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: Jeffrey Michael Beck

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 Central 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 Jeffrey Michael Beck (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 MFDA 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. Between November 14, 1997 and May 29, 2018[1], the Respondent was registered in Ontario as a mutual fund salesperson / dealing representative[2] with International Capital Management Inc. ("ICM" or the "Member").

7. Since September 12, 1995 when ICM became a registrant in the securities industry in Ontario (initially as a limited market dealer and from October 23, 1996 to June 29, 2018 as a mutual fund dealer and limited market dealer / exempt market dealer[3]), ICM was jointly owned by John Paul Sanchez ("John") and his brother Javier Andreas Sanchez ("Javier"). At all material times, John was the President, a director, the primary directing mind, the Chief Compliance Officer

[1]The Respondent's registration with International Capital Management Inc. ("ICM") was officially terminated on May 29, 2018, however, as described below, the client accounts that were serviced by the Respondent were transferred to a portfolio manager on April 2, 2018 when ICM voluntarily agreed to accept a suspension of its membership in the MFDA. On April 2, 2018, the registration of the Respondent [and all dealing representatives of ICM] was suspended and he has not been permitted to engage in securities related business for any MFDA Member since that date.

[2]On September 28, 2009, as a result of the implementation of National Instrument 31-103, the mutual fund salesperson registration category was changed to "dealing representative – mutual fund dealer".

[3] On September 28, 2009, with the implementation of National Instrument 31-103, the Limited Market Dealer registration category in Ontario was changed to Exempt Market Dealer.

("CCO") and the Ultimate Designated Person ("UDP") of ICM. At all material times, Javier was the Vice-President, a director, a branch manager and the alternative CCO of ICM.

8. On February 8, 2002, when ICM became a Member of the MFDA, the Respondent became an Approved Person of ICM.

9. In October, 2012, the Respondent completed the exempt market dealer exam in order to become eligible to offer exempt products to investors.

10. The Respondent was previously disciplined by the MFDA for obtaining, possessing and using 7 pre-signed account forms in respect of 6 clients contrary to MFDA Rule 2.1.1. On January 6, 2017, the Respondent entered into a settlement agreement with Staff pursuant to which he admitted to the misconduct and agreed to pay a fine of $4,000 and costs of $2,500.

11. At all material times, the Respondent conducted business from ICM's head office located in Toronto, Ontario.

Disciplinary Proceedings Against ICM And John And Javier Sanchez

12. On December 16, 2016, a Hearing Panel made orders against ICM and its principals, John and Javier, after Staff brought an application for relief in exceptional circumstances pursuant to s. 24.3 of MFDA By-law No. 1 seeking orders in the public interest because of concerns about the conduct of ICM, John and Javier (the "s. 24.3 Proceeding" – MFDA File No. 2016107). The s. 24.3 Proceeding was commenced most significantly to address concerns about the role of ICM, John and Javier in soliciting investments in two non-arm's length companies, one of which was called Invoice Payment Systems Inc. ("IPS"). The s. 24.3 Proceeding also addressed Staff's allegations that ICM, John and Javier had breached an Agreement and Undertaking (as defined below in paragraph 25) that they had entered into with Staff in October 2006 to resolve compliance deficiencies that had been identified by Staff in 2004 and that they failed to cooperate with examinations and investigations conducted by Staff by providing false and/or misleading answers to questions and requests for information by Staff and by deliberately concealing or destroying records relevant to matters under investigation. Among other restrictions that were imposed on December 16, 2016, the Hearing Panel ordered ICM and its Approved Persons (including the

Respondent) to cease engaging in any form of business other than advising and trading with respect to prospectus qualified mutual funds and Guaranteed Investment Certificates ("GICs").

13. On May 20, 2017, Staff commenced a disciplinary proceeding against ICM, John and Javier by Notice of Hearing (MFDA File No. 201761) (the "2017 Proceeding") to address several allegations of misconduct, including allegations that ICM, John and Javier contravened regulatory requirements by soliciting investments from individuals (including clients of ICM) in unsecured promissory notes issued by IPS (the "IPS Notes") and another non-arm's length company.

