



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: Michael Guglielmi

AGREED STATEMENT OF FACTS

I. INTRODUCTION

1. By Notice of Hearing dated May 25, 2015, the Mutual Fund Dealers Association of Canada (the “MFDA”) commenced a disciplinary proceeding against Michael Guglielmi (the “Respondent”) pursuant to ss. 20 and 24 of MFDA By-law No. 1.
2. The Notice of Hearing set out the following allegations:

Allegation #1: Between October 2012 and April 17, 2013, the Respondent allowed WB, PA and WM, all unregistered individuals, to: a) open new accounts at the Member for at least 12 individuals that the Respondent never met; and b) recommend and process trades in the accounts of the 12 individuals using the Respondent’s representative code; thereby facilitating stealth advising by WB, PA and WM, contrary to MFDA Rules 1.1.1(c) and 2.1.1; and

Allegation #2: Between October 2012 and April 17, 2013, the Respondent opened new accounts and processed trades for at least 12 individuals without performing the necessary due diligence to learn the essential facts relative to the clients and failing to ensure that the investments were suitable and appropriate for the clients, contrary to MFDA Rules 2.2.1 and 2.1.1.

II. IN PUBLIC / IN CAMERA

3. The Respondent and Staff of the MFDA (“Staff”) agree that this matter should be heard in public pursuant to Rule 1.8 of the MFDA Rules of Procedure.

III. ADMISSIONS AND ISSUES TO BE DETERMINED

4. The Respondent has reviewed this Agreed Statement of Facts and admits the facts set out in Part IV herein. The Respondent admits that the facts in Part IV constitute misconduct for which the Respondent may be penalized on the exercise of the discretion of a Hearing Panel pursuant to s. 24.1 of MFDA By-law No. 1.

5. Subject to the determination of the Hearing Panel, Staff submits, and the Respondent does not oppose, that the appropriate penalty to impose on the Respondent is:

(a) A one year prohibition to conduct securities related business in any capacity while in the employ of, or associated with, any Member of the MFDA, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;

(b) A fine in the amount of \$15,000, pursuant to section 24.1.1(b) of MFDA By-law No; and

(c) Costs in the amount of \$5,000, pursuant to s. 24.2 of MFDA By-law No. 1.

IV. AGREED FACTS AND CONTRAVENTIONS

6. Staff and the Respondent agree that submissions made with respect to the appropriate penalty are based only on the agreed facts in Part IV and no other facts or documents. In the

event the Hearing Panel advises one or both of Staff and the Respondent of any additional facts it considers necessary to determine the issues before it, Staff and the Respondent agree that such additional facts shall be provided to the Hearing Panel only with the consent of both Staff and the Respondent. If the Respondent is not present at the hearing, Staff may disclose additional relevant facts, at the request of the Hearing Panel.

7. Nothing in this Part IV is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against him.

Registration History

8. From December 16, 2008 to May 1, 2012, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with Quadrus Investment Services Ltd. (“Quadrus”), a Member of the MFDA.

9. From October 5, 2012 to April 17, 2013, the Respondent was registered in Ontario as a mutual fund salesperson with Hub Capital Inc. (“HUB”), a Member of the MFDA.

10. The Respondent is not currently registered in the securities industry in any capacity.

11. At all material times, the Respondent conducted business in the Vaughan, Ontario area.

Contravention #1 – The Respondent Facilitated Stealth Advising

12. While he was registered with Quadrus, the Respondent, together with WB, PA and WM who were registered as mutual fund salespersons, conducted business under the trade name, Real Wealth Investments (“RWI”) at the same branch location (the “RWI Branch”). At that time, WB and PA were registered with Quadrus and WM was registered with Investia Financial Services Inc. (“Investia”), a Member of the MFDA.

13. In or about April 2012, the Respondent, WB and PA resigned from Quadrus, and WM resigned from Investia.

14. WB, PA and WM did not become registered in the securities industry at any time after April 2012.

15. On October 5, 2012, the Respondent became registered as a mutual fund salesperson with HUB. At all material times, the Respondent conducted business at the RWI Branch.

