



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: Lakhjit Singh Sarang

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 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 Lakhjit Singh Sarang (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 accepted by the Hearing Panel.

IV. AGREED FACTS

Registration History

6. From November 24, 2004 to November 14, 2012, the Respondent was registered as a mutual fund salesperson (now known as a Dealing Representative) with WFG Securities Inc. (“WFG”), a Member of the MFDA.

7. From January 24, 2007 to April 15, 2011 the Respondent was registered as a Branch Manager with WFG.

8. On November 14, 2012, WFG terminated the Respondent as a result of the events described below.

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

10. At all material times, the Respondent conducted business in Surrey, British Columbia.

Background

11. On June 25, 2010, the Respondent incorporated a federal company, under the Canada Business Corporations Act, R.S.C., 1985, c. C-44, known as Call 2 Find Communications Inc. (“C2F”). On September 29, 2010, C2F was registered as corporation in British Columbia under the Business Corporations Act, SBC 2002, Chapter 57.

12. C2F was a closely-held private corporation, which was incorporated to establish a toll-free directory service and call center in India.

13. At all materials times, the Respondent owned 33 percent of the shares of C2F and was a director of C2F. Accordingly, C2F was a non-arm’s length corporation.

14. RS and SB were the other two shareholders and directors of C2F.

15. C2F failed as a business and ceased operating. On March 18, 2013, BC Registry Services dissolved C2F as a corporation for failing to comply with its annual filing requirements. On April 26, 2013, Industry Canada also dissolved C2F as a corporation.

Allegation #1: Personal Financial Dealings with a Client

16. From October 2005 to October 2013, client PB was a client of WFG. From about December 2007 to October 2013, the Respondent was the mutual fund salesperson responsible for servicing client PB’s accounts at WFG.

17. At all material times, WFG’s policies and procedures prohibited its Approved Persons, including the Respondent, from borrowing monies from clients.

18. In or about September 2010, the Respondent borrowed \$29,015.17 from client PB, which the Respondent invested in C2F. Alternatively, in or about September 2010, the Respondent arranged for RS (one of the three shareholders and directors of C2F) to borrow \$29,015.17 from client PB, which RS invested in C2F.

19. On September 21, 2010, in order to generate the monies to be borrowed from client PB, the Respondent processed a redemption in client PB's account with WFG in the amount of \$29,015.17. The Respondent did not disclose to WFG that the proceeds of the redemption would be loaned to the Respondent and/or invested in C2F.

20. On September 24, 2010, client PB transferred \$29,015.17 (i.e., the proceeds of the redemption) into C2F's bank account. The Respondent had signing authority for C2F's bank account.

21. In or about March 2011, client PB contacted the Respondent and demanded repayment of the monies he had loaned to the Respondent or, alternatively, the monies he had loaned to RS.

22. Between October 1, 2011 and July 23, 2013, the Respondent paid, in installments, approximately \$31,500 to client PB as a repayment of the monies loaned by client PB and interest charges.

23. The Respondent repaid the monies borrowed from client PB from the Respondent's personal bank account and the memo line on each cheque written by the Respondent stated "Loan Repayment".

24. The Respondent did not disclose his dealings with client PB to WFG.

25. WFG did not become aware of the Respondent's activities with respect to C2F and client PB until about August 2013 when it was notified by MFDA Staff of the Respondent's involvement with C2F and it commenced its own investigation.

26. By virtue of the foregoing, the Respondent engaged in personal financial dealings with a client when he borrowed \$29,015 from the client, or arranged for the client to loan \$29,015 to a

third party, for investment in a non-arm's length corporation, thereby giving rise to a conflict or potential conflict of interest which the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of the client, contrary to MFDA Rules 2.1.4, 1.1.2, 2.5.1, and Rule 2.1.1.

Allegation #2: Dual Occupation/Outside Business Activity

27. At all material times, WFG's policies and procedures required its Approved Persons, including the Respondent, to obtain prior written approval from WFG in order to engage in any dual occupations outside of WFG.

28. The Respondent did not disclose to WFG that he was a shareholder and director of C2F, and obtain WFG's written approval prior to engaging in activities with C2F, as required by WFG's policies and procedures.

29. As stated above, WFG did not become aware of the Respondent's involvement with C2F until about August 2013 when MFDA Staff notified WFG of the Respondent's activities relating to C2F.

30. By failing to disclose that he was a shareholder and director of C2F, as well as client PB's involvement with C2F as described above, the Respondent interfered with WFG's ability to supervise his outside business activities.

31. By virtue of the foregoing, the Respondent had and continued in other gainful occupation which was not disclosed to and approved by WFG, contrary to MFDA Rules 1.2.1(c) (formerly MFDA Rule 1.2.1(d)), 1.1.2, 2.5.1, and 2.1.1.

