



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: Larry Leslie Williams

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 the Larry Leslie Williams (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. ACKNOWLEDGMENT

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. The Respondent became registered in the securities industry in September 1995.

7. Between May 24, 2005 and December 31, 2015, the Respondent was registered in British Columbia as a mutual fund salesperson (now known as a dealing representative) with Hub Capital Inc. (“Hub” or the “Member”), a member of the MFDA.

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

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

Breach of Member Policy and Procedure

10. Client A opened an account with Hub in May 2005. Client B opened an account with Hub in November 2006. At all material times, the Respondent was the Approved Person responsible for servicing the clients' accounts at Hub.

11. The Respondent states that:

- a) client A is the Respondent's brother-in law;
- b) client B has been a close friend of the Respondent for over a decade; and
- c) client A's KYC form listed him as having "knowledgeable" investment knowledge and client B's KYC form listed him as having "sophisticated" investment knowledge.

12. At all material times, Hub had an explicit policy and procedure that prohibited its Approved Persons from becoming involved with clients in private investment schemes, including investment clubs.

13. At all material times, Hub had a policy and procedure that required its Approved Persons to immediately disclose a conflict of interest or potential conflict of interest to Hub's compliance department.

14. On or about March 6, 2015, without the knowledge, authorization or approval of the Hub, the Respondent entered into an agreement with client A and client B to form an investment club (the "Investment Club"). At the time that the Respondent started the Investment Club he did not seek prior approval from Hub nor did he advise Hub that two clients were members of the Investment Club.

15. Prior to entering into the Investment Club, the Respondent did consult with the British Columbia Securities Commission to canvass the steps and regulatory requirements that had to be taken prior to opening an Investment Club however the Respondent did not make inquiries as to his obligation to inform the Member. The Respondent states he informed the British Columbia Securities Commission that he was an MFDA registrant.

16. The Respondent retained counsel in the United States to provide advice to members of the Investment Club with respect to the running of the Investment Club. Counsel negotiated an agreement that clearly delineated the roles of the three members to the Investment Club (the "Agreement").

17. Pursuant to the Agreement, the Respondent was appointed as the Managing Partner of the Investment Club. As Managing Partner, the Respondent states he was responsible for providing administrative services for the Investment Club, liaising with legal counsel and securities regulators, and hiring third party bookkeepers. Pursuant to the Agreement, client B was appointed as trader for the Investment Club. Neither the Respondent as Managing Partner nor client B were entitled to remuneration for the services they provided to the Investment Club.

18. On May 11, 2015, the Respondent opened a joint investment account for the Investment Club with an online brokerage company called Interactive Brokers. The first trade in the Investment Club occurred on May 26, 2015.

19. The Respondent, client A and client B initially contributed the following amounts to the Investment Club's joint investment account:

- a) client A: \$85,000 US Dollars;
- b) client B: \$25,000 US Dollars; and
- c) The Respondent: \$30,000 US Dollars.

20. Based upon these contributions, the Respondent owned 22% of the Investment Club, while client A and client B owned 60% and 18%, respectively.

21. The acts of co-mingling the Respondent's own money with client money and forming an Investment Club for the purpose of jointly investing in securities with clients of the Member contravened the policies and procedures of the Member and gave rise to an actual or potential conflict of interest that the Respondent failed to disclose to the Member and ensure that it was addressed by the exercise of responsible business judgment influenced only by the best interests of the clients.

22. As of June 18, 2015, the account opened for the Investment Club held shares of three biotechnology companies and options in three technology companies. The transactions to purchase securities in the investment account held by the Investment Club were not carried on for the account of Hub, or processed through its facilities. The Respondent did not disclose to Hub that he was participating in the Investment Club with clients of Hub. He also did not disclose to the Member or seek authorization or approval from the Member to participate in an Investment Club with clients of the Member.

23. The Respondent states that during the time that he was an Approved Person, he did not place any trades in the account of the Investment Club. The trades that were processed in the account of the Investment Club were processed by client B. The Respondent has provided evidence that he did not create his own investor profile with Interactive Brokers until May 24, 2016, after he resigned from Hub.

24. On June 24, 2015, Hub's Regional Compliance Officer conducted a branch audit, at which time, in response to questioning by the Regional Compliance Officer, the Respondent disclosed his involvement in the Investment Club to Hub. Immediately after discussing the Investment Club with the Regional Compliance Office, the Respondent contacted his immediate supervisor and disclosed details concerning the Investment Club.

25. On August 5, 2015, Hub's Chief Compliance Officer contacted the Respondent to discuss the course of action and, as a result the Respondent decided to resign from the Investment Club and received the current market value of his portion of the investments, which was \$20,000 USD.

26. On September 15, 2015, Hub issued a reprimand letter to the Respondent regarding his involvement with clients in the Investment Club.

27. On December 31, 2015, the Respondent resigned from Hub.

28. No complaints were received by Hub from the clients who participated in the Investment Club with the Respondent.

V. CONTRAVENTIONS

29. Between March 6, 2015 and June 24, 2015, the Respondent participated in an investment club with two clients, and co-mingled his monies with client monies in an account for the investment club, which conduct gave rise to a conflict of interest that the Respondent did not disclose to the Member prior to June 24, 2015 or address appropriately, contrary to MFDA Rules 2.1.4 and 2.1.1, and the policies and procedures of the Member.

VI. TERMS OF SETTLEMENT

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

VII. STAFF COMMITMENT

31. 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

32. 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. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 and Rule 15.2(2) of the MFDA Rules of Procedure. If the Hearing Panel accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at www.mfda.ca.

33. 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.

34. 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. 24.1.1 and/or 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.

35. 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

36. 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

37. 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.

38. 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

39. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 2nd day of April, 2018.

“Larry Leslie Williams”

Larry Leslie Williams

“JRH”

Witness – Signature

JRH

Witness – Print Name

“Shaun Devlin”

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

Schedule “A”

Order

File No. 201778



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: Larry Leslie Williams

ORDER

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 Larry Leslie Williams (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 on the basis of the facts and contraventions that the Respondent has admitted in the Settlement Agreement, the Hearing Panel is of the opinion that, between March 6, 2015 and June 24, 2015, the Respondent participated in an investment club with two clients, and co-mingled his monies with client monies in an account for the investment club, which conduct gave rise to a conflict of interest that the Respondent did not disclose to the Member prior to June 24, 2015 or address appropriately, contrary to MFDA Rules 2.1.4 and 2.1.1, and the policies and procedures of the Member.

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

1. the Respondent shall pay a fine in the amount of \$5,000, pursuant to section 24.1.1(b) of By-law No. 1;
2. the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of By-law No. 1; and
3. if at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all 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 610868