

2015

Annual Enforcement Report



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

Message from the President and CEO



I am pleased to present the 2015 Annual Enforcement Report which highlights key enforcement activity over the course of 2015.

The regulatory oversight offered by the MFDA provides broad reaching regulatory protection to Canadians focused primarily on the mass market retail investor, and reaches over 80% of households. This report demonstrates the MFDA's commitment to investor protection through the enforcement of the MFDA's investor protection focused rules such as the suitability and know-your-client obligations, the rule requiring conflicts of interest to be resolved having regard to the best interests of clients, and the duty to deal fairly, honestly and in good faith with clients.

As set out in this report, the MFDA commenced 69 proceedings in 2015 which is the greatest number of proceedings commenced by the MFDA in any year to date. Of the 69 proceedings commenced, many dealt with serious allegations such as undeclared outside business activities, misappropriation, misrepresentation and personal financial dealings. The MFDA also continued its focus on signature falsification cases with 38 of 69 proceedings commenced in 2015 involving this allegation. Regardless of whether there is intent to harm a client, signature falsification adversely affects the integrity and reliability of documents and is an issue of concern for the MFDA and all Canadian securities regulators. In 2015, we proactively addressed this by publishing a Bulletin specifically for advisors regarding the issues and consequences of signature falsification along with an accompanying webcast. Going forward in 2016, the Enforcement Department will be publishing enhanced guidance, will continue to prosecute these cases, and will be seeking increased penalties for offenders.

We continue to focus on enhancing the investor experience and maximizing positive outcomes for clients. In 2015, the Enforcement Department created a specialized unit in the Case Assessment group for dealing with client complaint handling by Members. This special unit focuses on Member compliance with MFDA complaint handling rules which require that all client complaints be handled promptly and fairly. We also continued our focus on seniors and other vulnerable groups. To this end, in October the MFDA held its second Seniors Summit to provide Members with practical advice for dealing with the challenges posed in servicing the increasing numbers of Canadian seniors, and for dealing with complex seniors' issues such as diminished capacity and competing powers of attorney.

Finally, I would like to thank all MFDA management and staff for their hard work, skill and dedication. It is without doubt that through the efforts of MFDA staff we are able to better protect Canadian investors and enhance investor confidence.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Gordon', written over a light blue background.

Mark T. Gordon, LL.B.
President and CEO

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“Congratulations to you and your team for the outstanding work you did on this case. On behalf of my family, I cannot thank you enough.”

-Message to Enforcement Department Staff from a Member of the Public

About Us

Mutual Fund Dealers Association of Canada

The Mutual Fund Dealers Association of Canada (MFDA) is the national self-regulatory organization (SRO) that oversees mutual fund dealers in Canada. MFDA Members administer approximately \$631 billion in assets and sponsor 83,000 Approved Persons (partners, directors, officers, compliance officers, branch managers, employees and agents of the dealer who are subject to the jurisdiction of the MFDA). MFDA Members are responsible for managing a significant portion of the Canadian wealth management landscape overseeing more than half of the over \$1 trillion of mutual fund assets in Canada. MFDA Members primarily service mass market retail clients who represent approximately 80% of Canadian households.

The MFDA is formally recognized as an SRO by the provincial securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan. The MFDA has entered into a Co-operative Agreement with the Autorité des marchés financiers and the Chambre de la sécurité financière which sets out general principles on which the organizations will co-operate in the regulation of MFDA Members with operations and activities as mutual fund dealers in Quebec.

