



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: De Thomas Wealth Management Corp.

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 the Respondent, De Thomas Wealth Management Corp. (the “Respondent” or “De Thomas”).

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 XI) 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

6. De Thomas Wealth Management Corp. (“De Thomas”) is registered in the provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan and Quebec as a Mutual Fund Dealer. De Thomas is registered in the provinces of Ontario, Alberta, British Columbia and Quebec as an Exempt Market Dealer. De Thomas became a Member of the MFDA on April 12, 2002.

Failure to Conduct Branch Reviews

7. MFDA Policy No. 5 came into effect on July 24, 2006, which requires each MFDA Member to establish a branch review program to effectively assess and monitor compliance with regulatory requirements. Branch reviews are required to be conducted by qualified individuals who are independent from the branch and the branch manager. An MFDA Member is generally expected to perform an on-site review of its branches and sub-branches no less than once every three years, unless the Member can demonstrate the branches that have not been subject to an on-site review are low risk and have been subject to alternative compliance review procedures performed by head office, such as an off-site desk review.

8. From January 16, 2017 to February 3, 2017, MFDA Sales Compliance completed an examination of De Thomas, which included an assessment of compliance by De Thomas with

MFDA By-laws, Rules and Policies for the period from December 1, 2012 to November 30, 2016. The examination included a review of De Thomas' head office, two branch locations (Toronto and Kelowna) and 2 sub-branch locations (Vaughan and Thornhill). The findings of the examination were reported to De Thomas in the MFDA Compliance Examination Report dated May 17, 2017. (the "2017 Examination Report").

9. The 2017 MFDA Report identified, amongst other things, deficiencies in the following areas:

- a) the sale of syndicated mortgages outside the facilities of the Member;
- b) failing to conduct branch and sub-branch reviews;
- c) failing to develop a risk based methodology to rank branch locations as high medium or low risk using appropriate criteria such as results of previous reviews;
- d) failing to ensure adequacy in the documentation of branch reviews; and
- e) failing to ensure branch reviews were conducted by an independent reviewer.

10. The 2017 Examination identified the following branch/sub-branches which De Thomas had failed to conduct a review in a timely manner:

#	Branch/Sub-branch Address	Scheduled Review Date	Issue
1	45389 Luckakuck Way Chilliwack, BC (Sub-branch)	September 2017	During the 2013 Targeted Examination, De Thomas agreed to review this location in March 2014; the review was never conducted. This branch was scheduled to be reviewed in 2017, more than 6 years after it was registered on May 19, 2011. This branch was reviewed in November 2018.
2	5 Crestwood Drive Cambridge, ON (Sub-branch)	Noted as N/A	This location was noted as 'N/A' on the De Thomas' schedule, a review has never been conducted, nor has De Thomas scheduled one. The location was registered more than 8 years ago on June 12, 2008. This branch was reviewed in September 2018.
3	1210 Sheppard Ave. E. Toronto, ON (Sub-branch)	Noted as N/A	This location was noted as 'N/A' on the De Thomas' schedule, a review has never been conducted, nor has the De Thomas scheduled one. The location was registered more than 8 years ago on June 12, 2008. This branch was reviewed in November 2018. This location will no longer be registered as a sub-branch location as of December 31, 2018.
4	903 Dorchester Avenue, Winnipeg MB (Sub-branch)	N/A – noted as Law Office	This location was noted as 'N/A' on the De Thomas' schedule, a review has never been conducted, nor has the De Thomas scheduled one. The location was registered more than 5 years ago on June 15, 2011. This branch was reviewed in November 2018.

#	Branch/Sub-branch Address	Scheduled Review Date	Issue
5	309 Banks Road Kelowna, BC (Sub-branch)	March 2014	This location was last reviewed in March 2010. De Thomas agreed to a Policy No. 5 review schedule of March 2014, during the 2013 Targeted Examination that was not adhered to. De Thomas has scheduled the next review for September 2017, more than 7 years after the previous review was conducted. This branch was reviewed in March 2018.
6	235 Yorkland Blvd. Toronto, ON (Branch)	November 2015	This location was last reviewed in November 2013. De Thomas agreed to a Policy No. 5 review schedule of November 2015 during the 2013 Targeted Examination that was not adhered to. De Thomas has scheduled the next review for November 2017, 4 years after the previous review was conducted. This branch was reviewed in September 2018.

