

Settlement Agreement

File No. 201881



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: Investia Financial Services Inc.

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 of the MFDA (the “Hearing Panel”) should accept a settlement agreement entered into between Staff of the MFDA (“Staff”) and the Respondent, HollisWealth Advisory Services Inc., now known as Investia Financial Services Inc. (hereinafter referred to as “the Respondent”) (the “Settlement Agreement”).

2. On August 4, 2017, Industrial Alliance Insurance and Financial Services Inc. (“Industrial Alliance”) purchased HollisWealth Advisory Services Inc. (“HollisWealth”) from The Bank of Nova Scotia (“Scotia”) and amalgamated HollisWealth with Investia. HollisWealth was formerly known as Dundee Private Investors Inc., which was purchased by Scotia in February 2011. Investia is the named Respondent in this proceeding; however, all of the conduct referred to herein relates

to HollisWealth and took place prior to the closing of the sale of HollisWealth to Industrial Alliance.

II. JOINT SETTLEMENT RECOMMENDATION

3. 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.

4. 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".

5. 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

6. 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 X) 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

The Corporate Branch Management Structure

7. The Respondent utilized a principal agent model with its dealing representatives. This means that the dealing representatives were not employees of the Respondent but were retained as agents.

8. In 2012, the Respondent conducted a review of its tier one supervision structure. At that time, the Respondent was conducting its tier one supervision using dealing representatives who were also registered as branch managers. These producing branch managers were physically present in the branches (“Producing Branch Management”). As a result of its review, the Respondent decided to replace its Producing Branch Management structure with a corporate branch management structure (“Corporate Branch Management”). Corporate Branch Management is an approach whereby individuals who are performing regulatory and supervisory functions at a tier one level are head office employees and their compensation is not tied to the performance of their branch or individual advisors in their branch. The Corporate Branch Management structure contemplated by the Respondent did not necessarily mean that corporate branch managers would work remotely.

Rule 2.5.5 and Member Staff Notice 0082

9. On September 12, 2013, amendments to MFDA Rule 2.5.5 came into effect. The amendments permitted MFDA Members to develop compliance and supervisory structures appropriate for individual types of businesses, while continuing to ensure that there were adequate structures and procedures in place to identify and manage potential compliance issues at the branch level. Pursuant to Rule 2.5.5(c), Members who wanted to implement a supervisory system involving the remote supervision of branches were required to submit a proposal for pre-approval by MFDA staff.

10. On September 12, 2013, the MFDA published *Member Staff Notice 0082 - Branch Supervision*, which addressed, among other things, the implementation of an effective remote supervisory structure, and reminded Members that pursuant to Rule 2.5.5(c), Members wishing to adopt an alternate supervisory structure involving remote supervision were required to submit a proposal for MFDA pre-approval.

Remote Supervision

11. In implementing the Corporate Branch Management structure, the Respondent recognized regulatory and compliance benefits for an enhanced tier one program. On January 1, 2014, the Respondent implemented remote supervision as part of its Corporate Branch Management Structure. However, the Respondent did not seek pre-approval from the MFDA for the implementation of remote supervision. The Respondent implemented the following remote supervision primary structural changes in order to reduce the potential for conflicts of interest:

- a) corporate branch managers would replace producing branch managers;
- b) corporate branch managers would be employees of the Respondent (not agents) and would supervise remotely from Head Office;
- c) there would be arm's length supervision of the activities of the dealing representatives; and
- d) a consistent approach to training, compliance and supervision.

12. As part of the Corporate Branch Management structure, the Respondent sought and received approval from the Ontario Securities Commission ("OSC") on November 7, 2012 to allow its corporate branch managers to be dually licensed for both the Respondent and its affiliate securities dealer, which was registered with the Investment Industry Regulatory Organization of Canada (the "OSC Order"). In the OSC Order, the possibility of remote supervision was contemplated in the recitals. However, the Respondent acknowledges that it did not seek approval from the MFDA to allow its corporate branch managers to supervise remotely, as it was required to do.

The MFDA Onsite Sales Compliance Examination

13. From September 29, 2014 to November 28, 2014, the MFDA conducted an onsite sales compliance examination of the Respondent (“Examination”). The Examination covered the period from September 1, 2012 to July 31, 2014.