14. Effective April 2, 2018, ICM, John and Javier agreed to the voluntary suspension of ICM's membership in the MFDA and the transfer of ICM's client accounts to a portfolio manager called Optimize Inc. As a consequence of that decision, the registration of all Approved Persons of ICM, including the Respondent, was suspended on April 2, 2018.[4]

15. On June 29, 2018, ICM, John and Javier entered into a settlement agreement with Staff to address the allegations in the 2017 Proceeding (the "2018 Settlement Agreement"). By order dated June 29, 2018, the 2018 Settlement Agreement was accepted and pursuant to the terms of the order and the settlement agreement, ICM's membership in the MFDA was terminated and John and Javier were ordered to pay fines and costs to the MFDA and were permanently prohibited from conducting securities related business on behalf of any Member of the MFDA.

Overview

16. As set out in more detail below, between 2011 and 2015, the Respondent solicited and facilitated investments totaling approximately $2.2 million in IPS Notes by approximately 28 investors that were processed off the books and records of ICM and earned compensation for doing so. The Respondent failed to conduct adequate due diligence to ensure that:

a) he understood the investment product (the IPS Notes) and the regulatory obligations applicable to the sale of the product;

b) the product was suitable for clients to whom he recommended it; and

[4]As noted above, the Respondent's registration with ICM was terminated on May 29, 2018 but his registration was suspended on April 2, 2018 as a consequence of the suspension of ICM's membership in the MFDA.

c) he addressed the conflicts or potential conflicts of interests arising from the sale of the product to clients of ICM by the exercise of responsible business judgment influenced only by the best interests of the client in compliance with MFDA Rule 2.1.4.

17. There is no evidence of client losses associated with investments in the IPS Notes.

18. In December 2016, after Staff obtained an interim order against ICM, John and Javier in the s. 24.3 Proceeding, the Respondent sent a potentially misleading client communication that downplayed the concerns that Staff had addressed in the 24.3 Proceeding and reassured that client that her investments in IPS Notes were 'safe' without first conducting due diligence to understand the basis for Staff's concerns about the IPS Notes and the conduct of John, Javier and ICM.

19. It is material that all of the conduct described in this Settlement Agreement was engaged in by the Respondent with the knowledge, approval and encouragement of John who was the President, UDP and CCO of ICM and Javier who was the Vice-President, branch manager and alternate CCO of ICM.

Invoice Payment Systems Inc. ("IPS")

20. On September 9, 2003, IPS was incorporated as an Ontario corporation.

21. IPS is a factoring company that purchases the accounts receivable of other businesses at a discount with the intention of collecting the full value of the accounts receivable when the accounts come due and thereby earning a profit.

22. 75% of the shares of IPS are owned by holding companies controlled by John, Javier, and their close family members.

23. Following the incorporation of IPS in 2003, IPS required capital in order to begin purchasing accounts receivable. John and Javier began soliciting money for investment in IPS Notes that typically offered investors a rate of return of approximately 7% per year. In 2003, John and Javier relied on the accredited investor exemption to offer the promissory notes to investors and provided purchasers of the promissory notes with an offering memorandum.

MFDA Concerns About The Solicitation Of Investments In The IPS Notes

24. During the 2004 MFDA Compliance Examination of ICM, Staff discovered that ICM clients had been solicited to invest in the IPS Notes and products issued by another non-arm's length entity. Staff raised concerns with John and Javier about whether the distribution of those investment products was compliant with MFDA Rules and applicable securities legislation.

25. On October 11, 2006, ICM entered into an Agreement and Undertaking (the "Agreement and Undertaking") in which ICM agreed to take specific steps to address compliance deficiencies identified during the 2004 Compliance Examination including deficiencies associated with the solicitation of investments in non-arm's length investments such as the IPS Notes. In particular, pursuant to the Agreement and Undertaking, ICM confirmed that the IPS Notes were an exempt product and agreed to implement certain procedures in respect of the IPS Notes, including obtaining written confirmation from clients about the conflict of interest that arose as a result of the relationship between ICM, John and Javier and IPS and the risks associated with the IPS Notes.