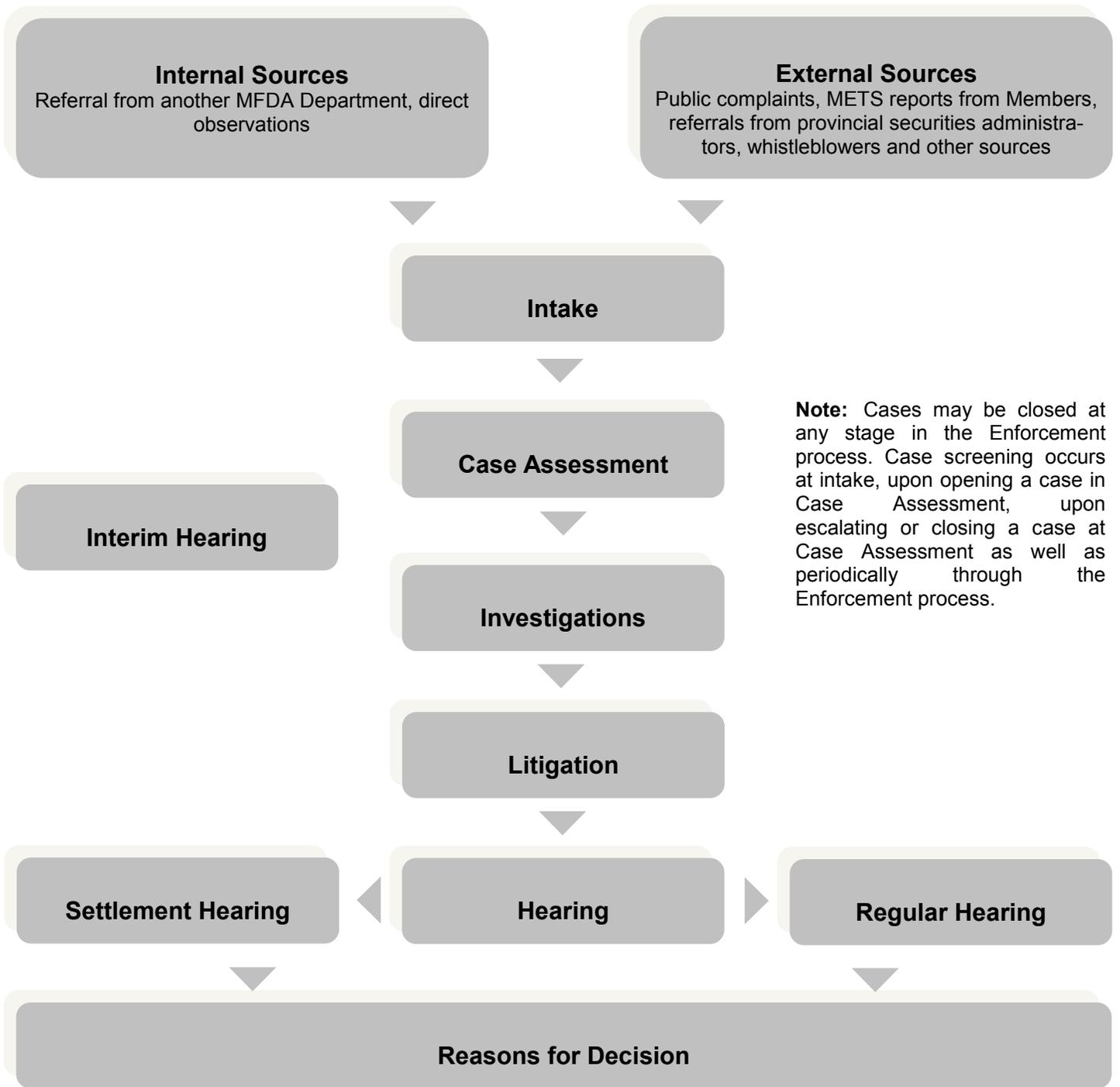
Enforcement Department

The Enforcement Department investigates situations where our Members and their Approved Persons may have breached our requirements. The Enforcement Department operates on several general principles:

- The Enforcement Department considers general and specific deterrence in its decision making.
- Members and Approved Persons are provided opportunity for input before a decision is made on disciplinary action, except in urgent cases involving potential public harm.
- In all cases, the level of supervision by the Member of its Approved Persons will be part of the review.
- Cases are reviewed proactively, with a view to identifying possible associated misconduct and assessing root causes.
- The Enforcement Department works on a cooperative basis with other regulatory agencies and law enforcement organizations.
- The Enforcement Department works on a cooperative basis with the MFDA Compliance and Policy Departments to refer cases and issues where appropriate.

The Enforcement Department has four main functions: Intake, Case Assessment, Investigations and Litigation.

Enforcement Process



Note: MFDA By-law No. 1 allows for the appeal of an MFDA Hearing Panel decision to the relevant securities commission.

Table 1. Overview of Enforcement Department Activity, 2013-2015

The table below summarizes overall activity for the Enforcement Department.

Description	Number		
	2013	2014	2015
Cases opened	426	418	444
Cases closed	483	373	361
Warning letters	137	90	85
Cautionary letters	138	95	86
Proceedings commenced	65	48	

Table 2. Cases Opened at Case Assessment by Source, 2013-2015

The table below lists the sources from which the Enforcement Department became aware of information that led to a case being opened at the Case Assessment stage.

Source	Number		
	2013	2014	2015
METS	208	251	281
Public	182	137	123
CSA and Other Regulators	24	16	18
MFDA Compliance	8	6	9
Whistleblower	N/A	4	6
Member	2	3	4
Media	1	1	2
Police	-	1	1
Total	426	418	444

Note: The Whistleblower Program was established in February 2014.

