



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: Ajit S. Basi

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel (the “Hearing Panel”) of the Pacific Regional Council of the Mutual Fund Dealers Association of Canada (the “MFDA”) in the hearing room located in the MFDA offices, 650 West Georgia Street, Suite 1220, Vancouver, British Columbia on September 21, 2011 at 10:00 a.m. (Pacific), or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Ajit S. Basi (the “Respondent”).

DATED this 30th day of June, 2011.

“Jason Bennett”

Jason D. Bennett
Corporate Secretary

Mutual Fund Dealers Association of Canada
121 King St. West, Suite 1000
Toronto, Ontario, M5H 3T9
Telephone: 416-943-7431
Facsimile: 416-361-9781
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NOTICE is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

Allegation #1: Between August 25, 2008¹ and September 29, 2009, the Respondent engaged in conduct unbecoming an Approved Person by:

- a) failing to invest, repay or otherwise account for approximately \$50,000 that client RF redeemed from her mutual fund account and forwarded to a company in January 2008, relying on the Respondent's recommendation and representation that the monies would be invested on her behalf, when in fact the company was owned or controlled by the Respondent; and
- b) failing to invest, repay or otherwise account for approximately \$26,262.27 that client RF redeemed from her mutual fund account and forwarded to a company in July 2008, relying on the Respondent's recommendation and representation that the monies would be invested on her behalf, when in fact the company was owned or controlled by the Respondent;

contrary to MFDA Rules 2.1.1 and 2.1.4.

Allegation #2: In or about December 2008, the Respondent misappropriated \$5,000 from client RF by failing to invest, repay or otherwise account for \$5,000 which client RF transferred to a bank account in the name or under the control of the Respondent and which the Respondent led client RF to believe would be contributed to her RRSP, contrary to MFDA Rule 2.1.1.

Allegation #3: Between April 2009 and September 2009, the Respondent engaged in conduct unbecoming an Approved Person by soliciting and accepting a total of \$35,000 from KS and RS purportedly to invest on their behalf and thereafter failing to invest or otherwise account for the monies, contrary to MFDA Rule 2.1.1.

Allegation #4: Commencing November 4, 2009, the Respondent has failed to submit a report in writing and to attend and give information requested by the MFDA during the course of an investigation, contrary to section 22.1(c) of MFDA By-Law No. 1.

¹ As set out in the "Particulars" section below, it is alleged that the Respondent's personal financial dealings with client RF began on January 14, 2008, when the Respondent was no longer registered with his prior Member. The Respondent subsequently became re-registered, and subject to the jurisdiction of the MFDA, on August 25, 2008.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

Registration History

1. At all material times, the Respondent resided in Surrey, British Columbia.
2. The Respondent was registered as a mutual fund salesperson with W.H. Stuart Mutuals Ltd. (“W.H. Stuart” or the “Member”) in the following jurisdictions:
 - (a) British Columbia: from August 25, 2008 to September 28, 2009;
 - (b) Ontario: from August 5, 2009 to September 28, 2009; and
 - (c) Alberta: from August 17, 2009 to September 28, 2009.
3. Prior to his registration with W.H. Stuart, the Respondent was registered as a mutual fund salesperson with Desjardins Financial Security Investments Inc. (“Desjardins”) in the following jurisdictions:
 - (a) British Columbia: from October 6, 2006 to October 1, 2007; and
 - (b) Alberta: from July 19, 2007 to October 1, 2007.
4. Desjardins became a Member of the MFDA on November 15, 2002.
5. W.H. Stuart became a Member of the MFDA on March 4, 2003.
6. The Respondent was terminated by W.H. Stuart on September 29, 2009 as a result of the events described herein and is currently not registered in the securities industry in any capacity.

Allegation #1 – Personal financial dealings with client RF

7. In June 2007, RF was a client of Desjardins. The Respondent was the mutual fund

salesperson responsible for servicing her account. RF resides in the greater Vancouver area and was an acquaintance of the Respondent. At the time of the events described herein, RF was 22 years of age.