26. The Respondent states that he was never informed by John or Javier or anyone at ICM that Staff had raised concerns about the IPS Notes or that ICM had entered into the Agreement and Undertaking. In particular, at no time prior to November 2017 was the Respondent aware of (i) the compliance deficiencies identified by Staff during the 2004 MFDA Compliance Examination of ICM; (ii) the Agreement and Undertaking and the obligations imposed by it; or (iii) the fact that the Agreement and Undertaking expressly contradicted John's representation to the Respondent (described below in paragraph 29) that the IPS Notes did not need to comply with the MFDA Rules governing exempt market products. The Respondent states that had he been told about the concerns raised by Staff in 2004 or the terms of the Agreement and Undertaking, he would not have offered the IPS Notes to his clients.

27. In the 2018 Settlement Agreement, ICM, John and Javier admitted that Approved Persons of ICM [including John, Javier and the Respondent] solicited at least $25.8 million from at least 170 ICM clients for investment in the IPS Notes. ICM, John and Javier also admitted that after 2006 they did not comply with the terms of the Agreement and Undertaking and ceased to provide investors in the IPS Notes with an offering memorandum or other written disclosure about the IPS Notes.. They also concealed from the MFDA the fact that Approved Persons of ICM (including

the Respondent) continued to facilitate investments in IPS Notes after they signed the Agreement and Undertaking.

28. The Respondent states that he was not aware that John and Javier were concealing the solicitation of investments in the IPS Notes from the MFDA or breaching the Agreement and Undertaking and further was not aware of the conduct admitted to by John and Javier as described in the 2018 Settlement Agreement until it was made publicly available.

The Respondent Failed To Conduct Adequate Due Diligence

29. Beginning in approximately 2004, John and Javier introduced the IPS Notes to Approved Persons of ICM. The Respondent states that he was not prepared to recommend the IPS Notes to clients until the IPS Notes had a track record of reliability and he had a better understanding of how the IPS Notes worked. This did not occur until 2011. Between 2004 and 2011, the Respondent met with John and with the President of IPS and received explanations about the IPS Notes from them. The Respondent states that, during these discussions, John told him that the IPS Notes were loans to IPS, not securities, and therefore it was not necessary to comply with the MFDA Rules regarding exempt market products.

30. The Respondent admits that he failed to conduct adequate due diligence about the IPS Notes that he recommended to clients. Among other things, the Respondent did not:

(a) review any offering documents or marketing materials describing the terms, anticipated benefits, risks, underlying assumptions, features or attributes of the IPS Notes;

(b) obtain any written disclosure (including financial disclosure) about IPS or the IPS Notes;

(c) determine or evaluate the risks of the investment offered by the issuer;

(d) receive financial disclosure to support the claim by IPS that it could pay investors 7% per year or an explanation as to why IPS was offering a rate of return that significantly exceeded the rate of return offered by other fixed income investments such as GICs; or

(e) determine whether the investment was a security that he was eligible to sell and whether any conditions were applicable to the solicitation of investments in the IPS Notes.

31. The Respondent admits that without adequately taking into account the important considerations listed in paragraph 30 above, the Respondent could not properly evaluate whether: (a) the investment of client money in the IPS Notes was a suitable investment for particular clients; or (b) the process of soliciting investments was compliant with regulatory requirements.

