



**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: Avtar Singh Badasha**

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**SETTLEMENT AGREEMENT**

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**I. INTRODUCTION**

1. By way of a news release, 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 Pacific 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, Avtar Badasha.

**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 December 2003 to March 2014, the Respondent was registered in British Columbia as a mutual fund salesperson<sup>1</sup> with Desjardins Financial Security Investments Inc. (“Desjardins”), a Member of the MFDA.

7. From December 2003 to November 6, 2012, the Respondent was also registered as a branch manager with Desjardins. He ceased to be registered as a branch manager as a result of the events described herein.

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<sup>1</sup> Now referred to as a dealing representative.

8. Prior to being registered with Desjardins, the Respondent was registered in British Columbia as a mutual fund salesperson with Hub Capital Inc. (“Hub”), also a Member of the MFDA, from July 2002 to December 2003.

9. From July 1996 to July 2002, the Respondent was registered in British Columbia as a mutual fund salesperson with other mutual fund dealers.

10. The Respondent was terminated for cause on March 4, 2014 as a result of the events described herein. The Respondent is not currently registered in the securities industry in any capacity

## **Background**

11. At all material times, the Respondent conducted business from a branch office located in Surrey, British Columbia. The Respondent was the branch manager of the location.

12. The Respondent first met AP in 1989, when AP moved into the same neighbourhood as the Respondent.

13. At the time of the events giving rise to this proceeding, AP was registered in British Columbia as a mutual fund dealing representative with Networth Financial Corp. (“Networth”), also a Member of the MFDA. On March 28, 2012, AP’s registration with Networth was terminated.

14. In or around April 2012, AP joined the Respondent’s branch as a non-associate life insurance agent working on a part-time basis. She worked from home and did not occupy an office in the Respondent’s branch office.

15. On July 16, 2012, AP informed the Respondent that she intended to join Desjardins as a mutual fund dealing representative effective September 1, 2012.

16. AP and her family maintained investment accounts at Networth. In anticipation of AP becoming a mutual fund dealing representative at Desjardins, the Respondent and AP agreed that AP should transfer her own accounts and those of her family to Desjardins, where the Respondent would be the Approved Person assigned to the accounts until AP joined Desjardins, at which time the accounts would be re-assigned to AP

17. In fact, AP never became registered with Desjardins.

**Opening client accounts without performing the necessary due diligence**

18. Between July 16, 2012 and September 5, 2012, AP completed the Desjardins account opening documents for 16 individuals (AP and fifteen of her family members) in relation to 20 accounts, as set out in the chart below. The individuals were all members of AP’s family.

Client(s)	Documents Executed	Date Executed by Client	Who Met with Client	Representative of Record	Date Executed by Respondent
AR	New Account Application Form	July 25, 2012	AP	Respondent	July 26, 2012
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
	Change of Dealer or Representative				
MD	New Account Application Form	July 18, 2012	AP	Respondent	July 18, 2012
	Change of Dealer or Representative				
	Portfolio Questionnaire				
	Dual Occupation Disclosure				
DG	New Account Application Form	July 29, 2012	AP	Respondent	July 29, 2012
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
	Change of Dealer or Representative				
AP <sup>2</sup>	New Account Application Form	July 16, 2012	AP	Respondent	July 16, 2012
	Portfolio Questionnaire				
	Change of Dealer or Representative				
KP(1)	New Account Application Form	July 18, 2012	AP	Respondent	July 18, 2012
	Change of Dealer or Representative				
	Portfolio Questionnaire				
	Dual Occupation Disclosure				
KP(2)	New Account Application Form	July 18, 2012	AP	Respondent	July 18, 2012
	Change of Dealer or Representative				
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
KP(1) & KP(2) (Joint WROS)	New Account Application Form	July 18, 2012	AP	Respondent	July 18, 2012
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
	Change of Dealer or Representative				

<sup>2</sup> AP transferred her own account to the Member prior to transferring her family members.

Client(s)	Documents Executed	Date Executed by Client	Who Met with Client	Representative of Record	Date Executed by Respondent
PD	New Account Application Form	August 15, 2012	AP	Respondent	August 17, 2012
	Change of Dealer or Representative				
	Portfolio Questionnaire	August 16, 2012			
	Dual Occupation	August 17, 2012			
KL	New Account Application Form	September 5, 2012	AP	Respondent	September 5, 2012
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
	Change of Dealer or Representative				
	Change of Dealer or Representative				
CM	New Account Application Form	July 25, 2012	AP	Respondent	July 26, 2012
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
	Change of Dealer or Representative				
SN	New Account Application Form	July 20, 2012	AP	Respondent	July 20, 2012
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
	Change of Dealer or Representative				
MP	New Account Application Form	July 25, 2012	AP	Respondent	July 26, 2012
	Change of Dealer or Representative				
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
MP&SR (Joint WROS)	New Account Application Form	July 25, 2012	AP	Respondent	July 26, 2012
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
SR	New Account Application Form	July 25, 2012	AP	Respondent	July 26, 2012
	Change of Dealer or Representative				
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
SP & VP (Joint WROS)	New Account Application Form	July 19, 2012	AP	Respondent	July 19, 2012
	Dual Occupation Disclosure				
	Portfolio Questionnaire				
	Change of Dealer or Representative				
SP & SP	New Account Application Form	August 17, 2012	AP	Respondent	August 17, 2012
	Portfolio Questionnaire				
	Change of Dealer or Representative				
	Dual Occupation Disclosure	September 14, 2012			September 14, 2012

