

Re Diaz

IN THE MATTER OF

The Mutual Fund Dealer Rules

and

Pedro Jose Albornoz Diaz

2025 CIRO 42

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: August 14, 2025 in Toronto, Ontario by videoconference

Decision: August 14, 2025

Reasons for Decision: August 28, 2025

Hearing Panel:

Martin L. Friedland C.C., K.C., Chair

Daniel P. Iggers, Industry Representative

Joseph A. Yassi, Industry Representative

Appearances:

Tyler Beazer, Enforcement Counsel

Kirshit Seevaratnam Baker, Enforcement Counsel

Pedro Jose Albornoz Diaz (present)

REASONS FOR DECISION FOR ACCEPTANCE OF SETTLEMENT

Introduction

[1] By Notice of Settlement Hearing issued July 17, 2025, the Canadian Investment Regulatory Organization (“CIRO”) commenced a disciplinary proceeding against Pedro Jose Albornoz Diaz (the “Respondent”) pursuant to Sections 7.3 and 7.4 of the Mutual Fund Dealer Rules.

[2] Enforcement Staff of CIRO (“Staff”) and the Respondent entered into a settlement agreement, dated July 16, 2025 (the “Settlement Agreement”), in which the Respondent admitted to certain misconduct in contravention of the Mutual Fund Dealer Rules. The Settlement Agreement can be found at the end of these reasons.

[3] On August 14, 2025, a settlement hearing was held by videoconference to review the Settlement Agreement.

[4] Enforcement Staff and the Respondent made a joint submission to the Hearing Panel requesting that the Settlement Agreement be accepted pursuant to Rule 7.4.4 of the Mutual Fund Dealer Rules.

[5] The Respondent was not represented by counsel at the hearing.

[6] At the conclusion of the Settlement Hearing, the Settlement Agreement was accepted by the Hearing Panel, with reasons to follow. These are our reasons.

Registration History

[7] Between June 27, 2018 and July 13, 2023, the Respondent was registered in Ontario as a Dealing Representative with PFSL Investments Canada Ltd. (the “Dealer Member”), a Dealer Member of CICO registered as a Mutual Fund Dealer. The Respondent was designated as a branch manager by the Dealer Member from July 6, 2020 until June 14, 2023, when he voluntarily resigned from that role. At all material times, he conducted business in the Toronto, Ontario area. The Dealer Member terminated the Respondent’s registration in July 2023 as a result of the conduct described in the Settlement Agreement, and he is not currently registered in the securities industry in any capacity.

Contravention

[8] In Part IV of the Settlement Agreement, the Respondent admits that on or around March 20, 2023, he processed unauthorized transfers in a client’s account. The transfers were of two Locked-in Retirement Accounts (“LIRA”), from two other financial institutions, which a colleague of the Respondent had arranged for a client, client HC. The colleague was Marcos David Magallanes Conde (“Conde”), who had joined the same Dealer Member firm as the Respondent on February 15, 2023. The Respondent knew that the transfers had not been approved by client HC. Client HC had informed the Respondent’s colleague not to proceed with the transfer. These account forms facilitated the transfer of \$65,859.98 to the Dealer Member. Client HC had not authorized the transfer of his LIRA accounts.

[9] Concurrently, without client HC’s knowledge or authorization, but with the knowledge of the Respondent, Conde also signed client HC’s signature on six additional account forms, which were required to open client HC’s accounts at the Dealer Member. These various transactions are spelled out in greater detail in the Settlement Agreement.

[10] Between March 20, 2023 and March 29, 2023, client HC was informed by one of the other financial institutions that his LIRA accounts had been transferred in full to the Dealer Member.

[11] The Dealer Member then received a complaint from client HC, stating that he had not authorized the transfers.