8. As set out above, effective October 2, 2007, the Respondent ceased to be registered with Desjardins. He subsequently remained unregistered until August 25, 2008, when he became registered with W.H. Stuart.

9. On or about January 14, 2008, client RF, acting on the advice and directions of the Respondent, whom client RF believed was still registered with Desjardins, wrote directly to AGF Funds (“AGF”) to request the redemption of \$50,000 CDN of AGF mutual funds held in her Desjardins account. In her letter to AGF, client RF indicated that she was going to use the redemption proceeds to purchase another investment. Acting on the directions of the Respondent, client RF instructed AGF Funds to make the redemption proceeds cheque that she believed would be used to purchase her investment payable to a law firm² (the “Law Firm”) and to mail it to 1000-355 Burrard Street, Vancouver, British Columbia.

10. Unbeknownst to client RF, the law firm that the Respondent directed her to mail the cheque to is located in Calgary, Alberta and was the law firm for Nova West Enterprises Inc. (“Nova West Enterprises”), one of the Respondent’s companies.

11. Also unbeknownst to client RF, the Vancouver mailing address that the Respondent directed client RF to instruct AGF Funds to mail the redemption proceeds cheque to was not the address of the Law Firm but the address of the following companies owned or controlled by the Respondent: Nova West Investments (“Nova West Investments”), AS Basi & Associates Inc. and the aforementioned Nova West Enterprises.

12. On January 22, 2008, AGF issued a cheque in the amount of \$50,000 payable to “Nova-West Investments Inc.”³ The cheque was delivered by United Parcel Service (“UPS”) to the address provided by client RF. The following day, the cheque was cashed by the Respondent.

² Client RF identified the law firm by name in her letter. It is not necessary to identify the law firm for the purposes of this Notice of Hearing.

³ As the Respondent has failed to cooperate with the investigation of this matter, Staff is unable to determine how the cheque came to be made payable to the Respondent’s company, “Nova West Investments Inc.” instead of to the Law Firm (as directed in client RF’s letter to AGF).

13. The National Registration Database (“NRD”) identifies Nova West Investments and AS Basi & Associates Inc. as the Respondent’s declared outside business activities. The Respondent is the sole director of Nova West Enterprises.

14. By letter dated June 30, 2008, and acting again on the advice and direction of the Respondent whom RF believed was still registered with Desjardins, client RF wrote a second letter directly to AGF requesting the redemption of all of the remaining mutual funds in her account, amounting to approximately \$26,262.27 CDN, and the closure of her account. Following the Respondent’s directions, client RF instructed AGF to make the redemption proceeds cheque payable to Nova West Enterprises and mailed directly to an address located in Delta, British Columbia. Staff has identified the address to which the cheque was directed to be mailed as an address related to the Respondent.

15. An AGF “Confirmation of Activity” report dated July 7, 2008 for RF’s account confirms that \$26,262.27 was withdrawn from her account on July 4, 2008. The remaining balance in the account following the withdrawal was \$0.00.

16. On August 25, 2008, RF opened an account at W.H. Stuart. The Respondent had again become registered, this time with W.H. Stuart and therefore became subject to the jurisdiction of the MFDA as of that date. The Respondent was the mutual fund salesperson responsible for servicing client RF’s account at W.H. Stuart.

17. There is no evidence that the monies that client RF provided to the companies under the Respondent’s ownership or control were ever invested on client RF’s behalf, repaid to her or otherwise accounted for.

18. The Respondent did not disclose his prior and continuing personal financial dealings with client RF to W.H. Stuart upon becoming registered with W.H. Stuart on August 25, 2008 or at any time thereafter. The Respondent did not disclose his interest in Nova West Enterprises to W.H. Stuart.