In 2015, 162 Case Assessment files were referred to the Investigations group. A case is escalated from the Case Assessment stage to the Investigations stage in two circumstances: (i) when the case will likely result in a Notice of Hearing, and, (ii) in more complex cases where a detailed investigation is required.

Table 3. Primary Allegations Made in Cases Opened at Case Assessment, 2013-2015

The table below lists the primary allegation made in cases opened at the Case Assessment stage.

Nature of Primary Allegation	Number of Primary Allegations		
	2013	2014	2015
Blank Signed Forms	53	46	61
Falsification/ Misrepresentation*	42	54	56
Suitability—Investments	27	36	45
Unauthorized/ Discretionary Trading	17	18	39
Complaint Procedures	30	31	33
Business Standards	36	19	32
Suitability—Leveraging	42	33	29
Policies and Procedures	27	24	14
Supervision	11	3	13
Commissions and Fees	18	23	12
Personal Financial Dealings	16	19	12
Forgery/ Fraud/ Theft/ Misappropriation/ Misapplication	5	12	12
Outside Business Activities/ Dual Occupation	17	15	9
Acting Outside Registration Status	2	3	9
Transfer of Accounts	20	12	7
Confidentiality/ Privacy	3	12	7
Sales Communication	11	7	5
Provincial Securities Legislation	8	3	4
Referral Arrangements	8	4	3
Handling of Funds	6	2	-
Other	27	42	42
Total Number of Primary Allegations	426	418	444

* Many of these involve client signature cases where there is no evidence of harm to the client.

Table 4. Hearings Commenced, 2015 - All Allegations

The MFDA commenced 69 proceedings in 2015 by Notice of Hearing or Notice of Settlement Hearing. Most of the proceedings involved more than one alleged violation of MFDA Rules, By-laws or Policies. This table is a count of all allegations of various types made in proceedings commenced in 2015.

Nature of Allegation	Number of Proceedings Commenced where an Allegation was made against an Approved Person	Number of Proceedings Commenced where an Allegation was made against a Member
Blank Signed Forms	29	-
Falsification/ Misrepresentation	25	-
Policies and Procedures	12	-
Failure to Cooperate	11	-
Personal Financial Dealings	11	-
Outside Business Activities/ Dual Occupation	10	-
Forgery/ Fraud/ Theft/ Misappropriation/ Misapplication	7	-
Complaint Procedures	3	-
Referral Arrangements	3	-
Unauthorized/ Discretionary Trading	3	-
Conflict of Interest	2	-
Reporting Violations	2	-
Sales Communication	2	-
Suitability – Investments	2	-
Financial Requirements	1	2
Supervision	1	2
Conduct Unbecoming	1	-
Stealth Advising	1	-
Suitability - Leveraging	1	-
Sub-Total	127	4
Overall Total	131	

In 2015, 124 Investigation files were escalated to Enforcement Counsel with a recommendation to commence formal disciplinary proceedings.

Table 5. Hearings Concluded, 2015 - Penalties

In 2015, the MFDA Enforcement Department concluded 65 hearings. In those 2015 hearings, MFDA Hearing Panels imposed fines of \$5,389,650 of which \$843,982 (approximately 16%) has been collected. Since the commencement of MFDA disciplinary activity in 2004, MFDA Hearing Panels have imposed total fines of \$51,975,711 of which \$6,377,773 (approximately 12%) has been collected.

The MFDA has powers to collect fines from Respondents who remain in the industry as Approved Persons, but does not have the ability to collect fines from former Approved Persons, except in the province of Alberta where MFDA Staff make all reasonable collection efforts. The MFDA also pursues options for collecting costs from former Members or Approved Persons as applicable law may permit.

The table below shows the penalties imposed against Approved Persons and Members by Hearing Panels in hearings concluded in 2015. Additional types of penalties Hearing Panels imposed on Approved Persons, which are not shown in the table, include suspensions from registration in a supervisory capacity, and orders to rewrite certain industry courses.

The MFDA is currently seeking to have the proposed *Capital Markets Act* revised to allow SRO's to file disciplinary decisions directly with the courts so that they can be enforced as a court order.

