

NOV 29 2017

IN THE MATTER OF:

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

AND

SHAFIQUE HIRANI

NOTICE OF HEARING

An initial appearance (“Initial Appearance”) will be held before a hearing panel (“Hearing Panel”) of the Investment Industry Regulatory Organization of Canada (“IIROC”) pursuant to Sections 8203 and 8205 of the Consolidated Enforcement, Examination and Approval Rules of IIROC in this matter. The purpose of the Initial Appearance is to schedule a hearing (“Hearing”).

The Initial Appearance will be held on: January 17, 2018 at 10:00 a.m.

The Initial Appearance will be held at: Bow Valley Square Conference Centre (Bow 2, 3rd Floor) – Hamilton Room 205 – 5th Avenue S.W. Calgary, Alberta

The Respondent must serve a Response (“Response”) to this Notice of Hearing and the Statement of Allegations dated November 29, 2017, (“Statement of Allegations”) in accordance with Section 8415 within 30 days from the effective date of service of this Notice of Hearing.

If the Respondent does not file a Response in accordance with Section 8415(1), the Initial Appearance may be immediately converted to a Hearing.

If the Respondent files a Response in accordance with Section 8415(1), the Initial Appearance will be immediately followed by an initial prehearing conference. In preparation for the prehearing conference, the Respondent must serve and file a prehearing conference form in accordance with Section 8416(5).

The purpose of the Hearing will be to determine whether the Respondent has committed the contraventions that are alleged by the staff of IIROC (“Staff”). The alleged contraventions are contained in the Statement of Allegations.

Pursuant to Section 8409, the Hearing will be conducted as a[n]:

- Oral Hearing
- Electronic Hearing
- Written Hearing

The Respondent may object to the format of the Hearing. The objection must be made in accordance with Section 8409.

The Initial Appearance, the Hearing and all related proceedings will be subject to the Rules of Practice and Procedure as set out in Section 8400.

Pursuant to the Rules of Practice and Procedure, the Respondent is entitled to attend the Hearing and to be heard, to be represented by counsel or by an agent, to call, examine and cross-examine witnesses, and to make submissions to the Hearing Panel at the Hearing.

If the Respondent fails to serve a Response at the Hearing the Hearing Panel may, pursuant to Section 8415(4):

- (a) proceed with the hearing as set out in this Notice of Hearing, without further notice to the Respondent;
- (b) accept as proven the facts and contraventions set out by Staff in the Statement of Allegations; and
- (c) order sanctions and costs against the Respondent pursuant to Sections 8209, 8210 and 8214 and/or IIROC Dealer Member Rules 20.33 and 20.34.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by Staff in the Statement of Allegations, the Hearing Panel may, pursuant to Sections 8209 and 8210 and/or IIROC Dealer Member Rules 20.33 and 20.34 impose any one or more of the following sanctions:

- (a) a reprimand;
- (b) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention;
- (c) a fine not exceeding the greater of:
 - (i) \$1,000,000 per contravention; and

- (ii) an amount equal to three times the profit made or loss avoided by the person, directly or indirectly, as a result of the contravention.
- (d) suspension of the person's approval or any right or privilege associated with such approval, including access to a Marketplace, for any period of time and on any terms and conditions;
- (e) imposition of any terms or conditions on the person's continued approval or continued access to a Marketplace;
- (f) prohibition of approval in any capacity, for any period of time, including access to a Marketplace;
- (g) revocation of approval;
- (h) a permanent bar to approval in any capacity or to access to a Marketplace;
- (i) permanent bar to employment in any capacity by a Regulated Person, and
- (j) any sanction determined to be appropriate under the circumstances.

If the Hearing Panel concludes that the Respondent did commit any or all of the contraventions alleged by the Staff in the Statement of Allegations, the Hearing Panel may assess and order any investigation and prosecution costs determined to be appropriate and reasonable in the circumstances pursuant to Section 8214 and/or IIROC Dealer Member Rule 20.49.

DATED this 29th day of November, 2017.



NATIONAL HEARING COORDINATOR
Investment Industry Regulatory Organization of Canada
Suite 2000, 121 King Street West
Toronto, Ontario, M5H 3T9

IN THE MATTER OF:

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

AND

SHAFIQUE HIRANI

STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated November 29, 2017, staff of the Investment Industry Regulatory Organization of Canada make the following allegations:

PART I - CONTRAVENTIONS ALLEGED

Count 1

Between February 20, 2015 and April 16, 2015, the Respondent failed to use due diligence to learn and remain informed of the essential facts in regard to approximately 365 of his clients, contrary to Dealer Member Rule 1300.1(a)

Count 2

Between February 20, 2015 and April 16, 2015, the Respondent dealt with the personal information of his clients in a manner that was unbecoming and detrimental to the public interest, and inconsistent with high standards of ethics, contrary to Dealer Member Rule 29.1.