14. During the Examination, MFDA sales compliance staff identified that two of the Respondent’s branch locations in Calgary, Alberta and Toronto, Ontario were being supervised remotely by the Respondent’s head office without approval from the MFDA, contrary to MFDA Rule 2.5.5(c).

15. On March 4, 2015, during the Examination exit interview, the Respondent informed MFDA sales compliance staff that the Member was in the process of drafting a remote supervision proposal for submission to the MFDA.

16. The MFDA Branch Compliance Examination Report dated March 13, 2015 (“Examination Report”) cited the deficiency regarding remote supervision in two branches without MFDA approval. The Examination Report was provided to the Respondent on the same date.

17. The Examination Report requested that the Respondent provide the MFDA with an update regarding the Member’s proposal for remote supervision of branch locations, and provide a list of all branch locations that were currently being remotely supervised.

The Application for Remote Supervision

18. On May 31, 2015, the Respondent submitted an application to the MFDA for approval of remote supervision of the Respondent’s branches pursuant to MFDA Rule 2.5.5(c) (the “Remote Supervision Application”).

19. On June 17, 2015, MFDA staff held a conference call with the Respondent to discuss the Remote Supervision Application. MFDA staff requested additional information (as set out below) necessary to assess the adequacy of the Remote Supervision Application.

20. On June 18, 2015, MFDA staff sent the Respondent an email as follow-up to the conference call, with an itemized series of questions in respect of the Remote Supervision Application. Among other things, the MFDA requested information and documents as follows:

- i. clarification regarding whether or not the Respondent was proposing any changes to resources or policies and procedures regarding Policy 5 reviews;
- ii. clarification regarding the Respondent's Policy 5 schedule based on risk ratings;
- iii. clarification regarding whether or not the Respondent was proposing any changes to resources or policies and procedures regarding tier two head office supervisory functions;
- iv. clarification regarding the number of corporate branch managers, as the Remote Supervision Application was internally inconsistent with respect to how many there would be;
- v. clarification regarding the difference between an "independent/non-producing" branch manager versus a corporate branch manager;
- vi. confirmation that the Respondent's semi-annual periodic visits performed by remote supervisors would include on-site visits for branches as well as each sub-branch location;
- vii. evidence of the Respondent's general policy on notifying head office compliance of any breaches of rules and regulations as described in MSN-0082;
- viii. confirmation of whether or not the Respondent was proposing any changes to the work flow processes in place for tier-one supervision;
- ix. a description of the role and responsibilities of the corporate branch managers;
- x. confirmation that as the Respondent implemented remote supervision, the Respondent would monitor to ensure that all supervisory requirements were being met in a timely manner; and

- xi. provision of supporting documentation and analysis to explain how the Respondent was assessing and managing resourcing needs.

21. On November 5, 2015, MFDA staff telephoned the Respondent and left a voicemail regarding the Respondent's outstanding response to the MFDA's June 2015 request for additional information regarding the Remote Supervision Application.

22. On November 13, 2015, MFDA staff sent a follow-up email to the Respondent regarding the Respondent's outstanding response to the MFDA's June 2015 request for additional information and documents regarding the Remote Supervision Application. As the Respondent's response was still outstanding, the MFDA requested an update, including whether the Respondent intended to go forward with the Remote Supervision Application.

23. On November 13, 2015, the Respondent sent an email to the MFDA advising that the Respondent would follow-up internally for an update on its Remote Supervision Application.

24. On December 17, 2015, MFDA staff sent an email to the Respondent regarding the Respondent's outstanding response to the MFDA's June 2015 request for additional information and documents regarding the Remote Supervision Application. On January 4, 2016, the Respondent delivered a response to the MFDA's request for information and documents that had been issued on June 18, 2015.

25. On January 20, 2016, MFDA staff held a conference call with the Respondent to discuss the January 4, 2016 response and MFDA staff requested additional information and documents necessary to assess the adequacy of the Remote Supervision Application, arising from the January 4, 2016 response.

26. On January 21, 2016, MFDA staff sent the Respondent a follow-up email, requesting information and documents in respect of the Remote Supervision Application.