Type of Penalty	Total
Permanent Prohibition	19
Suspension	6
Educational Course Requirement	2
Total Fines	\$5,389,650
Total Costs	\$479,500

Table 6. Hearings Concluded, 2015 - Type of Hearing

Type of Hearing	Number
Contested/ Uncontested Hearing	29
Settlement Hearing	36
Total Number of Hearings	65

Key Enforcement Activity

Protection of Seniors and Vulnerable Persons

The protection of Seniors and Vulnerable Persons continued to be an area of focus in 2015. The MFDA continues to encounter situations where Seniors and Vulnerable Persons have received unsuitable investment advice, lent money to Approved Persons (often where the money was never repaid), and provided powers of attorney to Approved Persons who subsequently misused them.

The MFDA places a priority on cases involving Seniors and Vulnerable Persons. 40% of proceedings commenced in 2015 (other than signature falsification cases that do not involve a client complaint or harm to a client) involved Seniors or Vulnerable Persons. In 2014, the percentage was 33% and in 2013, it was 25%.

The MFDA undertook and continued to perform a number of activities in 2015 to improve the protection of Seniors and Vulnerable Persons. These activities included flagging and prioritizing Enforcement cases that involve those groups and organizing the second MFDA Seniors Summit to provide Members and Approved Persons with practical advice on dealing with the issues and challenges they face when dealing with Senior clients. In 2015, the MFDA also formed a consultation group on servicing Senior clients to solicit feedback about the challenges Members and Approved Persons face when serving Senior clients. The MFDA will incorporate this feedback into further training and guidance to Members.

Working with Law Enforcement and Other Regulators

MFDA By-law No. 1 authorizes MFDA Staff to share information with law enforcement agencies, and the MFDA routinely does this. The MFDA also shares information and works cooperatively with securities regulatory authorities and insurance regulatory authorities.

Bulk Track Processes

The MFDA increased the effectiveness of its Bulk Track processes, which provide for the efficient resolution of routine cases. Enhancements include the implementation of Duty Panel processes under which multiple hearings are conducted before a single Hearing Panel on one day.

Signature Falsification

Thirty-eight of the 69 disciplinary proceedings commenced in 2015 involved signature falsification. The MFDA also issued a Bulletin in 2015 to remind Approved Persons that the falsification of client signatures is not permissible under MFDA Rules, whether or not there is an intent to harm clients. The Bulletin advised that the MFDA has recently been, and will continue seeking, increased penalties in upcoming cases involving signature falsification. A webcast was also conducted for Approved Persons and Members supporting the topics in the Bulletin. The MFDA will be enhancing its guidance to Members on this issue in 2016. These activities reflect that signature falsification is a concern for all Canadian securities regulators.

Appeals

MFDA By-law No. 1 authorizes the MFDA, or any Member, Approved Person or other person directly affected by a decision of a Regional Council to request an appropriate securities commission to review the decision. There are currently three cases under review, two of which involve an Approved Person requesting a securities commission to review the decision of an MFDA Hearing Panel.

In the third case, MFDA Staff appealed a decision of an MFDA Hearing Panel to the Financial and Consumer Affairs Authority of Saskatchewan (“FCAA”) in the matter of Jack Louis Comeau. The FCAA Hearing Panel that heard the matter found that MFDA Staff did not have jurisdiction to appeal a decision of an MFDA Hearing Panel and dismissed the appeal. The MFDA has appealed this decision.

Member Complaint Handling

The MFDA created a specialized unit within the Case Assessment group to deal with the fairness and timeliness of Member complaint handling activity under MFDA Rule 2.11 and MFDA Policy 3. In addition, the MFDA completed its first discipline hearing against a Member regarding client complaint handling obligations.

Case Highlights

Re HollisWealth Advisory Services Inc.

Reasons for Decision: December 8, 2015

HollisWealth Advisory Services Inc. (“HollisWealth”) entered into a Settlement Agreement in which it admitted that, between September 14, 2005 and June 2013, it failed to establish and maintain a system of controls and supervision that was adequate to ensure that certain clients were qualified to purchase certain investment funds offered pursuant to prospectus exemptions (the “Exempt Funds”), contrary to MFDA Rule 2.2.1 and MFDA Policy No. 2.

During the relevant period, HollisWealth’s advisors sold Exempt Funds to approximately 219 separately identified clients where the account information did not support the clients’ qualification for a prospectus exemption (the “Affected Clients”). Approximately 76 of the 219 Affected Clients experienced net losses (including unrealized losses) totaling approximately \$744,300 in respect of the purchase of the Exempt Funds. HollisWealth self-identified the lack of adequate documentation to support that certain clients qualified to purchase the Exempt Funds pursuant to prospectus exemptions, and self-reported the issue to the MFDA in December 2013 while it continued to investigate the extent of the activity.

