



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Luigi Francesco Ciardullo

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the Central Regional Council (the “Hearing Panel”) of the MFDA should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and the Respondent Luigi Francesco Ciardullo (the “Respondent”).

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff conducted an investigation of the Respondent’s activities. The investigation disclosed that the Respondent had engaged in activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No.1.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A”.

4. Staff and the Respondent agree that the terms of this Settlement Agreement, including the attached Schedule “A”, will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

III. ACKNOWLEDGEMENT

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part IX) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is approved by the MFDA.

IV. AGREED FACTS

Registration History

6. The Respondent has been registered in Ontario as a mutual fund salesperson with Addington Financial Corporation (“Addington”) since February 12, 2003.

7. Prior to being registered as a mutual fund salesperson with Addington, the Respondent was registered as a mutual fund salesperson in Ontario since March 13, 2001 with four other mutual fund dealers.

8. Addington has been a Member of the MFDA since May 10, 2002

Failure to Observe High Standards of Ethics and Conduct

9. At all material times, the Respondent was located at Addington’s head office at 7050 Weston Rd., Suite 320, Vaughan, Ontario.

10. The Respondent was also licensed to sell life, disability, and group insurance and carried on business in that capacity as “Pinnacle Financial Services”.

11. PL is an individual who, in December 2005, was not a client of Addington. As set out below, PL later became a client of Addington in February 2006.

12. SA is PL's brother and a long-time friend of the Respondent. SA was not a client of Addington. SA neither was nor is registered in the securities industry in any capacity.

13. In or about December 2005, SA told the Respondent that PL was recently divorced and had a significant amount of money to be invested but PL was not comfortable with SA handling the investment on her behalf.

14. At SA's request, the Respondent agreed to meet with PL and led her to believe that the Respondent would invest PL's money on her behalf. Unbeknownst to PL, the Respondent and SA had agreed that once the Respondent obtained PL's money from her, he would provide it to SA, who would then purportedly invest the money on PL's behalf without her knowledge. The Respondent agreed that he would not inform PL that SA would be taking possession of her monies.

15. On or about December 9, 2005, the Respondent met with PL at Addington's office. PL was not, at that time, a client of Addington. At that meeting:

- (a) PL provided the Respondent with a \$150,000 cheque;
- (b) the Respondent told PL that he would invest the monies on her behalf but did not provide PL with any disclosure concerning the nature of the purported investment(s);
- (c) the Respondent provided PL with a promissory note (the "Promissory Note") in which the Respondent acknowledged his personal indebtedness to PL and agreed to repay her \$150,000 plus no less than 10% interest within 12 months.

16. After receiving the \$150,000 from PL, the Respondent deposited the money into a bank account he maintained and operated for Pinnacle Financial Services (the "Pinnacle Account").

17. The Respondent did not disclose to Addington any of the foregoing circumstances, including in particular that he had received the monies from PL, deposited them into a bank account under his control and had provided the Promissory Note to PL.

18. On or about February 13, 2006, approximately two months after the Respondent provided the Promissory Note to PL, PL became a client of Addington. The Respondent was the mutual fund salesperson responsible for her account.

19. At the time PL became a client of Addington, the Respondent did not disclose to Addington his pre-existing financial arrangements with PL.

20. Between approximately January 2006 and July 2006, SA requested that the Respondent provide him with monies purportedly to invest on PL's behalf, which the Respondent claims he did by way of various cash payments to SA totaling approximately \$50,000. The Respondent claims that he made the cash payments from sources other than the monies on deposit in the Pinnacle Account. During this period, the Respondent kept the entire amount of the \$150,000 provided to him by PL on deposit in the Pinnacle Account.

21. The Respondent claims that SA invested the \$50,000 provided to him by the Respondent on PL's behalf by giving the money to another individual, the identity of whom the Respondent claims he does not know, to invest in "futures". The Respondent is unable to identify by name or provide any particulars in respect of the "futures".

