



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

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Equity Associates Inc.

ORDER

WHEREAS on December 18, 2014, the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Hearing pursuant to sections 20 and 24 of By-law No. 1 commencing a disciplinary proceeding against Equity Associates Inc. (the “Respondent”);

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated March 25, 2015 (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) on or about July 4, 2008, the Respondent opened two new joint accounts for clients DH and EH without ensuring that:

- i. it obtained a New Account Application Form (“NAAF”) or other form documenting the Know-Your-Client (“KYC”) information applicable to each of the two new joint accounts in a manner which conformed with the requirements of MFDA Rule 2.2.1, contrary to MFDA Rules 2.2.2 and 2.1.1; and
 - ii. a designated trading partner, director or officer, approved the opening of the new joint accounts prior to or promptly after the completion of the initial transactions in the accounts, contrary to MFDA Rules 2.2.3 and 2.1.1.
- b) between July 4, 2008 and April 27, 2009, the Respondent failed to ensure that it learned the essential facts relative to two new joint accounts of clients DH and EH and failed to ensure that the orders that were accepted and the investment recommendations that were made in respect of the joint accounts of clients DH and EH were suitable for clients DH and EH, in keeping with their investment objectives, and within the bounds of good business practice, contrary to MFDA Rule 2.2.1 and 2.1.1; and
- c) that commencing in July 2009, the Respondent failed to ensure that a complaint by clients DH and EH concerning the losses they sustained in their joint accounts was handled promptly and fairly, contrary to MFDA Rules 2.1.1 and 2.11 and MFDA Policy No. 3;

AND WHEREAS the Respondent has paid \$50,000 to clients DH and EH in settlement of the lawsuit that clients DH and EH had commenced against the Respondent in respect of the conduct that gave rise to this regulatory proceeding;

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; and

2. The Respondent shall pay costs in the amount of \$10,000 to the MFDA, pursuant to s. 24.2 of MFDA By-law No. 1;

DATED this 13th day of April, 2015.

“P. T. Galligan”

The Hon. P. T. Galligan, Q.C.
Chair

“Leo M. Hill”

Leo M. Hill
Industry Representative

“Kenneth P. Mann”

Kenneth P. Mann
Industry Representative

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