In order to address the deficiencies detected, HollisWealth voluntarily implemented a Remediation Plan. This included, among other things, compensation for clients who were sold the Exempt Funds and suffered a net realized loss, and communication with clients who continue to hold the Exempt Funds about the option to redeem their holdings and receive payment for any net realized losses. HollisWealth has also taken steps to enhance its compliance procedures, policies and training modules relative to the documentation, sale and supervisory review of exempt market products. Furthermore, HollisWealth has or will require advisors that were involved, and all of its Branch Managers, to complete educational courses relating to, among other things, the sale of exempt market products.

The Hearing Panel accepted the Settlement Agreement and imposed the following penalties: (i) a fine of \$200,000; (ii) mandatory reporting to MFDA Staff on the implementation of the Remediation Plan; and (iii) the donation to charity of all internal fines levied by HollisWealth against advisors who sold the Exempt Funds to unqualified clients.

Re Sun Life Financial Investment Services (Canada) Inc.

Reasons for Decision: October 1, 2015

Sun Life Financial Investment Services (Canada) Inc. (“Sun Life”) admitted that, between July 24, 2006 and June 2014, it did not conduct an on-site compliance review of every sub-branch location at least once every three years, contrary to MFDA Policy No. 5 and MFDA Rule 2.5.1. In particular, Sun Life did not visit all of its sub-branches, interview a selection of advisors from each sub-branch, or review client files at each sub-branch. Sun Life also acknowledged that, between 2006 and 2010, it failed to conduct an on-site compliance review of the sub-branch of Thomas Bulloch, one of its Approved Persons. In a separate MFDA hearing in 2014, Bulloch was found to have referred Sun Life clients to an organization that sold them unapproved products outside Sun Life’s books and records. Those clients ultimately suffered significant losses.

The Hearing Panel accepted a Settlement Agreement between Sun Life and the MFDA and imposed the following penalties: (i) a fine of \$50,000; and (ii) costs of \$20,000.

Re Global Maxfin Investments Inc. and Issam (“Sam”) El-Bouji

Reasons for Decision: June 23, 2015

Global Maxfin Investments Inc. (“Global Maxfin”) admitted that it failed to have and maintain at all times risk adjusted capital (“RAC”) greater than zero for most of the period May 2004 to September 2009. Global Maxfin and its then Chairman, CEO and UDP, Issam El-Bouji (“Bouji”) admitted that they failed to immediately notify MFDA Staff when they discovered in October 2009 that Global Maxfin’s RAC was less than zero. Bouji also admitted that he failed to ensure that Global Maxfin maintained an adequate compliance program to ensure the timely and accurate monitoring and reporting of Global Maxfin’s capital position.

The Hearing Panel imposed penalties on Global Maxfin, including: (i) a fine of \$50,000; and (ii) costs of \$15,000. The Hearing Panel imposed the following penalties on Bouji: (i) a fine of \$25,000; (ii) a prohibition from acting as a Branch Manager or as a supervisor of Global Maxfin for a two-year period; and (iii) costs of \$10,000.

Re Equity Associates Inc.

Reasons for Decision: May 27, 2015

In June 2008, a married couple opened individual investment accounts at Equity Associates Inc. (“Equity”). After selling their home at a later date, the clients met with Mervyn Fried (“Fried”), an Approved Person of Equity who serviced their accounts, and instructed him to invest the proceeds from the sale of their home pending the completion of construction of a new home that they had purchased. The clients informed Fried that they would need the sale proceeds from their previous home to pay the closing costs of their new home and two new joint accounts were opened for the clients for that purpose.

Equity admitted that it failed to ensure that: (1) Fried obtained New Account Application Forms or signed Know Your Client (“KYC”) documents for the two new joint accounts, (2) a designated trading partner, director or officer, approved the opening of the new joint accounts, and (3) it learned the essential facts applicable to the new joint accounts so it could ensure investment recommendations made were suitable. In July 2009, Equity received a complaint from the clients concerning losses sustained in the joint accounts. Equity failed to handle the complaint promptly or fairly, contrary to MFDA Rule 2.11 and MFDA Policy No. 3. For example, it took Equity more than eight months to prepare a substantive response to the complaint and Equity dismissed the complaint on unreasonable grounds.

The Hearing Panel accepted a Settlement Agreement between Equity and the MFDA in which Equity paid a fine of \$40,000, costs of \$10,000, and made a payment of \$50,000 to the clients as part of the terms of settlement of a civil claim against Equity.