19. AP completed the account opening documents in whole or in part and provided them to the Respondent to review for completeness, to sign as the Approved Person responsible for the accounts, and to submit to Desjardins for processing. The account opening documents included New Account Application Forms (“NAAF’s”), which contained a series of know-your-client (“KYC”) questions requiring the individuals to indicate their investment objectives, risk tolerance and time horizon for investing, among other things. AP also provided the Respondent with other account opening related documents obtained from the individuals, including Dual Occupation Disclosure forms, Portfolio Questionnaires and Change of Dealer or Representative forms.

20. The Respondent never met with or spoke to any of the individuals to verify the accuracy or appropriateness of the information, including the know-your-client information, recorded on the account opening documents.

21. The Respondent submitted the account opening documents to Desjardins for processing using his representative code. Desjardins opened the accounts for the clients and the investments in each client's account were subsequently transferred in-kind from Networth to Desjardins. No changes were made to the investments in the clients' accounts at the time of transfer or subsequently.

22. Despite her original intention to do so, AP never became an Approved Person of Desjardins in September 2012 or at any time thereafter.

23. During the course of Staff's investigation, the Respondent stated that he did not know whether the KYC information and other information on the account opening documents for each client was accurate or appropriate when he signed the documents as the Approved Person responsible for servicing the accounts. The Respondent further stated that, because his relationship with AP quickly deteriorated in September 2012, he did not take any subsequent action to verify the accuracy or appropriateness of the clients' KYC information between July 16, 2012 and October 17, 2012, the date on which he reported his actions to Desjardins.

24. On October 17, 2012 during a quarterly branch meeting, the Respondent informed Desjardins' compliance officer, DB, of his actions. DB instructed the Respondent to meet with each affected client in person and complete new account opening documents. The Respondent met with each client between October 24, 2014 and October 26, 2014 and completed new account opening documents for their respective accounts.

25. At all material times, Desjardins' Policies and Procedures Manual ("PPM"), dated April 2012, provided in part that:

- (a) section 1.1: an Approved Person has a professional and regulatory requirement to make a diligent effort to get to know and understand a client's personal and financial situation, as well as his investment goals;
- (b) section 2: each Branch Manager and mutual fund representative must adhere to and be aware of MFDA Rule 2, regarding business conduct;
- (c) section 2.2: an account opening form must be fully completed and signed by the client, the representative and the Branch Manager at the field office; and
- (d) section 2.3: it is the representative's responsibility to gather the information necessary to ensure that clients are well served by investments that suit their individual needs and objectives.

26. Desjardins also produced a manual for its branch managers, entitled "Responsibilities of Branch Manager - Funds" (the "BM Manual"). Section 4.3 of the BM Manual stated in part that it is the responsibility of a branch manager to review all account openings, redemptions, and transfer out activities. Additionally, section 7 of the BM Manual stated that it is the responsibility of a branch manager to ensure that non-registered personnel do not assist clients in completing KYC forms, risk tolerance assessments, applications for new accounts, or any other sales documents.

### **Blank Signed and Altered Forms**

27. Following the receipt of a client complaint dated December 4, 2013, Desjardins commenced a review of 30 of the Respondent's client file.

28. Desjardins completed its review on January 28, 2014. The review identified among other things:

- (a) seven blank signed account forms contained in the client files;
- (b) eight instances where the Respondent had faxed a blank signature page to a client, with a request that the client return the completed signature page; and

(c) two account forms for one client which the Respondent had re-used by crossing out the date, writing in a new date and initialing the date change.

29. The Respondent used the forms described in sub-paragraphs 28(b) and (c) to process switches in the clients' accounts and update KYC information for clients.

30. When Desjardins questioned the Respondent about the pre-signed forms that were found in the client files, the Respondent acknowledged he had used pre-signed forms in relation to two clients that he had had difficulty meeting with, but stated that it was not his normal practice to obtain, maintain or use blank signed forms.

