



**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: Robert Laurie Bowness**

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**SETTLEMENT AGREEMENT**

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**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 Atlantic 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, Robert Laurie Bowness.

**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 accepted by the Hearing Panel.

### **IV. AGREED FACTS**

#### **Registration History**

6. From January 28, 2009 to March 1, 2012, the Respondent was registered in Nova Scotia, New Brunswick, and Newfoundland and Labrador as a mutual fund salesperson with Quadrus Investment Services Ltd. (“Quadrus”), a Member of the MFDA.

7. The Respondent was previously registered as a mutual fund salesperson:

- a) from September 2004 to January 2009, in Nova Scotia, New Brunswick, and Newfoundland and Labrador with Legacy Associates Inc. (“Legacy”), a Member of the MFDA; and

b) from May 1998 to September 2004, in Nova Scotia with Investors Group Financial Services Inc., a Member of the MFDA.

8. On March 1, 2012, the Respondent was terminated by Quadrus for reasons unrelated to the events described herein. The Respondent is not currently registered in the securities industry in any capacity.

9. At the material time giving rise to the events described herein, the Respondent carried on business from Bedford, Nova Scotia.

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

### ***Facts***

#### Allegation #1 – Pre-signed Forms

11. On December 10, 2009, Quadrus conducted a compliance review of the Respondent's sub-branch and found one pre-signed blank redemption form in the file of client DH. Quadrus reviewed 25 more client files and found no additional pre-signed forms. Quadrus discussed with the Respondent that he was not permitted to hold or use blank pre-signed forms to process transactions in client accounts. In response, the Respondent stated that the pre-signed form was a "one off" for a client that lived out of town and wanted the funds as soon as the transfer of funds took place, but it was never used as the client decided not to process the redemption.

12. In March 2010, Quadrus provided the Respondent with a report which outlined the findings from the compliance review. The report required, among other things, that the Respondent confirm that he was "aware of the seriousness of keeping pre-signed forms and ensure any such forms are destroyed." On May 10, 2010, the Respondent confirmed by email that he had addressed all concerns noted in the report and would ensure that all deficiencies were resolved.

13. On June 21, 2010, the Respondent obtained a blank pre-signed form from client RB to

conduct purchases in the account of client RB. The Respondent made and used photocopies of the blank pre-signed form to conduct a total of 11 purchases between July 2010 and July 2011. The Respondent received appropriate instructions from client RB as to the selection and amounts of the mutual funds to be purchased

14. On February 25, 2011, the Respondent obtained two blank pre-signed forms from client AT.

15. On May 4, 2011, the Respondent obtained a blank pre-signed form from client RT. The Respondent made seven photocopies of the same blank pre-signed form and thereafter, acting on the instructions of client RT, processed eight redemptions of \$4,900 each in the account of client RT on May 4, 9, 11, 16, 17, 18, 19, and 20, 2011. Client RT instructed the Respondent to make the redemptions in the amounts stated and directed the Respondent to exercise his judgment in determining which mutual funds to redeem.

16. During a monthly trade review in May 2011, Quadrus discovered that the Respondent had used one blank form that had been pre-signed by client RT to conduct trades for client RT. By email on June 1, 2011, Quadrus' Provincial Compliance Officer advised the Respondent that "...Photocopies of documents bearing client signatures **are not** to be used for multiple transactions. Clients must sign the original of all documents. Under no circumstances should a client be asked to sign a form in blank and amounts must not be added or changed at a later date...if obtaining signatures and timely processing for these clients is a problem you may obtain a Limited Trading Authorization Form for them...".

17. On October 13, 2011, Quadrus conducted a second compliance review of the Respondent's sub-branch and found blank pre-signed forms in 23 client files out of the 49 client files reviewed. The blank pre-signed forms were removed by Quadrus for further review by its Head Office. The Respondent was asked by Quadrus to confirm that he was aware that keeping pre-signed forms was strictly prohibited and was directed to destroy any pre-signed forms remaining in his possession.

18. Quadrus' Head Office conducted a review of the Respondent's client files and found more blank pre-signed forms, including redemption forms, with questionable signatures. In total,

Quadrus identified 68 blank pre-signed forms pertaining to the accounts of 26 clients, 26 of which were obtained while he was a mutual fund salesperson with Legacy.<sup>1</sup>

19. During the material time, Quadrus' written policies and procedures (the "Policies and Procedures") prohibited its Approved Persons from using pre-signed forms. The Respondent was aware that the Policies and Procedures prohibited the use of pre-signed forms.