Fried was the subject of an MFDA hearing in October, 2014 in which he admitted in part that he failed to use due diligence to learn the essential facts relative to the above clients and failed to ensure the trades made in the new joint accounts were suitable. He made a voluntary payment of \$25,000 to the clients, and was the subject of disciplinary orders by the Hearing Panel. The case is summarized in more detail in the 2014 MFDA Annual Enforcement Report.

Re Ioana Beckford

Reasons for Decision: February 18, 2015

On December 7, 2009, a client (PR) appointed Ioana Beckford (“Beckford”) as her power of attorney for property and personal care, and appointed Beckford as the executrix and sole beneficiary of her estate. On December 17, 2009, Beckford opened an account for PR at MFDA Member, WFG Securities of Canada Inc. (“WFG”). Beckford did not disclose the appointments to WFG and did not take steps to have the powers of attorney revoked or address the conflict of interest arising from her appointment as sole beneficiary and executrix of PR’s estate. Beckford proceeded to engage in a number of personal financial dealings with PR that included transferring ownership of PR’s home to herself and PR as joint tenants, and borrowing about \$120,000 through a line of credit secured against the client’s home and transferring the funds into her own personal bank account.

The Hearing Panel found that Beckford accepted and held a general power of attorney or similar authorization from a client in her own favour, contrary to MFDA Rules 2.3.1, 2.1.4 and 2.1.1. It also found that Beckford engaged in personal financial dealings with PR thereby giving rise to a conflict or potential conflict of interest between Beckford and PR, which Beckford failed to address by the exercise of responsible business judgment influenced only by the best interests of the client. Beckford was also found to have had and continued in other gainful occupations not disclosed to and approved by WFG and failed to cooperate with MFDA Staff in its investigation.

After an uncontested hearing, the Hearing Panel imposed the following penalties on Beckford: (i) a permanent prohibition on Beckford’s authority to conduct securities-related business while in the employ of or associated with any MFDA Member; (ii) a fine of \$200,000; and (iii) costs of \$10,000.

Re Gerald Rumball

Reasons for Decision: January 14, 2016

Gerald Rumball (“Rumball”) was an Approved Person with MFDA Member W.H. Stuart Mutuals Ltd. (“W.H. Stuart”) during the period 1998 to 2013.

On November 27, 2014, the MFDA issued a Notice of Hearing against W.H. Stuart and its principals, which alleged, among other things, that they solicited and accepted about \$6 million from clients purportedly to be invested on their behalf (the “Note Program”) but which were in fact used for the benefit of W.H. Stuart and its principals and which they have failed to account for.

On December 9, 2015, Rumball entered into a Settlement Agreement in which he admitted that he solicited and accepted over \$2.5 million from clients of W.H. Stuart for investment into the Note Program, a substantial amount of which was not paid back or otherwise accounted for by W.H. Stuart. Rumball admitted that he failed to conduct adequate due diligence concerning the Note Program when he recommended it to clients. In particular, Rumball did not ask to review any offering documents or marketing materials regarding the Note Program, or obtain any meaningful information about how the money received for investment was being used while it was invested. Rumball also failed to adequately disclose the risks associated with the Note Program or confirm the accuracy of representations he made to clients regarding it.

The Hearing Panel concluded that Rumball failed to use due diligence to ensure that orders he accepted and investment recommendations he made to clients in respect of the Note Program were suitable and within the bounds of good business practice. The Hearing Panel also found that Rumball failed to know the product and present recommendations to invest in the Note Program in a fair and balanced manner. The Hearing Panel imposed the following penalties: (i) a permanent prohibition from re-applying for registration as an Approved Person or conducting securities-related business while in the employ of or associated with any MFDA Member; (ii) a fine of \$25,000; and (iii) costs of \$5,000.

Re Michael Raymond McBurney and James Howard Munro Stuart

Reasons for Decision: December 29, 2015

Michael Raymond McBurney (“McBurney”) and James Howard Munro Stuart (“Stuart”) (collectively, the “Respondents”) were also Approved Persons of W.H. Stuart. The Respondents were found in separate hearings to have failed to cooperate with an investigation conducted by MFDA Staff into the above-referenced W.H. Stuart Note Program and whether or not the Respondents had knowledge of or were involved in that Program. McBurney was found to have failed to submit information requested by MFDA Staff and failed to have attended an interview. Stuart was found to have failed to attend an interview.

The Hearing Panel imposed the following penalties on each of the Respondents: (i) a permanent prohibition on conducting securities-related business in any capacity as an Approved Person of, or in association with, any MFDA Member; (ii) a fine of \$75,000; and (iii) costs of \$7,500.