22. The investment product owned, managed or arranged by SA or persons unknown was not an investment product known to or approved for sale by Addington.

23. The Respondent did not inform PL that he had provided any monies to SA to invest on her behalf, and, at all material times, he allowed PL to continue to believe that the Respondent was investing all of her monies on her behalf.

24. On or about August 18, 2006, in response to a request by PL, the Respondent paid PL \$100,000 from the Pinnacle Account on account of the amount owing to her under the Promissory Note.

25. Thereafter, as set out in the chart below, the Respondent made four payments totaling \$40,000 from the Pinnacle Account to PL on account of the balance owing to her under the Promissory Note. The Respondent made each of these four payments only after he had first received a corresponding repayment from SA in respect of the monies the Respondent had advanced to him:

Date of Payment	Amount
December 20, 2006	\$10,000
January 25, 2007	\$10,000
March 1, 2007	\$10,000
May 26, 2007	\$10,000
Total	\$40,000

26. By May 26, 2007, approximately six months after the due date for payment under the terms of the Promissory Note had expired, the Respondent had paid PL a total of \$140,000 on account of the amount owing to her under the Promissory Note. PL was still entitled to be paid \$10,000 in principal and a minimum of \$15,000 in interest.

27. Although the Respondent had sufficient funds in the Pinnacle Account at all material times to repay PL the remaining amounts owing to her under the Promissory Note, he chose not do so for so long as there were still outstanding amounts owing to him from SA. The Respondent states that he was concerned that he would not receive repayment from SA after he had repaid the amounts owing to PL.

28. In January 2008, after not receiving full payment from the Respondent in accordance with the terms of the Promissory Note, PL complained to the MFDA about the Respondent's conduct. At that time, the Respondent advised PL that she would receive the remainder of her money. The Respondent also contacted SA and advised him that he should inform PL of the nature of his arrangements with the Respondent, failing which the Respondent would be required do so. In response, SA advised the Respondent that he would send monies to the Respondent, who could then write a cheque to PL for what remained owing to her.

29. On or about February 1 2008, the Respondent paid PL a further \$10,000 on account of the amount owing to her under the Promissory Note, which represented the remainder of PL's \$150,000 principal.

30. On or about March 15, 2008, approximately 15 months after the due date for payment under the terms of the Promissory Note had expired, the Respondent made a final payment of \$15,000 to PL, which represented the interest portion owing to her under the Promissory Note.

Personal Financial Dealings

31. Commencing December 9, 2005, the Respondent engaged in personal financial dealings with PL when he accepted \$150,000 from her and in exchange provided her with the Promissory Note as evidence of his indebtedness to her.

32. Under the terms of the Promissory Note, the Respondent agreed to repay PL the principal amount of \$150,000 plus at least 10% interest within 12 months.

33. Commencing February 2006, PL became a client of Addington. On March 15, 2008, the Respondent made the final payment to (then) client PL in respect of amount owing to her under the Promissory Note, approximately 15 months after the final payment was due according to the terms of the Promissory Note.

Mitigating Facts

34. The Respondent has not been the subject of previous disciplinary proceedings as an Approved Person.

35. The Respondent co-operated with the MFDA's investigation into his conduct.

36. The Respondent deeply regrets the contraventions of MFDA Rules that are described in this Settlement Agreement.

V. CONTRAVENTIONS

37. The Respondent admits that:

- (a) Between December 2005 and March 15, 2008, the Respondent failed to observe high standards of ethics and conduct in the transaction of business by:
 - (i) accepting \$150,000 from an individual, PL, to invest on PL's behalf and then providing monies to another individual, SA, for investment on her behalf, without PL's knowledge and approval; and
 - (ii) failing to return PL's monies to her in accordance with the terms of the Promissory Note, contrary to MFDA Rule 2.1.1;
- (b) Between February 2006 and March 15, 2008, the Respondent engaged in personal financial dealings with a client, PL which gave rise to an actual or potential conflict of interest between the Respondent and client PL, which the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of client PL, contrary to MFDA Rule 2.1.4; and
- (c) Between December 2005 and March 15, 2008, the Respondent engaged in securities related business that was not carried on for the account of the Member and through the facilities of the Member by selling, referring or facilitating the investment of \$150,000 by PL in an investment owned, managed or arranged by SA or persons unknown, contrary to MFDA Rule 1.1.1(a).

