



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: Alex Wai Yuk Lam

SETTLEMENT AGREEMENT

I. INTRODUCTION

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

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 XI) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is accepted by the Hearing Panel.

IV. AGREED FACTS

Registration History

6. The Respondent was registered as a mutual fund salesperson in Ontario with WFG Securities of Canada Inc.¹ (“WFG Securities”), from October 2002 to January 19, 2010, when he was terminated for cause when the subject matter of this proceeding came to light.

7. The Respondent was registered to sell insurance from May 7, 2009 to December 9, 2009 with World Financial Group Insurance Agency of Canada Inc. (“WFG Insurance”).

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

¹ WFG Securities has been a Member of the MFDA since April 2002.

Respondent's Misconduct

9. On December 8, 2009, the Respondent attended a meeting with supervisory staff at WFG Securities that he had arranged in order to discuss the suitability of potential loans for four of his clients. During this meeting, additional documents from the four clients' files were reviewed and supervisory staff discovered three blank, pre-signed trade forms, meaning three photocopies of a blank trade form that had been signed by the client.

10. WFG Securities supervisory staff informed the Respondent that as a result of the pre-signed forms that had been discovered, WFG Securities would undertake a supervisory investigation, including WFG Securities compliance staff reviewing all of the Respondent's client files to ensure that there were no other blank pre-signed forms in his client files.

11. WFG Securities supervisory staff asked the Respondent at this meeting whether he maintained other pre-signed forms in his client files. The Respondent understood the question to be directed at whether he had conducted any unauthorized trading and so responded that he did not.

12. On December 8, 10, and 11, 2009, WFG Securities conducted a review of the entirety of the Respondent's client files ("Review") and identified further blank or partially completed pre-signed forms in relation to 23 clients and individuals.²

13. The particulars of the blank or partially completed pre-signed forms were as follows:

- (i) 18 instances (9 clients and 4 individuals) of pre-signed *trade forms*, including:
 - (a) 16 instances (7 clients and 4 individuals) with only the person's name and signature present, and in some instances, partial trade instructions; and
 - (b) 2 instances (2 clients) of photocopying and altering the form or 'whiting out' details on an old form and re-using the form;
- (ii) 10 instances (6 clients and 4 individuals) of pre-signed *account opening documents*³, including:

² These individuals were the Respondent's insurance clients, as distinct from clients of WFG Securities. The Respondent's ordinary course business dealings with insurance clients are not subject to regulatory oversight by the MFDA and do not form part of the Contraventions admitted to herein.

- (a) 7 instances (3 clients and 4 individuals) with little or no information populated aside from the person's name and signature; and
 - (b) 3 instances (3 clients) where the client's signature was photocopied or cut out from a previous form and taped on or information was 'whited out' and altered;
- (iii) 4 instances (2 clients and 1 individual) of pre-signed *Client Change* forms, with no information populated aside from the person's name and signature including:
- (a) 3 instances (1 client and 1 individual) with little or no information populated aside from the person's name and signature; and
 - (b) one instance (1 client) where the client's signature was cut out from a previous form and taped on.
- (iv) 13 instances (4 clients and 5 individuals) of pre-signed *investment loan applications*:
- (a) 3 instances (1 client and 2 individuals) with little or no information populated aside from the person's name and signature; and
 - (b) 10 instances (3 clients and 3 individuals) where information (such as the loan amount, the person's financial details, the securities to be purchased with the loan proceeds, the repayment options, and the date the client signed) was either missing or was altered without the person initialing.

14. On December 10, 2009, WFG Securities suspended the Respondent's registration with WFG Securities, as well as with WFG Insurance.

15. On December 16, 2009, WFG Securities met with the Respondent to discuss the findings arising from the Review. At this meeting, the Respondent admitted to obtaining and maintaining all of the pre-signed forms.

16. WFG Securities' policies and procedures manual contained a section prohibiting the use of pre-signed forms by Approved Persons.

Respondent's Circumstances

17. The Respondent is 35 years old, and has worked in the financial services industry for most of his career.

³ Account opening documents refer to a *New Client Account Form* or a *Know Your Client* form.

18. As a result of the events herein, the Respondent lost his book of business at WFG Securities. He wishes to return to the mutual fund industry.

19. There is no evidence of misappropriation, unauthorized trading, or client harm in this matter.

20. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct beyond that to which he would have been ordinarily entitled had the transactions in the clients' accounts been carried out in the proper manner (i.e. by a trade form signed by the client or through the use of a limited trading authorization).