[12] Client HC confirmed in his complaint that he had discussed the possible transfer of his LIRA accounts to PFSL with the Respondent’s colleague, Conde. The Dealer Member terminated Conde’s employment as a result of the conduct described in the Settlement Agreement, and Conde is not currently registered in the securities industry in any capacity

[13] A separate disciplinary proceeding against Conde was brought by CICO and was heard by the present Hearing Panel on the same day as the Diaz proceeding. Although the two hearings are intertwined and rely on much the same evidence and similar authorities, they are separate proceedings. One principal difference in the two cases is that the Respondent in this case was a branch manager.

[14] At all material times, as the Respondent acknowledges in Section 8 of the Settlement Agreement, the Dealer Member’s policies and procedures prohibited Approved Persons from signing a client’s signature on account documents, and from processing transactions without clients’ authorization. In Section 9 of the Settlement Agreement, the Respondent also acknowledges that at all material times, the Dealer Member’s policies and procedures required branch managers to supervise the activities of representatives assigned to the branch.

Rule 2.1.1

[15] The Respondent’s conduct was contrary to Mutual Fund Dealer Rule 2.1.1, which is a rule of general application, which prescribes the standard of conduct applicable to registrants in the mutual fund industry. The Rule requires, among other things, that:

Each Member and Approved Person of a Member shall: deal fairly, honestly and in good faith with its clients; observe high standards of ethics and conduct in the transaction of business; and not engage in any business conduct or practice which is unbecoming or detrimental to the public interest.

[16] There are many reported cases outlining the minimum standard of conduct under Rule 2.1.1. See, for example, *Re Breckenridge*¹; *Re Briske*² and *Re Encalada*³. Failure to obtain client authorization is specifically dealt with in *Re Hodge*⁴, *Re Shin*⁵, *Re Wallace*⁶ and *Re Cummins*⁷.

[17] As held by the hearing panel in *Re Cummins*, by failing the requirement to obtain proper client authorization before opening a client account and processing a transaction, an Approved Person fails to deal honestly with the affected client and to observe the high standard of ethics and conduct expected under MFDA Rule 2.1.1.

Terms of Settlement

[18] The Respondent agreed to the following sanctions and costs in Section 26 of the Settlement Agreement:

- (a) the Respondent shall pay a fine in the amount of \$12,500 in certified funds, pursuant to Mutual Fund Dealer Rule 7.4.1.1 (b);
- (b) the Respondent shall pay costs in the amount of \$2,500 in certified funds, pursuant to Mutual Fund Dealer Rule 7.4.2); and
- (c) the Respondent shall be prohibited from acting as a branch manager or in any supervisory capacity for a Dealer Member for a period of 6 months, commencing on the date that this Settlement Agreement is accepted, pursuant to Mutual Fund Dealer Rule 7.4.1.1(f).

[19] The Settlement Agreement also provides that that the Respondent shall in the future comply with Mutual Fund Dealer Rule 2.1.1, discussed above.

Respondent's Conduct

[20] The conduct engaged in by the Respondent is serious. It is particularly serious because he had been a branch manager for several years and was aware that his conduct was improper.

[21] The Respondent was designated as a branch manager by the Dealer Member on July 6, 2020 until June 14, 2023. The Dealer Member's policies and procedures require branch managers to supervise the activities of representatives assigned to their branch.

[22] As stated by a hearing panel in the 2018 *Re Dibbley* case⁸:

A branch manager is an important and integral part of the MFDA regulatory regime. The branch manager is not only eyes and ears of the Member, he/she is vested with a critical responsibility towards ensuring that the Member's business is carried on in accordance with all of the regulatory requirements and that the clients of the Member are afforded all the protections of that regime.

[23] The Respondent processed the transfers *after* the publication of Staff Notice MSN-0035, which expressly states that prior client authorization and instructions must be obtained for all transactions executed on behalf of a client.