Allegation #3: Misleading the Member

32. On or about October 21, 2011, the Respondent misled WFG when he submitted an annual compliance certificate to it in which he falsely answered:

(a)“No” to the question, “Have you had any personal financial dealing with any clients, prospects, or policy holders?”;

(b)“Yes” to question, “You hereby certify that you have not engaged in any personal financial dealings with clients, prospects or policy holders, and that you agree to continue to uphold and abide by WFG policies and procedures in regards to conflicts of interest”;

and

(c)“No” to the question, “Do you have an Outside Business Activity?”.

33. As described above, the Respondent’s answers in the annual compliance certificate were false having regard to his dealings with client PB and his involvement with C2F.

34. By virtue of the foregoing, the Respondent interfered with the Member’s ability to supervise the Respondent and engaged in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1.

Additional Factors

35. The Respondent has not previously been disciplined by the MFDA.

36. The Respondent has co-operated with Staff’s investigation.

37. The Respondent states that he had limited involvement in C2F.

V. CONTRAVENTIONS

38. The Respondent admits that:

a) between about September 2010 and July 2013, the Respondent engaged in personal financial dealings with a client when he borrowed \$29,015 from the client, or arranged for the client to loan \$29,015 to a third party, for investment in a non-arm’s length corporation, thereby giving rise to a conflict or potential conflict of interest which the Respondent failed to address by the exercise of responsible business

- judgment influenced only by the best interests of the client, contrary to MFDA Rules 2.1.4, 1.1.2, 2.5.1, and 2.1.1;
- b) between about June 2010 and April 2013, the Respondent had and continued in other gainful occupation which was not disclosed to and approved by the Member when he was a shareholder and director of a corporation, contrary to MFDA Rules 1.2.1(c) (formerly MFDA Rule 1.2.1(d)) , 1.1.2, 2.5.1, and 2.1.1; and
 - c) in October 2011, the Respondent misled the Member by falsely answering the Member's annual compliance certification with regards to personal financial dealings with a client and other gainful occupations outside the Member, thereby interfering with the Member's ability to supervise the Respondent and engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1.

VI. TERMS OF SETTLEMENT

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

- (a) the Respondent shall be permanently prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member, commencing from the date of the Hearing Panel's Order, pursuant to s.24.1.1(e) of MFDA By-law No. 1; and;
- (b) the Respondent shall pay a fine in the amount of \$7,500, pursuant to section 24.1.1(b) of By-law No. 1;
- (c) the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of By-law No. 1; and
- (d) 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 1.1.2, 2.1.1 and 2.5.1; and

(e) the Respondent will attend the Settlement Hearing in person

VII. STAFF COMMITMENT

40. 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

41. 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.

42. 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.

43. 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.

44. 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

45. 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

46. 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.

47. 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

48. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 8th day of November, 2015.

“Harminder Rehal”

Witness – Signature

“Lakhjit Singh Sarang”

Lakhjit Singh Sarang

“Harminder Rehal”

Witness – Print name

“Shaun Devlin”

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



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**IN THE MATTER OF A SETTLEMENT HEARING
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Re: Lakhjit Singh Sarang

ORDER

WHEREAS on September 9, 2015, the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Hearing pursuant to section 24.4 of By-law No. 1 in respect of Lakhjit Singh Sarang (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated December ____, 2015 (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 the Respondent:

- a) between about September 2010 and July 2013, the Respondent engaged in personal financial dealings with a client when he borrowed \$29,015 from the client, or

- arranged for the client to loan \$29,015 to a third party, for investment in a non-arm's length corporation, thereby giving rise to a conflict or potential conflict of interest which the Respondent failed to address by the exercise of responsible business judgment influenced only by the best interests of the client, contrary to MFDA Rules 2.1.4, 1.1.2, 2.5.1, and 2.1.1;
- b) between about June 2010 and April 2013, the Respondent had and continued in other gainful occupation which was not disclosed to and approved by the Member when he was a shareholder and director of a corporation, contrary to MFDA Rules 1.2.1(c) (formerly MFDA Rule 1.2.1(d)) , 1.1.2, 2.5.1, and 2.1.1; and
 - c) in October 2011, the Respondent misled the Member by falsely answering the Member's annual compliance certification with regards to personal financial dealings with a client and other gainful occupations outside the Member, thereby interfering with the Member's ability to supervise the Respondent and engaging in conduct unbecoming an Approved Person, 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 permanently prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member, commencing from the date of the Hearing Panel's Order, pursuant to s.24.1.1(e) of MFDA By-law No. 1;
2. the Respondent shall pay a fine in the amount of \$7,500, pursuant to section 24.1.1(b) of By-law No. 1;
3. the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of 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]

DM 470240 v1