11. De Thomas cannot demonstrate the branches or sub-branch that were not been subject to an on-site review were low risk and have been subject to alternative compliance review procedures performed by head office.

12. The deficiencies found in the 2017 Examination Report were similar to deficiencies found in a MFDA Targeted Compliance Examination of De Thomas conducted on December 2, 2013. The 2013 examination identified that, among other things, De Thomas had failed to adhere to a branch review schedule previously agreed upon with the MFDA.

13. In addition to the branches and sub-branches identified in paragraph 10 above, Staff of the MFDA identified during the course of an investigation into a client complaint that De Thomas had failed to conduct a compliance review of a sub-branch located at 1333 Dorval Drive, Old Abbey Building, Oakville, Ontario (the “Legacy Sub-Branch”). The Legacy Sub-Branch opened in or around November 2012 and had never been the subject of a sub-branch compliance review or risk ranked by De Thomas. The Legacy Sub-Branch location has since re-located with a Scheduled Review Date of December 2017 and will be subject to annual reviews until classified as a low risk location.

14. De Thomas has hired an additional full-time compliance officer at the Head Office to ensure the Branch Review schedule is adhered to.

Permitting an Approved Person to Sell Syndicated Mortgages

15. On November 12, 2013, the MFDA issued Bulletin #0853-P, Transactions by Approved Person in Syndicated Mortgage Securities. The Bulletin provided guidance with respect to

syndicated mortgages. The Bulletin specifically advised that all syndicated mortgages sold or referred by Approved Persons must be facilitated through the accounts and facilities of the Member in accordance with the requirement of Rule 1.1.1 and are subject to all applicable MFDA Rules.

16. On January 21, 2015, the MFDA issued Bulletin #0628-P Transactions in Syndicated Mortgage Securities. The Bulletin referenced MFDA Bulletin #0583-P and reminded Members and Approved Persons that Approved Persons who are also licensed as Mortgage Agents or Mortgage Brokers cannot sell syndicated mortgage investments under their Mortgage Agent or Mortgage Broker license outside the Member.

17. Commencing on June 7, 2016, Michel Bedard (“Bedard”) became registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with De Thomas. From April 19, 2013 to May 10, 2016, Bedard was registered in Ontario as a mutual fund salesperson with Desjardins Financial Security Investments Inc. (“Desjardins”), a Member of the MFDA. At all material times, Bedard conducted business in the Richmond Hill, Ontario area.

18. On March 3, 2016, while registered at Desjardins and in anticipation of becoming registered with De Thomas, Bedard completed a De Thomas Approved Person Disclosure and Dual Occupation Form (the “Disclosure Form”). On the Disclosure Form, Bedard disclosed that he, among other things, sold insurance, mortgages, and syndicated mortgages through Core Advisory Group (“Core”).

19. On May 11, 2016, De Thomas sent an email to Bedard requesting amongst other things, information regarding Bedard’s duties with respect to Core.

20. On May 12, 2016, Bedard sent an email to De Thomas with a describing his duties at Core as follows: “Consulting with clients and providing Life Insurance, Health Insurance, Mortgages and Syndicate Mortgages”.

21. On June 7, 2016, at the time of Bedard became registered with De Thomas, De Thomas approved Bedard engaging in the activities described in the Disclosure Form.

22. On or around July 15, 2016, Bedard facilitated the purchase of a syndicated mortgage investment in the amount of \$100,000 for client CA outside the accounts and facilities of De Thomas.

23. On or around July 20, 2016, Bedard facilitated an additional purchase of a syndicated mortgage investment in the amount of \$100,000 for client CA outside the accounts and facilities of De Thomas.