¹ Re Breckenridge 2007 CANLII 80232 (CMFDA)

² Re Briske 2019 CANLII 67437 (CMFDA)

³ Re Encalada 2018 CanLII 43847

⁴ Re Hodge 2025CIRO06

⁵ Re Shin 2022 CanLII 93201 (CMFDA)

⁶ Re Wallace 2017 CanLII 4065 (CMFDA)

⁷ Re Cummins 2017 CanLII 43223 (CMFDA)

⁸ Re Dibbley 2018 CanLII 89311 (CMFDA) at para 16

[24] The Respondent knew the client's signatures had been signed on the account opening documents by another Approved Person and that the client had not authorized the transfers. Nevertheless, the Respondent personally signed the client's signature on the transfer forms to process the two LIRA account transfers without obtaining client authorization.

[25] Without the client's knowledge or authorization, the Respondent processed the transfers of the client's two LIRA accounts in the amount of \$65,859.98 from the two other financial institutions to the Dealer Member.

[26] In the Respondent's favour is the fact that he has not previously been faced with disciplinary proceedings.

[27] After receiving the client complaint, the Dealer Member sent audit letters to all of the clients whose accounts the Respondent serviced, along with copies of their account transaction history, to determine the accuracy of the information and whether the transactions were authorized. None of these clients responded to the audit letters with any concerns or complaints. See Settlement Agreement at para. 19.

[28] Further, the Respondent did not receive any commissions arising from the unauthorized transfers. The two transfers were reversed before the money was invested.

[29] There is also no evidence of client financial loss resulting from the unauthorized transfers.

[30] The penalty of \$12,500 and costs of \$2,500 are consistent with the penalties and costs in the cases cited to us by counsel: *Re Hodge*, *Re Wallace*, and *Re Sunkara*⁹.

[31] The penalty is somewhat higher than the \$10,000 penalty imposed on Conde, principally because of the Respondent's position as a branch manager.

[32] The proposed penalty and fine provide a measure of deterrence to others in the securities industry and specific deterrence to the Respondent if he reenters the industry.

[33] Finally, it should be noted that the Respondent has already suffered a significant penalty in having been dismissed from his firm.

Should the Panel Accept the Settlement?

[34] Settlements can be important and useful in achieving outcomes which further the goals of the securities regulatory context. The British Columbia Court of Appeal stated with respect to a settlement by the B.C. Securities Commission¹⁰:

Settlements assist the Commission to ensure that its overriding objective, the protection of the public, is met. Settlements proscribe activities that are harmful to the public. In so doing, they are effective in accomplishing the purposes of the statute. They provide means of reaching a flexible remedy that is tailored to address the interests of both the Commission and the person under investigation.

[35] Hearing panels should respect settlements worked out by the parties. A panel does not know what led to a settlement, what was given up by one party or the other in the course of the negotiations, and what interest each party has in agreeing to resolve the matter. The panel cannot go beyond the settlement agreement. There are almost always facts that play a role in the settlement which are not set out in the settlement agreement or brought to the attention of the panel. See *Re Grace Wong Uy*¹¹.

[36] As a panel stated¹², to take one of many such cases: "It is well established that hearing panels should not interfere lightly in negotiated settlements and should not reject a settlement agreement unless it views the

⁹ *Re Sunkara* 2021 CanLII 155689

¹⁰ *B.C. Securities Commission v. Seifert* [2007] B.C.J. No. 2186, para. 49 (B.C.C.A.)

¹¹ *Re Grace Wong Uy* 2018 CanLII 54973 (CMFDA) at paragraphs 7 and 8

¹² *Re Keshet*, MFDA File No. 201419 at paragraph 7

proposed penalty clearly falling outside a reasonable range of appropriateness.” There are many similar statements by MFDA panels, stemming from the leading decision of *Re Milewski*¹³, which stated:

A District Council considering a settlement agreement will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness.

[37] The penalty agreed to in this case clearly falls *within* “a reasonable range of appropriateness.”

[38] For the above reasons, the Panel accepted the Settlement Agreement.