19. By engaging in the conduct described above, the Respondent failed to comply with MFDA Rules 2.1.1 and 2.1.4.

Allegation #2 – Misappropriation from client RF

20. On December 23, 2008, the Respondent recommended to client RF that she make a contribution to a Registered Retirement Savings Plan (“RRSP”) and directed her to transfer \$5,000 CDN from her own bank account into the Respondent’s personal bank account purportedly to allow the Respondent to make the contribution to client RF’s RRSP.

21. On or about December 23, 2008, client RF transferred \$5,000 to a bank account in the name of or controlled by the Respondent. There is no evidence that the Respondent subsequently made or facilitated a contribution to client RF’s RRSP using these or any other monies. The Respondent has not repaid or otherwise accounted for the \$5,000 he received from client RF and deposited in his bank account.

22. By misappropriating \$5,000 from client RF, the Respondent failed to deal fairly, honestly and in good faith with client RF, contrary to MFDA Rule 2.1.1.

Allegation #3 – Individuals RS and KS

Individual KS

23. KS was an acquaintance of the Respondent and was aware that the Respondent was employed as a mutual fund salesperson with W.H. Stuart. KS was not a client of W.H. Stuart.

24. In April 2009, while the Respondent was registered with W. H. Stuart, the Respondent provided KS with a business card for “Nova West Investments” during the course of a meeting with KS to discuss potential investment opportunities. The business card identified the Respondent as the President of Nova West Investments and listed its office location as 1000-355 Burrard Street, Vancouver, British Columbia.

25. On April 30, 2009, KS withdrew \$5,000 CDN in cash from his bank account and provided the monies to the Respondent to enable the Respondent to purchase for KS shares of an unnamed American casino development that the Respondent had persuaded KS to invest in. The Respondent had led KS to believe that a \$5,000 CDN investment in the unnamed American

casino development would generate a return of 10% after two weeks.

26. The Respondent informed KS that he had made the investment on KS's behalf but did not provide KS with any documentation confirming that the investment had been made.

27. At the alleged maturity date of the initial investment two weeks later, the Respondent suggested that KS roll the original \$5,000 CDN investment into another, newly available, American casino investment opportunity. The Respondent did not provide KS with any documentation in respect of the second casino investment or its expected return but did advise KS that the return would be paid after a 6 week period.

28. KS instructed the Respondent to reinvest the initial \$5,000 CDN plus \$500 CDN in returns into the second casino investment.

29. The Respondent informed KS that he had reinvested KS's original \$5,000 investment and \$500 return into the second casino investment but did not provide KS with any documentation confirming that the investment had been made.

30. On May 21, 2009, KS prepared an \$18,000 CDN bank draft to make another investment in an American casino development recommended by the Respondent. The Respondent had advised KS that May 21, 2009 was the last day for investors to purchase an interest in the alleged American casino development and that because the Respondent was busy with other investors, KS should deposit his monies directly into the Respondent's personal bank account.

31. On May 21, 2009, KS deposited the \$18,000 CDN bank draft into the Respondent's personal bank account. The Respondent did not provide KS with any documentation confirming his purported investment but advised KS that the investment would pay a 389% return.

Individual RS

32. RS is the mother of KS. RS was not a client of W.H. Stuart. After learning of the purported 389% return that the Respondent promised to pay KS, RS became interested in purchasing her own investments through the Respondent.

33. On June 4, 2009, RS withdrew \$12,000 CDN from her bank account for the specific purpose of investing with the Respondent. On that same day, RS personally delivered to the Respondent a bank draft in the amount of \$12,000 CDN payable to the Respondent for investment into the (unnamed) American casino developments in which KS had already invested.

34. The Respondent did not provide RS with any documentation confirming her purported investment and did not communicate with or respond to communications from RS after accepting the funds.

35. Beginning in July 2009, KS attempted to contact the Respondent to redeem his investments. By July 20, 2009, KS had yet to receive his principal investment and the promised returns. KS began to send numerous text messages and to make numerous telephone calls to the Respondent to inquire about the status of his investments. The Respondent did not reply to any of KS's attempts to contact him.