24. As described above in paragraph 9, the 2017 Examination Report identified Bedard's sale or referral of syndicated mortgages outside the accounts and facilities of De Thomas as a contravention of MFDA Rules 1.1.1 and 2.5.1.

25. On February 14, 2017, De Thomas sent an email to Bedard stating: "...either relinquish your mutual fund license with our firm and/or cease from selling syndicated mortgages".

26. As of February 14, 2017, De Thomas' policies have been amended and currently prohibit the sale of syndicated mortgages by any approved person, both as an outside business activity and through the accounts and facilities De Thomas. In addition, 100% of Bedard's client files were reviewed in December 2017 to ensure no additional syndicated mortgages were sold to clients while a registered representative of De Thomas. Upon completion of the review, there was no further evidence that any additional syndicated mortgage products were sold beyond what was disclosed.

27. Client CA has not made a complaint to De Thomas or the MFDA with respect to the syndicated mortgage investments described above.

28. As of March 9, 2017, Bedard ceased his syndicated mortgage activities.

V. ADDITIONAL FACTORS

29. De Thomas was previously the subject of an MFDA proceeding in 2009 (MFDA File No. 200921) which dealt with different misconduct than the events described in this Settlement Agreement.

30. De Thomas has cooperated with Staff throughout the course of Staff's investigation and these proceedings.

31. By entering into this Settlement Agreement, De Thomas has saved the MFDA significant time and resources associated with conducting a fully contested hearing on the merits

VI. CONTRAVENTIONS

32. De Thomas admits the following contraventions of the MFDA Rules, Policies or By-Law:

- a) Commencing in June 2011, the Respondent failed to 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; and
- b) Between June 2016 and March 2017, the Respondent failed to adequately supervise an Approved Person by approving and permitting the Approved Person to sell syndicated mortgages outside of the Member, contrary to MFDA Rules 1.1.1, 1.3 and 2.5.

VII. TERMS OF SETTLEMENT

33. De Thomas agrees to the following terms of settlement:

- a) De Thomas shall pay a fine in the amount of \$40,000 pursuant to s. 24.1.2(b) of MFDA By-law No. 1;
- b) De Thomas shall pay costs in the amount of \$10,000 pursuant to s. 24.2 of MFDA By-law No. 1; and
- c) A representative of De Thomas shall attend in person, on the date set for the Settlement Hearing.

VIII. STAFF COMMITMENT

34. 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 or any of its officers or directors in respect of the facts set out in Part IV and the contraventions described in Part VI of

this Settlement Agreement, subject to the provisions of Part X 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 VI 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 VI, 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.

IX. PROCEDURE FOR APPROVAL OF SETTLEMENT

35. 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.

36. 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 its 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.

37. 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.

38. 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 it.

X. FAILURE TO HONOUR SETTLEMENT AGREEMENT

39. 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 or any of its officers or directors 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.

XI. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

40. 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.

41. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that it 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.

XII. DISCLOSURE OF AGREEMENT

42. 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.

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

XIII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 6th day of February, 2019.

“Anthony De Thomasis”

Anthony De Thomasis
De Thomas Wealth Management Corp.

“JDT”

Witness – Signature

JDT

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. 2018133



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: De Thomas Wealth Management Corp.

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 De Thomas Wealth Management Corp. (the “Respondent”);

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated [date] (the “Settlement Agreement”), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that the Respondent:

- a) Commencing in June 2011, the Respondent failed to 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.
- b) Between June 2016 and March 2017, the Respondent failed to adequately supervise an Approved Person by approving and permitting the Approved Person to sell

syndicated mortgages outside of the Member, contrary to MFDA Rules 1.1.1, 1.3 and 2.5.

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 \$40,000 pursuant to s. 24.1.2(b) of MFDA By-law No. 1.
- 2. The Respondent shall pay costs in the amount of \$10,000 pursuant to s. 24.2 of MFDA By-law No. 1.
- 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 663246