31. By engaging in the conduct described above, between September 2011 and December 2013, the Respondent engaged in conduct unbecoming an Approved Person by:

- (a) obtaining, maintaining and using approximately seven blank signed forms in the accounts of four clients;
- (b) securing client signatures on account documentation for eight client accounts by sending only the signature pages to the respective clients; and
- (c) changing the dates on two client account forms that were faxed by one client.

### **Additional Factors**

32. The Respondent has worked in the financial services industry for 18 years and has no prior disciplinary history with the MFDA.

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

34. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct beyond the commissions or fees to which the Respondent would have been



ordinarily entitled had the transactions in the clients' accounts been carried out in the proper manner.

35. The Respondent has cooperated fully with Staff during the course of the investigation, and by agreeing to this settlement, has avoided the necessity of a full hearing on the merits.

36. The Respondent has expressed remorse for his misconduct.

37. As a result of the events described in this Settlement Agreement, the Respondent was forced to sell his Desjardins franchise and had his branch manager status permanently revoked. He was also placed on strict supervision for a period of one year and was issued a formal warning letter from the Member.

## **V. CONTRAVENTIONS**

38. Between July 1, 2012 and September 30, 2012, the Respondent allowed AP, an unregistered individual, to open new accounts at the Member for 16 individuals with whom the Respondent never met, thereby:

- (a) failing to ensure that he performed the necessary due diligence to learn the essential facts relative to each client for whom an account was opened, contrary to MFDA Rules 2.2.1(a) and 2.1.1; and
- (b) failing in his capacity as a branch manager to ensure that business conducted at the branch was in compliance with MFDA By-laws, Rules and applicable legislation, and to supervise the opening of new accounts at the Member's branch office, contrary to MFDA Rules 2.5.5(f)(i) and (ii)

39. Between September 2011 and December 2013, the Respondent engaged in conduct unbecoming an Approved Person by:

- (a) obtaining, maintaining and using approximately seven blank signed forms in the accounts of four clients;

- (b) securing client signatures on account documentation for eight client accounts by sending only the signature pages to six clients; and
- (c) changing the dates on two client account forms that were faxed by one client.

contrary to MFDA Rule 2.1.1.

## **VI. TERMS OF SETTLEMENT**

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

- (a) the Respondent shall pay a fine in the amount of \$5,000, pursuant to section 24.1.1(b) of By-law No. 1;
- (b) the Respondent shall pay costs in the amount of \$3,500, pursuant to section 24.2 of By-law No. 1;
- (c) 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 two years, commencing from the date of the Hearing Panel's Order, pursuant to s.24.1.1(e) of MFDA By-law No. 1;
- (d) the Respondent will attend in person, on the date set for the Settlement Hearing; and
- (e) in the future, the Respondent shall comply with all MFDA By-laws, Rules and Policies and all applicable securities legislation and regulations made thereunder including MFDA Rule 2.1.1.

## **VII. STAFF COMMITMENT**

41. 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**

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

43. 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.

44. 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.

45. 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**

46. 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 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**

47. 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.

48. 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**

49. 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.

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

**XII. EXECUTION OF SETTLEMENT AGREEMENT**

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

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

**DATED** this 12<sup>th</sup> day of March, 2015.

“Pranita Badasha”  
\_\_\_\_\_  
Witness – Signature

Pranita Badasha  
\_\_\_\_\_  
Witness – Print name

“Avtar Singh Badasha”  
\_\_\_\_\_  
Avtar Singh Badasha

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



**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: Avtar Singh Badasha**

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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 Avtar Singh Badasha (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 July 1, 2012 and September 30, 2012, the Respondent allowed AP, an unregistered individual, to open new accounts at the Member for 16 individuals with whom the Respondent never met, thereby:

- (i) failing to ensure that he performed the necessary due diligence to learn the essential facts relative to each client for whom an account was opened, contrary to MFDA Rules 2.2.1(a) and 2.1.1; and
  - (ii) failing in his capacity as a branch manager to ensure that business conducted at the branch was in compliance with MFDA By-laws, Rules and applicable legislation, and to supervise the opening of new accounts at the Member's branch office, contrary to MFDA Rules 2.5.5(f)(i) and (ii).
- b) Between September 2011 and December 2013, the Respondent, contrary to MFDA Rule 2.1.1:
- (i) obtaining, maintaining and using approximately seven blank signed forms in the accounts of four clients;
  - (ii) securing client signatures on account documentation for eight client accounts by sending only the signature pages to six clients;
  - (iii) changing the dates on two client account forms that were faxed by one client.

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

1. 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*;

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

3. the Respondent shall pay costs in the amount of \$3,500, pursuant to section 24.2 of By-

law No. 1;

4. 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 two years, commencing from the date of the Hearing Panel's Order, pursuant to s.24.1.1(e) of MFDA By-law No. 1; and

5. the Respondent will attend in person, on the date set for the Settlement Hearing.

**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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