36. When RS did not receive either the principal or the promised return on her investment within 1 to 2 weeks, she requested KS's assistance to contact the Respondent. As KS was having difficulty contacting the Respondent, RS contacted W.H. Stuart.

37. On August 17, 2009, RS telephoned W.H. Stuart and lodged a complaint against the Respondent. After receiving the complaint, W.H. Stuart began an investigation and contacted the Respondent to discuss the matter.

38. On August 31, 2009, KS emailed W.H. Stuart and also lodged a complaint against the Respondent with W.H. Stuart.

39. On September 7, 2009, RF filed a complaint with the MFDA regarding her dealings with the Respondent and reporting what appeared to be a misappropriation of her monies.

40. During the investigation conducted by W.H. Stuart, the Respondent acknowledged receiving funds totaling \$35,000 from KS and RS but described the monies as a personal loan.

The Respondent advised W.H. Stuart that he had retained a lawyer to facilitate the return of the monies to KS and RS. W.H. Stuart was also in continual contact with the Respondent's legal counsel to address and resolve the complaint filed by RS (and later the complaints filed by KS and client RF). After the Respondent had addressed the complaints of KS and RS, he ceased to cooperate further and RF's complaint remained unresolved.

41. The Respondent did not provide, nor did the investigations conducted by W.H. Stuart and Staff find, any documentary evidence to support the Respondent's claim that the monies provided to him by KS and RS were personal loans.

42. The Respondent has not returned or otherwise accounted for the monies provided to him by client RF. Client RF commenced a civil claim against Desjardins and AGF in respect of her monies, which has now been resolved.

43. In September 2009, RS confirmed to W.H. Stuart that she had received a cheque in the amount of \$12,000, the principal amount of her investment, from the Respondent's counsel in exchange for signing a release barring RS from making any further claims against the Respondent.

44. Sometime later, and with the knowledge of W.H. Stuart, KS was contacted by the Respondent's legal counsel, who invited KS to a meeting to discuss the monies owing to KS by the Respondent.

45. On September 26, 2009, KS attended at the office of the Respondent's legal counsel. On that date, KS received a cheque in the amount of \$23,000 CDN from the Respondent's counsel, being the principal amounts of his purported investments in the American casino developments⁴, in exchange for KS signing a release barring KS from making any further claims against the Respondent.

46. On September 29, 2009, the Respondent was terminated by W.H. Stuart.

⁴ \$23,000 = \$5,000 + \$18,000.

Allegation #4 – Failure to Cooperate

47. The Respondent has failed to cooperate with Staff’s investigation into the matters alleged herein. As set out in the chart below, Staff has made a number of attempts to contact the Respondent to obtain a written statement and to arrange for his attendance at an interview regarding the alleged inappropriate dealings with client RF as well as with KS and RS:

Date	Content of Letter	Method of Delivery	Outcome
October 23, 2009	Letter from Case Assessment Staff to Respondent requesting his response, in writing, to the complaints submitted by KS & RS and client RF.	Registered & Regular Mail	Staff received a reply from the Respondent’s lawyer requesting a copy of MFDA By-Law No. 1 which requires the Respondent to cooperate.
November 2, 2009	Case Assessment Staff email a copy of MFDA By-Law No. 1 to the Respondent’s lawyer and request that the Respondent cooperate with Staff’s review by responding to its letter by November 23, 2009.	Email	By letter dated November 4, 2009, the Respondent’s lawyer advises that the Respondent will not be providing any further information to Staff.
November 11, 2009	Letter from Case Assessment Staff to the Respondent advising him that should he continue to fail to provide the requested information it will be considered a failure to cooperate. Staff provides a deadline of November 23, 2009 for a response.	Registered & Regular Mail	Respondent’s lawyer writes to Staff and repeats that the Respondent will not be providing any further information to Staff.
June 1, 2010	Investigation Staff writes to the Respondent’s lawyer and to the Respondent requesting that the Respondent attend at an interview.	Registered & Regular Mail is successfully delivered to lawyer and to the Respondent.	On June 15, 2010, the Respondent’s lawyer advises Staff, by telephone, that the Respondent is no longer a client.
July 14, 2010	Investigation Staff writes to the Respondent requesting that the Respondent contact them by July 30, 2010 to arrange for an interview in September 2010.	Registered & Regular Mail is successfully delivered to the Respondent.	On July 30, 2010 the Respondent advises Investigation Staff, by telephone, that he was leaving the Vancouver area for some time, but would obtain new counsel and arrange for an interview upon his return in October 2010.
September 1, 2010	Investigation Staff writes to the Respondent to confirm that Staff has not received any	Process Server successfully delivered the letter to Respondent’s residential	