PART II – PARTICULARS

i. Overview

1. The Respondent ignored his professional obligation to know his clients. The Respondent asked his clients to sign blank account forms, which he then directed his staff to complete. The Respondent also failed to take appropriate care in his handling of documents containing his clients' personal information.

ii. Registration History

2. The Respondent is currently employed with Aligned Capital Partners Inc. and is under close supervision. His previous registration history includes:

From	To	Firm	Registration Category
May 2015	Current	Aligned Capital partners Inc.	Registered Representative (Securities) (Retail)
February 2015	April 2015	Investors Group Securities Inc.	Registered Representative (Mutual Funds only) (Retail)
January 2006	February 2015	Investors Group Financial Services Inc.	Mutual Fund Dealer Salesperson Branch Manager (MFDA members only from September 2009 to Jan 2015)
March 2003	January 2006	Investors Group Financial Services Inc.	Mutual Fund Salesperson

iii. Internal Discipline

3. On November 26, 2014, the Respondent received a warning letter from the Compliance unit of Investors Group Financial Services Inc. relating to his use of Pre-Signed New Client Account Forms (the “NCAFs” or “NCAF”).

iv. Background

4. The Respondent was employed by Investors Group Financial Services Inc. (“IG Financial”) as a Mutual Fund Dealers Association licensed consultant from November 1995 to February 20, 2015. He then moved from IG Financial to Investors Group Securities Inc. (“IG Securities”), an IIROC firm. He was an IIROC Registered Representative from February 20, 2015, until his employment was terminated by IG Securities on April 16, 2015.
5. To facilitate his moving to IG Securities, the Respondent began the process of transferring the records of his IG Financial clients to the IG Securities IIROC platform in advance of his becoming an IIROC Registered Representative. During this process the Respondent oversaw an office which included two Associate Consultants and three Assistants (the “Team”). The Team members were relatively young, with limited or no experience working in the financial industry. The Respondent took advantage of this inexperienced staff by creating a hostile working environment in which he intimidated and bullied his Team members.

v. Failure to Know Clients

6. The Respondent disregarded his obligations to know his clients. The process of transferring the records of his IG Financial clients to the IG Securities platform involved having his clients sign incomplete or blank NCAF forms, and then have members of the Team complete them. The Respondent instructed the Team to fill in pre-determined investment objectives and risk tolerances for these clients.

7. As a result of this process, the NCAFs for 365 of the approximately 370 clients which were transferred to IG Securities contained the following identical investment profile:
 - a. Investment Knowledge: High
 - b. Time Horizon: 6 to 10 years
 - c. Risk Tolerance: High
 - d. Investment Objectives: 100% long-term growth
 - e. Purpose of Account: Retirement Savings.

8. In many instances, the clients' NCAFs identified personal and financial information that did not appear to be consistent with these stated investment objectives and risk tolerances.

vi. Misuse of Personal Client Information

9. While at IG Securities the Respondent failed to take appropriate care in his handling of his clients' personal information. The Respondent instructed a Team member to set up an account with the cloud-based storage service Dropbox. He then had his staff upload various documents to the storage server. These documents included his clients':
 - a. NCAFs
 - b. account statements from financial institutions
 - c. mortgage details
 - d. life insurance summaries
 - e. personal tax assessments
 - f. account statements.

10. Many of the documents contained his clients' personal information, such as:
 - a. telephone numbers
 - b. banking information including account numbers
 - c. home addresses
 - d. income tax information
 - e. social insurance numbers.

11. Over 35,000 documents were uploaded to the Respondent's Dropbox account. The use of the Dropbox service by the Respondent was motivated by a concern that his employment was going to be terminated by IG Securities, and he wanted to preserve ongoing access to his clients' account information.
12. Before his employment was terminated by IG Securities, the Respondent was suspended and was prohibited from attending his office as a result of an unrelated matter. During this time he instructed one of his Team members to copy the client information that had been uploaded to Dropbox to a portable storage device.
13. The Respondent's use of Dropbox and the portable storage device resulted in a lack of control over his clients' personal information. After the Respondent's dismissal from IG Securities, a former IG Securities employee was in possession of a portable storage device containing client documents that were the same as those found on the Dropbox account.
14. The use of Dropbox and the portable storage device contravened IG Securities' security policies. Under these policies, both IG Securities and the clients were required to provide prior approval of the Respondent's use of any third party storage services. The Respondent did not seek such approval.

DATED at Calgary, Alberta this 29th day of November, 2017