20. Staff is not aware of any client complaints nor did Staff's investigation find any evidence of unauthorized trading relating to the Respondent's possession or use of blank pre-signed forms.

#### Allegation #2 – Authorized Discretionary Trading

21. As stated above, on May 4, 2011, the Respondent obtained a blank pre-signed form from client RT. The Respondent made seven photocopies of the blank pre-signed form and used the original and copies to process eight redemptions of \$4,900 each in the account of client RT on May 4, 9, 11, 16, 17, 18, 19, and 20, 2011. Client RT instructed the Respondent to make the redemptions in the amounts stated and directed the Respondent to exercise his judgment in determining which mutual funds to redeem.

#### Allegation #3 – Falsification of Signatures

22. While reviewing the Respondent's client files, Quadrus noticed discrepancies in the client signatures on the redemption forms of four clients, and advised Staff. In response to Staff's query about the discrepancies, the Respondent admitted that he had signed the names of six clients on a total of 16 transaction forms.

### **V. CONTRAVENTIONS**

23. The Respondent admits that between September 2004 and March 2012, the Respondent obtained and maintained 68 pre-signed account forms for 26 clients and used pre-signed forms to process transactions in at least five client accounts, contrary to MFDA Rule 2.1.1.

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<sup>1</sup> For more details see chart at paragraph 12 in the Notice of Hearing dated October 11, 2013.

24. The Respondent admits that between May 4, 2011 and May 20, 2011, the Respondent engaged in client-authorized discretionary trading by processing eight redemptions in the amount of \$4,900 each in the account of client RT by photocopying one blank redemption form pre-signed by client RT and using the copies to process the redemptions without obtaining instructions from the client as to the selection of the mutual fund(s) to be redeemed, contrary to MFDA Rule 2.3.1.

25. The Respondent admits that between 2009 and October 2011, the Respondent falsified the signatures of six clients on a total of 16 account forms used to process transactions in the clients' accounts, contrary to MFDA Rule 2.1.1.

## **VI. TERMS OF SETTLEMENT**

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

- a) a one year prohibition on the authority of the Respondent to conduct securities related business in any capacity while in the employ of or associated with any Member of the MFDA, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
- b) the Respondent shall pay a fine in the amount of \$5,000, pursuant to section 24.1.1(b) of MDFA By-law No. 1
- c) the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of MFDA By-law No. 1; and
- d) the Respondent will attend in person, on the date set for the Settlement Hearing.

## **VII. STAFF COMMITMENT**

27. 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 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 contraventions that are not set out in Part V of this

Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the contraventions set out in Part 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**

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

29. 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.

30. 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.

31. 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**

32. 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 section 24.3 of 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**

33. 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.

34. 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**

35. 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.

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



**XII. EXECUTION OF SETTLEMENT AGREEMENT**

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

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

Dated this 10<sup>th</sup> day of December, 2013.

“Stewart McInnes”  
\_\_\_\_\_  
Witness – Signature

“Robert Laurie Bowness”  
\_\_\_\_\_  
Robert Laurie Bowness

Stewart McInnes  
\_\_\_\_\_  
Witness – Print name

“Shaun Devlin”  
\_\_\_\_\_  
Staff of the MFDA  
Per: Shaun Devlin  
Senior Vice-President,  
Member Regulation – Enforcement



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**ORDER**

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**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 Robert Laurie Bowness (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:

1. Between September 2004 and March 2012, the Respondent obtained and maintained 68 pre-signed account forms for 26 clients and used pre-signed forms to process transactions in at least five client accounts, contrary to MFDA Rule 2.1.1;

2. Between May 4, 2011 and May 20, 2011, the Respondent engaged in client-authorized discretionary trading by processing eight redemptions in the amount of \$4,900 each in the account of client RT by photocopying one blank redemption form pre-signed by client RT and using the copies to process the redemptions without obtaining instructions from the client as to the selection of the mutual fund(s) to be redeemed, contrary to MFDA Rule 2.3.1; and

3. Between 2009 and October 2011, the Respondent falsified the signatures of six clients on a total of 16 account forms used to process transactions in the clients' accounts, contrary to MFDA Rule 2.1.1.

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

1. the Respondent shall be prohibited for one year from conducting securities related business in any capacity while in the employ of or associated with any Member of the MFDA, pursuant to section 24.1.1(e) of MFDA By-law No. 1;

2. the Respondent shall pay a fine in the amount of \$5,000, pursuant to section 24.1.1(b) of MDFA By-law No. 1;

3. the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of MFDA By-law No. 1; and

4. 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, then 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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