The Respondent's Solicitation of Investments In The IPS Notes

32. Between 2011 and 2015, the Respondent recommended and facilitated investments totaling approximately $2,260,850 in the IPS Notes by 28 clients. The investments in the IPS Notes were not secured by any collateral. The investors could choose to receive interest on a monthly, quarterly or annual basis. 30 days prior to the maturity date, investors were notified of the option to redeem their principal as of the maturity date, or alternatively, to continue the investment for a new term. Investors were notified that if they did not communicate an intention to redeem the IPS Note prior to the maturity date, the notes would automatically be renewed for an additional one year term. The Respondent states that he was told by John and Javier that investors had to invest a minimum of $50,000 to invest in the IPS Notes. The Respondent also states that he only recommended the IPS Notes to clients who were seeking an income producing or fixed return product that did not fluctuate with the markets and offered a better return than a GIC. All of the clients renewed their investments in the IPS Notes upon the expiry of the initial one year term. Almost all of the 28 clients continued to hold IPS Notes in April 2018 when the Respondent ceased servicing their investment accounts at ICM. Some of the investors increased the amount of their investment in the IPS Notes over time.

33. The Respondent did not personally invest in the IPS Notes.

34. The investments in IPS Notes that were held by ICM clients did not appear on investment statements issued by ICM and were not otherwise recorded on the books and records of ICM unlike other investments that were sold to clients by Approved Persons of ICM.

35. No written disclosure about the IPS Notes (including financial statements and disclosure about the risks of the investment) was provided to investors in the IPS Notes.

36. IPS paid compensation at a rate of 2% per year of all amounts invested in IPS Notes to individuals including the Respondent who solicited the investments. No written disclosure was provided to clients disclosing the compensation earned by the Respondent.

37. According to the records of IPS, as of February 2017, compensation totaling $133,714.26 was paid by IPS for amounts solicited by the Respondent for investment in IPS Notes.[5]

38. The Respondent states that he received only 80% of the compensation that was paid by IPS in connection with amounts that the Respondent solicited for investment in the IPS Notes and that the other 20% of the compensation that was paid by IPS was retained by John and Javier.

39. The compensation for the solicitation of investments in the IPS Notes that the Respondent did receive was not paid to the Respondent by ICM (unlike other compensation that he received), but instead was paid by numbered companies owned and controlled by John and Javier.

40. The Respondent states that he only facilitated investments in the IPS Notes by approximately 10-15% of his clients and he believed that it was appropriate for clients to limit their investment to a concentration range of approximately 5% to 15% depending on the client. The Respondent also states that he told clients that there was a risk of default by IPS on investments in the IPS Notes and he provided no guarantees to clients who invested in the IPS Notes.

41. None of the clients who were solicited by the Respondent to invest in IPS Notes has:

(i) submitted a complaint to ICM or to the MFDA;
(ii) reported losses associated with the investment or any default on interest payments or redemption of IPS Notes on maturity; or
(iii) commenced civil proceedings against the Respondent, ICM or IPS;

associated with their investment in the IPS Notes.

[5] The Respondent and other individuals who solicited investments in IPS Notes were paid compensation of 2% following the original investment and annually for each year that the original note was renewed.

No Written Disclosure Of Conflicts Of Interest

42. The Respondent knew that John and Javier, the owners and senior officers of ICM, had a non-arm's length relationship with IPS as a result of their ownership interest in IPS. In such circumstances, the solicitation of investments in IPS from clients of ICM gave rise to a conflict or a potential conflict of interest. Consequently, the Respondent was required to ensure that:

a) the conflict or potential conflict of interest was addressed by the exercise of responsible business judgment influenced only by the best interests of the client; and

b) the conflict or potential conflict of interest was disclosed in writing to clients of ICM prior to the solicitation of investments in IPS Notes from such individuals.

43. The Respondent also should have known that he had an obligation to provide written disclosure to clients about the amount of compensation that he expected to earn for soliciting investments by clients in the IPS Notes.

The Respondent's Response To A Client Inquiry About The S. 24.3 Proceeding

44. On December 16, 2016, a hearing was held to consider an application by Staff commenced pursuant to s. 24.3 of MFDA By-Law No. 1 to address what Staff alleged was on-going misconduct by ICM, John and Javier concerning, among other things, the solicitation of investments in IPS Notes. As noted in paragraph 12 above, among other restrictions that were imposed on December 16, 2016, the hearing panel ordered ICM and its Approved Persons (including the Respondent) to cease engaging in any form of business other than advising and trading with respect to prospectus qualified mutual funds and GICs. ICM was also required to notify clients in a letter about the restrictions that had been imposed by the hearing panel.