DATED at Toronto, Ontario this 28th day of August 2025.

“Martin L. Friedland”

Martin L. Friedland, C.C., K.C., Chair

“Daniel P. Iggers”

Daniel P. Iggers

“Joseph A. Yassi”

Joseph A. Yassi

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¹³ Re Milewski, [1999] I.D.A.C.D. No. 17 at page 11



**IN THE MATTER OF
THE MUTUAL FUND DEALER RULES
AND
PEDRO JOSE ALBORNOZ DIAZ**

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Canadian Investment Regulatory Organization (“CIRO”)¹ will issue a Notice of Settlement Hearing to announce a settlement hearing pursuant to Mutual Fund Dealer Rule 7.4.4 and Rules 14 and 15 of the Mutual Fund Dealer Rules of Procedure (“Rules of Procedure”) to consider whether a Hearing Panel should accept this Settlement Agreement between Enforcement Staff and Pedro Jose Albornoz Diaz (the “Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Enforcement 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.

Registration History

4. Between June 27, 2018, and July 13, 2023, the Respondent was registered in Ontario as a dealing representative with PFSL Investments Canada Ltd. (the “Dealer Member”), a Dealer Member of CIRO registered as a Mutual Fund Dealer.
5. The Respondent was designated as a branch manager by the Dealer Member from July 6, 2020, until June 14, 2023, when he voluntarily resigned from that role.

6. On July 13, 2023, the Dealer Member terminated the Respondent's registration. The Respondent is not currently registered in the securities industry in any capacity.
7. At all material times, the Respondent conducted business in the Toronto, Ontario area.

Processed Two Unauthorized Transfers in a Client's Account

8. At all material times, the Dealer Member's policies and procedures prohibited Approved Persons from signing a client's signature on account documents, and from processing transactions without client authorization.
9. At all material times, the Dealer Member's policies and procedures required Branch Managers to supervise the activities of Representatives assigned to their branch.
10. Between February 7, 2023, and March 14, 2023, Marcos David Magallanes Conde ("Conde"), an Approved Person at the Dealer Member who worked at the same branch as the Respondent, met with client HC to discuss opening new accounts at the Dealer Member and transferring two Locked-in Retirement Accounts ("LIRA") from two other financial institutions to the Dealer Member.
11. On or around March 14, 2023, client HC advised Conde not to proceed with the account openings and not to initiate the transfers of his LIRA accounts until client HC redeemed approximately \$3,300 from one of the LIRA accounts.
12. On or around March 20, 2023, without client HC's knowledge or authorization, the Respondent signed client HC's signature on two Transfer Authorization Forms and submitted them to the Dealer Member to facilitate the transfer of the two LIRA accounts from the two other financial institutions to the Dealer Member.
13. Concurrently, without client HC's knowledge or authorization, Conde also signed client HC's signature on six additional account forms, which were required to open client HC's accounts at the Dealer Member. The account forms included:
 - (a) two AGF New Account Application Forms;
 - (b) two PFSL New Account Application Forms; and
 - (c) two Beneficiary Designation Forms.

14. The Respondent approved for submission to the Dealer Member six account forms that he knew were signed by Conde without client HC's authorization, to process the transfer of client HC's LIRA accounts from the other financial institutions to the Dealer Member.
15. These account forms facilitated the transfer of \$65,859.98 to the Dealer Member. Client HC did not authorize the transfer of his LIRA accounts.

Client HC's Complaint

16. Between March 20, 2023, and March 29, 2023, client HC was informed by one of the other financial institutions that his LIRA account had been transferred in full to the Dealer Member.
17. The Dealer Member received a complaint from client HC, stating that he had not signed any account documents and had not authorized the transfers. He confirmed that he had discussed the possible transfer of his LIRA accounts to PFSL with Conde but had instructed him to hold off on processing the transfers.
18. The Dealer Member returned the transferred funds to the other financial institutions on April 11, 2023, and May 9, 2023.
19. On June 22, 2023, the Dealer Member sent audit letters to all clients whose accounts the Respondent serviced, along with copies of their account transaction history, to determine the accuracy of the information and whether the transactions were authorized. None of the clients responded with any concerns or complaints.