21. The Respondent states that the following factors contributed to his misconduct:

- his belief that he was providing convenient service to his clients by not 'bothering' them to sign the client account forms; and
- the fact that he was not up to date with, and did not appreciate the importance of, an Approved Person's obligations to be compliant with the regulatory regime.

22. Staff is satisfied that the Respondent accepts his conduct was improper, and has undertaken a proactive course of action in order to comply with his regulatory obligations going forward. In particular, the Respondent has registered for, and is working towards successful completion of, the IFSE (IFIC) Mutual Fund Dealer Compliance course.

23. The Respondent has no prior disciplinary history with the MFDA. He has cooperated fully with Staff during the course of the investigation, and by agreeing to this settlement, has reduced the resources required to be allocated to the investigation and avoided the necessity of a full hearing on the merits.

V. CONTRAVENTIONS

24. The Respondent admits that between 2002 and 2010, he obtained and maintained 28 blank and incomplete pre-signed forms for 16 clients, contrary to MFDA Rule 2.1.1(a).

VI. TERMS OF SETTLEMENT

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

- (i) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 15 months commencing from the date of the Hearing Panel's Order herein, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
- (ii) the Respondent shall successfully complete the IFSE (IFIC) Mutual Fund Dealer Compliance course ("Course"), pursuant to s. 24.1.1(f) of MFDA By-law No. 1;
- (iii) in the event that the Respondent does not successfully complete the Course by the end of 15 months after the date of the Hearing Panel's Order herein, the prohibition shall continue until such time as the Respondent successfully completes the Course, pursuant to s. 24.1.1(f) of MFDA By-law No. 1;
- (iv) the Respondent shall pay costs in the amount of \$2,500, pursuant to s. 24.2 of MFDA By-law No. 1;
- (v) the Respondent shall attend in person at the Settlement Hearing; and
- (vi) the Respondent shall in future comply with MFDA Rule 2.1.1(a).

VII. STAFF COMMITMENT

26. 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 XI 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. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

27. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA Tuesday, September 11, 2012.

28. 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 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.

29. 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.

30. 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

31. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honor any of the terms of settlement set out herein, apart from the term set out in paragraph 25(vi) herein, Staff reserves the right to bring proceedings under s. 24.3 of By-law No. 1 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

32. 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.

33. 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

34. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

Dated: September 4, 2012.

“Jennifer Tang”

Witness – Signature

Jennifer Tang

Witness - Print name

“Alex Wai Yuk Lam”

Alex Wai Yuk Lam

“Shaun Devlin”

Staff of the MFDA

Per: Shaun Devlin

Vice-President, Enforcement

Schedule "A"

Order

File No. 201202



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: Alex Wai Yuk Lam

ORDER

WHEREAS on _____, 2012, the Mutual Fund Dealers Association of Canada ("MFDA") issued a Notice of Settlement Hearing pursuant to s. 24.4 of MFDA By-law No. 1 in respect of Alex Wai Yuk Lam ("Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA dated _____, 2012, 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 ("Settlement Agreement");

AND WHEREAS the Hearing Panel is of the opinion that between 2002 and 2010, the Respondent obtained and maintained 28 pre-signed forms for 16 clients, contrary to MFDA Rule 2.1.1(a);

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a

consequence of which:

1. the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 15 months commencing from the date of this Order, pursuant to s. 24.1.1(c) of MFDA By-law No. 1;
2. the Respondent shall successfully complete the IFSE (IFIC) Mutual Fund Dealer Compliance course (the “Course”), pursuant to section 24.1.1(f) of MFDA By-law No. 1;
3. in the event that the Respondent does not successfully complete the Course by the end of 15 months after the date of this Order, the prohibition shall resume or continue until such time as the Respondent successfully completes the Course, pursuant to section 24.1.1(f) of MFDA By-law No. 1;
4. the Respondent shall pay costs in the amount of \$2,500;
5. the Respondent shall in future comply with MFDA Rule 2.1.1(a); and
6. if at any time a non-party to this proceeding requests production of, or access to, any materials filed in, or the record of, this proceeding, including all exhibits and transcripts, the MFDA Corporate Secretary shall not provide copies of, or access to, the requested documents to the non-party without first redacting from them any and all intimate financial or personal information, pursuant to Rules 1.8(2) and (5) of the MFDA Rules of Procedure.

DATED this [day] day of [month], 20[].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]

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