45. After receiving a letter from ICM informing her about the s. 24.3 Proceeding, on December 30, 2016, a client sent an e-mail to the Respondent in which she stated that:

> I'm quite distressed by a letter I received today from ICM about some kind of penalty issued to ICM from the MFDA. I'm not sure how this affects my investments but I need to do what ever is needed to ensure that I don't lose any of the money I have invested with ICM. . . It looks like ICM is now (*sic*) longer able to deal with my IPS investment and I don't know what else will be affected.

> I'd like to know what it is that ICM did to warrant this penalty from the MFDA . . . I'm worried about my investments, both non-registered, including IPS, and through my RRIF. . .

46. On December 30, 2016, the Respondent sent the client a response in which he stated:

> Your investments are safe.
>
> The regulators (MFDA) have issue with pretty much any investment that is not a mutual fund or GIC, and have issue with exempt products that we recommend through our exempt market dealer.
>
> There are no issues with any of the monies invested for any clients through the exempt market dealer. The MFDA simply feels that anything other then (*sic*) a GIC or mutual fund poses too much risk for the client. We do not agree!
>
> While we have had no issue with any of the exempt products (ie Prommisory (*sic*) Note), the MFDA are challenging us to not offer these products anymore.
>
> We believe that these alternative products serve our clients well, and of course we do not agree with what the MFDA is trying to impose.
>
> We have offered the note since 2004 and and (*sic*) never has an issue come up with these Notes for any of our clients.
>
> Rest assured all of your investments are safe and accounted for. None of your monies are invested through ICM directly – they are held directly with each mutual fund company and the Prommissory (*sic*) Note is held with IPS, which also has every dollar accounted for.
>
> I hope my response gives you some comfort. But rest assured all of your investments are safe.
>
> . . .

47. Prior to sending the December 30, 2016 e-mail responding to the client's concerns, the Respondent did not use due diligence to ensure that he read the Notice of Application commencing the s. 24.3 Proceeding and the Order that was issued against ICM, John and Javier [both were published on the MFDA website] and understood Staff's concerns about ICM's conduct (including Staff's concerns about the solicitation of investments in the IPS Notes).

48. In particular, the Respondent wrote his December 30, 2016 e-mail without first conducting adequate due diligence to:

a) ensure that the content of his e-mail was accurate and did not mislead the client;

b) understand the current financial position of IPS (to support his assertion that the client's investment in the IPS Notes was safe);

c) ensure that the IPS Notes had been sold to the client in a manner that was compliant with securities law and MFDA Rules and that the IPS Notes continued to be suitable for her; and

d) determine whether the content of his e-mail was compliant with the Order issued by the hearing panel on December 16, 2016.

49. The Respondent also knew or ought to have known that the tone and content of the e-mail that he sent on December 30, 2016 would potentially:

a) mislead the client to whom it was sent; and

b) unjustifiably diminish the client's concerns about the gravity of the allegations addressed in the s. 24.3 Proceeding.

V. CONTRAVENTIONS

50. The Respondent admits that between January 2011 and December 2015, he solicited and facilitated investments totaling approximately $2,260,850 in IPS Notes by approximately 28 clients that were not processed through the facilities of the Member or recorded on its books and records without first exercising adequate due diligence to ensure that he understood the product sufficiently to:

a) "know the product" and the regulatory requirements applicable to the sale of the product;

b) properly identify, disclose and explain the risks of the product to clients; and

c) ensure that the orders that he accepted and the recommendations that he had made to clients were suitable for the clients;

contrary to MFDA Rules 1.1.1, 2.2.1 and 2.1.1.

51. The Respondent admits that between January 2011 and December 2015, he knew or ought to have known that the solicitation of investments by clients of ICM in the IPS Notes gave rise to a conflict of interest that the Respondent failed to disclose to clients in writing or to otherwise

address by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to MFDA Rules 2.1.4 and 2.1.1.