Hearings Concluded by Type of Primary Allegation

Blank Signed Forms

Balani, Lachman
Kahlon, Jarnail
Cliche, Mark
Stanley-Beitz, Mary
Kujala, Robert
Hounscome, Kathleen
Ewart, David
Neeson, James
Rutley, Neil
Ding, Mansu
Williamson, Joanne
Shah, Tarak

Complaint Procedure

Rempel, Edward

Conflict of Interest

Beckford, Ioana (Involved Seniors)
Karasick, Kenneth (Involved Seniors)

Failure to Cooperate

Breuer, Michael
Crompton, Bradley (Involved Seniors)
Henderson, William (Involved Seniors)
Phillips, Christopher

Falsification/Misrepresentation

Welsh, Donald
Snyder, Lloyd
Adeola, Tolu (Involved Vulnerable Persons)
Barnai, Brent
Edmond, Paul
Li, Shi Jin (Michael)
Shaw, Frank
Dhur, Richard
Richardson, William
Wellman, Michael
Wellman, Murray
Lynn, Heather

Financial Requirements

Global Maxfin Investments Inc.

Forgery/Fraud/Theft/Misappropriation/Misapplication

Hufanda, Abner

Outside Business Activities/Dual Occupation

Cronin, Patrick
Marshall, Robert
Yanaky, Daniel
Karas, David (Involved Seniors)
Vatanchi, Rouzbeh
Ho, Kitty
Caicco, Patrick
Prueter, Michael
Abate, Paolo
Aul, Charanjit
Agarwal, Satya (Involved Seniors)
Are, Ayokunnu (Involved Seniors)

Personal Financial Dealings

Frank, Gabriel (Involved Vulnerable Persons)

Referral Arrangements

Bulloch, Thomas (Involved Seniors)
Rajpal, Binni
Emery, David
Duggal, Sanjeev
Mahmood, Iftikhar
Swerdelian, Clay (Involved Vulnerable Persons)

Suitability-Investments

Adams, William (Involved Seniors)
Popovich, George (Involved Seniors)
Dorrington, Francis (Involved Seniors)

Suitability-Leveraging

Brown, Edward (Involved Vulnerable Persons)
Tahir, Mohamed (Involved Seniors)
Laurie, Joseph (Involved Seniors)

Supervision

Badasha, Avtar
Equity Associates Inc. (Involved Seniors)
Crompton, Michelle (Involved Seniors)
El-Bouji, Issam
Sun Life Financial Investments Services (Canada)
HollisWealth Advisory Services Inc.

Unauthorized/Discretionary Trading

Fricker, Stephen (Involved Seniors)

Glossary

Approved Person

Refers to an individual who is a partner, director, officer, compliance officer, branch manager, or alternate branch manager, employee or agent of a Member who (i) is registered or permitted, where required by applicable securities legislation, by the securities commission having jurisdiction, or (ii) submits to the jurisdiction of the MFDA.

Business Standards

Refers to a breach of the high business standards required by MFDA Rule 2.1.1(b).

Canadian Securities Administrators

Refers to the umbrella organization of provincial and territorial securities regulators in Canada.

Commissions and Fees

Refers to allegations involving practices such as disclosure of commission structure and cost, and other issues such as where an Approved Person recommends a trade or multiple trades in a client's account for the purpose of generating sales commissions or otherwise creating a benefit for the Approved Person where there is little or no rationale for the trade.

Complaint Procedures

Refers to allegations involving the requirement that every Member shall establish written policies and procedures for dealing with client complaints that ensure that such complaints are dealt with promptly and fairly.

Discretionary Trading

Refers to a situation whereby a Member or Approved Person is granted authority by the client to make a trade without obtaining specific instructions from the client prior to the execution of the trade concerning one or more elements of the trade: selection of the security to be purchased or sold, the amount of the security to be purchased or sold, and the timing of the trade. MFDA Members and Approved Persons are not permitted to engage in discretionary trading.

Falsification

Refers to the false making or alteration of a document by which the rights or obligations of another person are affected but where a person is not deprived of a property or a right.

Forgery

Refers to the creation of a false document with the intent that it be acted upon as the original or genuine document, and where the victim is deprived of property or rights.

Fraud

Refers to an act of dishonest deception, misrepresentation, or an intentional distortion of truth in order to induce another to part with something of value or to surrender a legal right.

Handling of Funds

Refers to the failure to properly handle client funds in accordance with MFDA requirements.

Know Your Client (KYC)

Refers to the requirement that a Member and Approved Person collect information about a client to assist in making suitable investment recommendations.

