the Respondent effected seven sales in MM's account.
16. The Respondent admitted to Staff that he accepted trading instructions from MM or MM's father, HM, for MM's account. The Respondent did not obtain written authorization from MM to do so.

Mitigating Factors

17. In June 2014, CIBC provided a Letter of Reprimand to the Respondent and imposed disciplinary measures including payment of a fine of \$7,500 and close supervision for a period of six months in relation to its investigation described in paragraph 10 above. The Respondent acknowledged and agreed to the terms and disciplinary measures outlined in the Letter of Reprimand.
18. CIBC advised Staff that the six month period of close supervision was completed and no concerns were noted during this time.
19. The fines and costs set out in the Terms of Settlement described in paragraph 21 herein have been reduced in consideration of the internal disciplinary measures that have already been imposed by CIBC.

PART IV – CONTRAVENTIONS

20. By engaging in the conduct described above, the Respondent committed the following contraventions of IIROC's Rules:

Count 1: Between 2010 and 2012, the Respondent made discretionary trades in the accounts of his clients LC, and HM and SM, without the accounts having been approved and accepted as discretionary accounts, contrary to IIROC Dealer Member Rule 1300.4.

Count 2: Between 2010 and 2012, the Respondent failed to maintain required minimum records in respect of the account of his client MM, in that he accepted trading instructions from her father HM for MM's account, without obtaining written authorization from MM to do so, contrary to IIROC Dealer Member Rule 200.1(i)(3) (now IIROC Dealer Member Rule 200.2(m)(iii)).

PART V – TERMS OF SETTLEMENT

21. The Respondent agrees to the following sanctions and costs:
 - a) payment of a global fine by the Respondent in the amount of \$17,500;
 - b) re-write of the Conduct and Practices Handbook course within six months; and
 - c) costs to IIROC in the sum of \$2,000.
22. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Staff and the Respondent.

PART VI – STAFF COMMITMENT

23. If the Hearing Panel accepts this Settlement Agreement, Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of paragraph 24 below.
24. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

25. This Settlement Agreement is conditional on acceptance by the Hearing Panel.

26. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing in accordance with the procedures described in Sections 8215 and 8428, in addition to any other procedures that may be agreed upon between the parties.
27. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.
28. If the Hearing Panel accepts the Settlement Agreement, the Respondent agrees to waive all rights under the IROC Rules and any applicable legislation to any further hearing, appeal and review.
29. 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 based on the same or related allegations.
30. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.
31. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IROC will post a full of copy of this Settlement Agreement on the IROC website. IROC will also publish a summary of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement.
32. If this Settlement Agreement is accepted, the Respondent agrees that neither he nor anyone on his behalf will make a public statement inconsistent with this Settlement Agreement.
33. The Settlement Agreement is effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

34. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.
35. A fax or electronic copy of any signature will be treated as an original signature.

DATED this __9th __ day of _November_____, 2016__.

“Witness”

Witness

“Paul Lynch”

Paul Wayne Lynch

“Witness”

Witness

“Sally Kwon”

Sally Kwon
Enforcement Counsel on behalf of
Enforcement Staff of the Investment
Industry Regulatory Organization of
Canada

The Settlement Agreement is hereby accepted this _16th__ day of _November____, 2016 by the following Hearing Panel:

Per: “Paul Moore”

Panel Chair

Per: “Debbie Archer”

Panel Member

Per: “Neil Murphy”

Panel Member