16. Notwithstanding that WB, PA and WM were no longer registered in the securities industry, they continued to conduct insurance and mortgage broker business with RWI and regularly attended the RWI Branch.¹

17. Commencing in or about October 2012, WB, PA and WM informed the Respondent that certain individuals wanted to purchase mutual funds. WB, PA and WM requested that the Respondent provide them with account forms (including Know-Your-Client Information Forms, Orders Tickets and Dealer Representative Change Forms) to open accounts for the individuals at HUB and process trades in those accounts. WB, PA and WM also requested that the Respondent facilitate this activity by processing all of the account forms under his HUB representative code. The Respondent agreed to participate in this arrangement with WB, PA and WM (the “Stealth Advising Arrangement”).

18. In accordance with the Stealth Advising Arrangement, between October 2012 and April 17, 2013, WB, PA and WM met with at least 12 individuals² in the absence of the Respondent to complete the account forms. WB, PA and WM provided the completed account forms to the Respondent, who signed the documents and submitted them to HUB for processing using his representative code.

19. WB, PA and WM were not registered in the securities industry and did not possess the necessary proficiencies to advise or trade in securities on behalf of the 12 individuals. Furthermore, WB, PA and WM were not in an employer-employee relationship, a principal-agent relationship or an introducing dealer-carrying dealer relationship with HUB, as required by MFDA Rule 1.1.1(c).

¹ While registered with HUB, the Respondent did not conduct business under the trade name RWI.

² Namely, RP, LR, LA, JW, PM, ML, IC, KC, CT, DJ, DL, and DP.

20. HUB was not aware of the Stealth Advising Arrangement and, as a consequence, the activities of WB, PA and WM were not subject to supervision by HUB.

Contravention #2 – Failing to Know the Client and Assess Suitability

21. By participating in the Stealth Advising Arrangement or, alternatively, by relying solely upon the Respondent's mail communications with the 12 clients, the Respondent opened accounts and process trades for the 12 clients, without fulfilling his obligations to:

- (a) learn the essential facts relative to each client and each order or account accepted;
- (b) ensure that the acceptance of each order was within the bounds of good business practice;
- (c) ensure that each order accepted or recommendation made for each account was suitable for the client and in keeping with the client's investment objectives; and
- (d) explain to the individuals the features and risks of the mutual fund trades he was processing on their behalf.

Misconduct Admitted

22. By engaging in the conduct described above, the Respondent admits that, between October 2012 and April 17, 2013, he:

- (a) allowed WB, PA and WM, all unregistered individuals, to:
 - i. open new accounts at the Member for at least 12 individuals that the Respondent never met; and
 - ii. recommend and process trades in the accounts of the 12 individuals using the Respondent's representative code;

thereby facilitating stealth advising by WB, PA and WM, contrary to MFDA Rules 1.1.1(c) and 2.1.1 (“Contravention #1”); and

- (b) opened new accounts and processed trades for at least 12 individuals without performing the necessary due diligence to learn the essential facts relative to the clients and failing to ensure that the investments were suitable and appropriate for the clients, contrary to MFDA Rules 2.2.1 and 2.1.1. (“Contravention #2)

Additional Facts

23. The Respondent has not previously been the subject of MFDA disciplinary proceedings.

24. The Respondent has cooperated with Staff throughout the course of Staff’s investigation and these proceedings.

25. There is no evidence that the Respondent’s conduct resulted in harm to investors.

26. By admitting the facts and contraventions described in paragraphs 6 to 22 above, the Respondent has:

- (a) expressed remorse for his actions; and

- (b) saved the MFDA significant time and resources associated with conducting a fully contested hearing on the merits.

Execution of Agreed Statement of Facts

27. This Agreed Statement of Facts may be signed in one or more counterparts which together shall constitute a binding agreement.

28. A facsimile copy of any signature shall be effective as an original signature.

DATED this 7th day of December, 2015.

“Michael Guglielmi”

Michael Guglielmi

“Shaun Devlin”

Staff of the MFDA

Per: Shaun Devlin

Senior Vice-President, Member Regulation -
Enforcement

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