VI. TERMS OF SETTLEMENT

38. The Respondent agrees to the following terms of settlement:

- (a) The Respondent shall pay a fine in the amount of \$10,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
- (b) The Respondent shall be prohibited from conducting securities related business while in the employ of, or associated with a Member of the MFDA for a period of 3 months from the date of the Order, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
- (c) The Respondent shall pay costs in the amount of \$2,500, attributable to the investigation and settlement of this matter, pursuant to section 24.2 of MFDA By-law No. 1;
- (d) The Respondent shall in the future comply with all MFDA By-laws, Rules and Policies, and all applicable securities legislation and regulations made thereunder, including MFDA Rules 1.1.1(a), 2.1.1, and 2.1.4; and
- (e) The Respondent will attend the settlement hearing in person.

VII. STAFF COMMITMENT

39. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the facts set out in Part IV and the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part IX below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and contraventions that are not set out in Parts IV and V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts IV and V, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

40. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on a date agreed to by Staff and the Respondent.

41. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the settlement hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive its his rights to a full hearing, a review hearing before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction.

42. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.2 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1.

43. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against him.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

44. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under the By-laws of the MFDA against the Respondent based on, but not limited to, the facts set out in Part IV of the Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

X. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

45. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule “A” is not made by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

46. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

XI. DISCLOSURE OF AGREEMENT

47. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law.

48. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

XII. EXECUTION OF SETTLEMENT AGREEMENT

49. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

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

Dated: July 30th, 2010

“Alex Gucciardi”

Witness - Signature

Alex Gucciardi

Witness - Print name

“Luigi Francesco Ciardullo”

Luigi Francesco Ciardullo

“Shaun Devlin”

Staff of the MFDA

Per: Shaun Devlin

Vice-President, Enforcement



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Re: Luigi Francesco Ciardullo

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of Luigi Francesco Ciardullo (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated [date] (the "Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that:

- (a) Between December 2005 and March 15, 2008, the Respondent failed to observe high standards of ethics and conduct in the transaction of business by accepting \$150,000 from an individual, PL to invest on PL's behalf and then providing monies to another individual, SA, for investment on her behalf, without PL's knowledge and approval, contrary to MFDA Rule 2.1.1;

- (b) Between February 2006 and March 15, 2008, the Respondent engaged in personal financial dealings with a client, PL which gave rise to an actual or potential conflict of interest between the Respondent and client PL, which the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of client PL, contrary to MFDA Rule 2.1.4; and
- (c) Between December 2005 and March 15, 2008, the Respondent engaged in securities related business that was not carried on for the account of the Member and through the facilities of the Member by selling, referring or facilitating the investment of \$150,000 by PL in an investment owned, managed or arranged by SA or persons unknown, contrary to MFDA Rule 1.1.1(a).

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1. The Respondent shall pay a fine in the amount of \$10,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
2. The Respondent shall be prohibited from conducting securities related business while in the employ of, or associated with a Member of the MFDA for a period of 3 months from the date of the Order, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
3. The Respondent shall pay costs in the amount of \$2,500, attributable to the investigation and settlement of this matter, pursuant to section 24.2 of MFDA By-law No. 1;
4. The Respondent shall in the future comply with all MFDA By-laws, Rules and Policies, and all applicable securities legislation and regulations made thereunder, including MFDA Rules 1.1.1(a), 2.1.1, and 2.1.4.

DATED this [day] day of [month], [year].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]