27. On February 22, 2016, the MFDA followed up with the Respondent in respect of the January 21, 2016 email as the MFDA had not yet received a response from the Respondent.

28. On May 26, 2016, the MFDA sent a letter to the Respondent's Chief Compliance Officer and Ultimate Designated Person advising that due to the Respondent's inactivity in responding to requests for additional information in respect of the Remote Supervision Application, the MFDA had closed its file. The letter also specified that if the Respondent wished to pursue implementation of a branch supervision structure involving remote supervision, a new proposal was required to be submitted to the MFDA prior to its implementation. The letter invited the Respondent to address any questions to the MFDA.

29. On July 6, 2016, the Respondent emailed the MFDA a reply to the MFDA's series of questions that had been asked on January 21, 2016. The response advised that the Respondent had eight branches with no on-site branch manager (i.e. the branches were being remotely supervised).

30. On July 11, 2016, the MFDA replied to the Respondent's July 6, 2016 email and advised the Respondent that as set out in the MFDA letter to the Respondent dated May 26, 2016, the Remote Supervision Application had been closed on May 26, 2016 and if the Respondent wished to pursue the implementation of a branch supervision structure involving remote supervision, the Respondent would have to submit a new application

31. On November 22, 2016, the Respondent submitted a new application for remote supervision ("2nd Remote Supervision Application"). The 2nd Remote Supervision Application advised that 24 of the Respondent's branch locations were already being remotely supervised.

32. On December 13, 2016, MFDA staff held a conference call with the Respondent and advised that the matter was being referred to MFDA Enforcement.

33. The admitted misconduct occurred prior to the acquisition of HollisWealth by Industrial Alliance and the amalgamation of HollisWealth with Investia. As part of the regulatory approval for that acquisition, Investia obtained MFDA approval on July 14, 2017 to implement a remote

branch supervision structure which was, in Staff's view, materially different than the structure proposed by HollisWealth.

V. RESPONDENT'S POSITION

34. The Respondent states that it did not receive any financial benefit from engaging in the admitted misconduct.

35. The Respondent's know-your-client ("KYC") and client documentation are accessed electronically and it has an automated compliance system of alerts and reporting which enables branch managers to monitor and supervise all transactions for regulatory compliance whether on-site or remotely. There is no evidence of client harm resulting from the Respondent's conduct in this matter.

36. After this matter was escalated to MFDA Enforcement, the Respondent cooperated fully with Staff and proactively sought to settle this matter. By entering into this Settlement Agreement, the Respondent saved the MFDA the time, resources and expenses associated with conducting a full hearing of the allegations.

VI. CONTRAVENTIONS

37. The Respondent admits that from January 1, 2014 to July 13, 2017, HollisWealth implemented a remote branch supervision structure in at least 24 branches, without first receiving MFDA approval, contrary to MFDA Rule 2.5.5(c).

VII. TERMS OF SETTLEMENT

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

- a) The Respondent shall pay a fine of \$100,000 pursuant to s. 24.1.2(b) of MFDA By-law No. 1;

- b) The Respondent shall pay costs in the amount of \$10,000, pursuant to section 24.2 of MFDA By-law No. 1; and
- c) A senior officer of the Member will attend in person, on the date set for the Settlement Hearing.

VIII. STAFF COMMITMENT

39. 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 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 contraventions that are not set out in this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts V 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

40. 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.

41. 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.

42. 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.

43. 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

44. 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.

XI. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

45. 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.

46. 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

47. 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.

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

XIII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 12th day of September, 2018.

“Stephane Blanchette”

Investia Financial Services Inc.

Per: Stephane Blanchette,

Title: Executive Vice-President, CCO, CFO

“KL”

Witness – Signature

KL

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: Investia Financial Services Inc.

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 [Respondent] (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 from January 1, 2014 to July 13, 2017, HollisWealth Advisory Services Inc. (now known as Investia Financial Services Inc.) implemented a remote branch supervision structure in at least 24 branches, without first receiving MFDA approval, contrary to MFDA Rule 2.5.5(c);

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

1. The Respondent shall pay a fine of \$100,000 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 section 24.2 of MFDA By-law No. 1;
3. The Respondent shall in future comply with MFDA Rule 2.5.5(c); and
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 645792