Additional Factors

20. Client HC was unable to access his monies through the other financial institution due to the unauthorized transfer.
21. There is no evidence of client financial loss resulting from the unauthorized transfers.
22. The Respondent has not been the subject of prior MFDA or CIRO disciplinary proceedings.
23. The Respondent did not receive any commissions arising from the unauthorized transfers because the two transfers were reversed before the money was invested.

24. By entering into this Settlement Agreement, the Respondent has saved CIRO the time, resources, and expenses associated with conducting a contested hearing of the allegations.

PART IV – CONTRAVENTIONS

25. By engaging in the conduct described above, the Respondent committed the following contravention of CIRO requirements:

On or around March 20, 2023, the Respondent processed unauthorized transfers in a client's account, contrary to Mutual Fund Dealer Rule 2.1.1.

PART V – TERMS OF SETTLEMENT

26. The Respondent agrees to the following sanctions and costs:
- (a) the Respondent shall pay a fine in the amount of \$12,500 in certified funds, pursuant to Mutual Fund Dealer Rule 7.4.1.1(b);
 - (b) the Respondent shall pay costs in the amount of \$2,500 in certified funds, pursuant to Mutual Fund Dealer Rule 7.4.2; and
 - (c) the Respondent shall be prohibited from acting as a branch manager or in any supervisory capacity for a Dealer Member for a period of 6 months, commencing on the date this settlement agreement is accepted, pursuant to Mutual Fund Dealer Rule 7.4.1.1(f).
27. The Respondent shall in the future comply with Mutual Fund Dealer Rule 2.1.1.
28. The Respondent shall attend on the date set for the Settlement Hearing.
29. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees to pay the amounts referred to above immediately upon such acceptance, unless otherwise agreed between Enforcement Staff and the Respondent.

PART VI – STAFF COMMITMENT

30. If the Hearing Panel accepts this Settlement Agreement, Enforcement 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 the paragraph below.
31. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Mutual Fund Dealer Rule 7 against the Respondent. These proceedings may be based on, but not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

32. This Settlement Agreement is conditional on acceptance by the Hearing Panel.
33. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing in accordance with Mutual Fund Dealer Rule 7.4.4, and Rules of Procedure 14 and 15, in addition to any other procedures that may be agreed upon between the parties.
34. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all 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.
35. If the Hearing Panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules and By-law No. 1 of CIRO, and any applicable legislation to any further hearing, appeal, and review.
36. If the Hearing Panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.
37. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.

38. This Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and CISO will post a copy of this Settlement Agreement on the CISO website. CISO will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the Hearing Panel's written reasons for its decision to accept this Settlement Agreement.
39. If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.
40. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the Hearing Panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

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

DATED this 16th day of July, 2025.

“Witness”
Witness

“Respondent”
Respondent

“Kirshita Seevaratnam Baker”
Kirshita Seevaratnam Baker
Enforcement Counsel on behalf of
Enforcement Staff of the
Canadian Investment Regulatory
Organization

The Settlement Agreement is hereby accepted this 14th day of August, 2025 by the following Hearing Panel:

Per: “Martin Friedland”
Chair

Per: “Dan Iggers”
Industry Member

Per: “Joe Yassi”
Industry Member

¹ Where the rules, by-laws, and policies of the Mutual Fund Dealers Association of Canada (the “MFDA”) that were in force immediately prior to amalgamation of the Investment Industry Regulatory Organization of Canada and the MFDA have been incorporated into the Mutual Fund Dealer Rules, Enforcement Staff have referenced the relevant section of the Mutual Fund Dealer Rules.