Leveraging

Refers to the practice of using borrowed money for the purpose of investing.

Member

Refers to mutual fund dealers that are Members of the MFDA.

Misapplication of Funds

Refers to situations where funds in the rightful possession of an Approved Person or Member are put to an improper purpose for the benefit of a third party.

Misappropriation

Refers to situations where a person has a right to be in possession of property but puts it to his or her own benefit.

Misrepresentation

Refers to a misstatement or omission of a material fact with the intent to deceive.

Outside Business Activities (OBA)

Refers to any business carried on by an Approved Person other than business done on behalf of the Approved Person's MFDA Member firm.

Personal Financial Dealings (PFD)

Refers to situations in which an Approved Person or Member engages in financial activity with a client. A concern arising from this type of conduct is that conflicts of interest arise in connection with such activity. PFD can include borrowing from clients, lending to clients, and engaging in private investment schemes with clients.

Policies and Procedures

Refers to the requirement on Members to establish and maintain written policies and procedures (that have been approved by senior management) for dealing with clients and ensuring compliance with the Rules, By-laws and Policies of the MFDA, and applicable securities legislation.

Pre-Signed Form

Refers to forms that have been signed by a client when they were blank or only partially completed.

Provincial Securities Legislation

Refers to the violation of provincial securities legislation and requirements for which there is no comparable MFDA requirement.

Referral Arrangements

Refers to an arrangement whereby a Member is paid, or pays a fee for the referral of a client to, or from, another person. All referrals must go through a Member.

Sales Communications

Refers to the requirement that advertisements and sales communications must be approved by a designated partner, director, officer, compliance officer or branch manager before being issued. The rationale for this is to ensure that no misleading, inaccurate or otherwise prohibited information is provided to a client who may act upon such information in making investment decisions.

Senior

Refers to investors 60 years of age or over.

Suitability

Refers to the requirement that recommendations made by an advisor be suitable in relation to a client's investment objectives, risk tolerance and other personal circumstances.

Supervision

Refers to the MFDA's investigation of whether a supervisory failure may have contributed to situations where an Approved Person engaged in misconduct. Supervisory failures may include inadequacy in the procedures for supervision or in the actual supervision of others.

Theft

Refers to the taking of property, not rightfully in one's possession, for personal use and exploitation.

Transfer of Accounts

Refers to the transfer of an account without proper client consent or a delay in the transfer of the account.

Vulnerable Person

Refers to investors particularly at risk due to circumstances such as language barriers, limited literacy, disability issues, or very limited financial resources.

Unauthorized Trading

Refers to the practice of a Member or Approved Person making trades without the client's knowledge or approval.

Resources

Further Information

The MFDA website has additional information including with respect to the following areas:

- [Opening an Investment Account](#)
- [Protecting Yourself from Fraud](#)
- [Guide to the Hearing Process](#)
- [Penalty Guidelines](#)
- Enforcement Hearings (including [Hearings Schedule](#), [Current Cases](#), [Completed Cases](#) and [Cases Under Review/Appeal](#))
- Hearing Procedures (including [Rules of Procedure](#) and [Forms](#))
- Related By-Law Sections (Sections 18 – 26)
- [Enforcement Statistics](#)
- [For Seniors](#)
- [For Investors](#)

How to File a Complaint

Information on how to file a complaint about a Member or Approved Person can be found at <http://www.mfda.ca/investors/complaints.html>. Investors can complain electronically by emailing complaints@mfda.ca, by using the complaint form available on the website or by calling the MFDA at 416-361-6332 (toll-free: 1-888-466-6332).

Other Resources

Ombudsman for Banking Services and Investments

Any action taken by the MFDA will not include an order that investors be compensated for any financial losses they may have suffered. Additionally, the MFDA is unable to assist clients with civil claims. Investors who wish to pursue financial compensation may wish to consult with the Ombudsman for Banking Services and Investments (www.obsi.ca or 1-888-451-4519) or a lawyer.

National Registration Search

In Canada, anyone trading securities or in the business of advising clients on such securities, including Approved Persons and Members, must be registered with the provincial or territorial securities regulator, unless an exemption applies. Check the [National Registration Search](#) to find out if an individual or firm is registered in your province or territory and what product and services a firm or individual can offer, or contact your provincial securities regulator.

Disciplined List

The Canadian Securities Administrators (CSA) maintains a cross-jurisdictional [Disciplined List](#), which can be used to search for any disciplinary action taken against an individual or company by a provincial securities regulator or self-regulatory organization, including the MFDA.

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