52. The Respondent admits that in December 2016, after the MFDA commenced disciplinary proceedings against ICM, John Sanchez and Javier Sanchez addressing contraventions associated with the solicitation of investments in IPS Notes, the Respondent sent an improper client communication to a client that included assertions that were potentially misleading and likely to unjustifiably diminish the client's concerns about the gravity of the allegations addressed by Staff in its disciplinary proceeding against ICM, John Sanchez and Javier Sanchez, contrary to MFDA Rules 2.8.2, 2.1.4, 2.2.1 and 2.1.1.

VI. TERMS OF SETTLEMENT

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

1. the Respondent shall be prohibited from conducting securities related business while in the employ of or associated with any Member of the MFDA prior to September 1, 2019, pursuant to s. 24.1.1(c) of MFDA By-law No. 1;
2. the Respondent shall pay a fine in the amount of $30,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:
   (i) $10,000 payable on the date that the Settlement Agreement is accepted by the Hearing Panel; and
   (ii) $5,000 payable on the first day of each month from February 1, 2019 to May 1, 2019;
3. the Respondent shall pay costs in the amount of $5,000, pursuant to s. 24.2 of MFDA
   By-law No. 1 on the date that the Settlement Agreement is accepted by the Hearing Panel;
4. the Respondent shall use due diligence in the future to comply with MFDA Rules 2.1.1, 2.1.4 and 2.2.1; and
5. the Respondent will attend in person, on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

54. 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

55. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central 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.

56. 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.

57. 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 of MFDA By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of MFDA By-law No. 1.

58. 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

59. 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

60. 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 MFDA By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

61. 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

62. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 17th day of January, 2019.

"Jeffrey Michael Beck"
Jeffrey Michael Beck

"MB"
Witness – Signature

MB
Witness – Print Name

"Shaun Devlin"
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: Jeffrey Michael Beck

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 Jeffrey Michael Beck (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 admissions made by the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that:

(a) between January 2011 and December 2015, he solicited and facilitated investments totaling approximately $2,260,850 in unsecured promissory notes issued by a company called Invoice Payment Systems Inc. (the "IPS Notes") by approximately 28 clients that were not processed through the facilities of the Member, International Capital Management Inc. ("ICM"), or recorded on its books and records without first

exercising adequate due diligence to ensure that he understood the product sufficiently to:

(i) "know the product" and the regulatory requirements applicable to the sale of the product;

(ii) properly identify, disclose and explain the risks of the product to clients; and

(iii) ensure that the orders that he accepted and the recommendations that he made to clients were within the bounds of good business practice and suitable for the clients;

contrary to MFDA Rules 1.1.1, 2.2.1 and 2.1.1.

(b) between January 2011 and December 2015, the Respondent knew or ought to have known that the solicitation of investments by clients of ICM in the IPS Notes, gave rise to a conflict of interest that the Respondent failed to disclose to clients in writing or to otherwise address by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to MFDA Rules 2.1.4 and 2.1.1.

(c) in December 2016, after the MFDA commenced disciplinary proceedings against ICM, John Sanchez and Javier Sanchez to address contraventions associated with the solicitation of investments in IPS Notes, the Respondent sent an improper client communication to a client that included assertions that were potentially misleading and likely to unjustifiably diminish the client's concerns about the gravity of the allegations addressed by Staff in its disciplinary proceeding against ICM, John Sanchez and Javier Sanchez, contrary to MFDA Rules 2.8.2, 2.1.4, 2.2.1 and 2.1.1.

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

1. The Respondent is prohibited from conducting securities related business while in the employ of or associated with any Member of the MFDA prior to September 1, 2019, pursuant to s. 24.1.1(c) of MFDA By-law No. 1;

2. The Respondent shall pay a fine in the amount of $30,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:

a) $10,000 payable on the date of this Order; and

b) $5,000 payable on the first day of each month from February 1, 2019 to May 1, 2019;

3. The Respondent shall pay costs in the amount of $5,000, pursuant to s. 24.2 of MFDA By-law No. 1 on the date of this Order;

4. 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 658289