Date	Content of Letter	Method of Delivery	Outcome
	correspondence or communication from the Respondent (or his legal counsel) and to advise that should the Respondent fail to attend at an interview and/or to provide a statement addressing the outstanding complaints, the MFDA would seek to commence disciplinary proceedings against him for failing to cooperate.	address on September 9, 2010.	
September 16, 2010	Investigation Staff writes to the Respondent's former lawyer requesting that he respond if he is acting for the Respondent with respect to the ongoing MFDA investigation. A copy of the letter is also sent to the Respondent at his residential address.	Registered Mail to the lawyer (with a copy to the Respondent's residential address) is successfully delivered.	By letter dated September 16, 2010, the Respondent contacts Investigation Staff to advise that his legal counsel would contact Staff within 21 days of the date of the letter. On September 21, 2010, the Respondent's former lawyer responds, in writing, to confirm that he no longer represents the Respondent.
September 24, 2010	Investigation Staff writes to the Respondent acknowledging receipt of his letter dated September 16, 2010 and request that the Respondent attend at the MFDA offices on October 13, 2010 for an interview regarding the outstanding complaints against him and his subsequent termination from the Member. The letter contains a deadline of September 30, 2010 for the Respondent to confirm his attendance.	Registered & Regular Mail is successfully delivered to the Respondent.	The Respondent did not confirm his attendance at the interview and did not attend the interview scheduled for October 13, 2010.
October 13, 2010	Investigation Staff prepare for an interview of the Respondent in the event that he appears at the MFDA offices as per the letter dated September 24, 2010.		The Respondent fails to appear at the interview with Investigation Staff.
November 5, 2010	Investigation Staff writes to the Respondent to confirm that he did not attend the interview scheduled for October 13, 2010 and to advise the Respondent that proceedings for failing to cooperate may be commenced against him. The letter provides a final opportunity for	Registered & Regular Mail is successfully delivered to the Respondent.	

Date	Content of Letter	Method of Delivery	Outcome
	the Respondent to contact Staff regarding their investigation into his activities.		

48. To date, the Respondent has not provided a written report or attended at an interview to give information as requested by Staff.

49. Due to the Respondent's failure to cooperate with Staff's investigation, the full nature and extent of the Respondent's conduct in relation to client RF, and in relation to KS and RS, and possibly other clients and individuals, is not known to the MFDA.

50. By failing to cooperate with Staff's requests to submit a report in writing, to attend and to give information during the course of an investigation, the Respondent acted contrary to section 22.1 of MFDA By-law No. 1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondent:

- (a) has failed to carry out any agreement with the MFDA;
- (b) has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- (c) has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- (d) has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- (e) is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- a) a reprimand;

- b) a fine not exceeding the greater of:
 - i. \$5,000,000.00 per offence; and
 - ii. an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation.
- c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- d) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- e) revocation of the authority of such person to conduct securities related business;
- f) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- g) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel.

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Corporate Secretary within twenty (20) days from the date of service of this Notice of Hearing

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, Ontario
M5H 3T9
Attention: Maria L. Abate
Facsimile: 416-361-9073
Email: mabate@mfda.ca

A **Reply** shall be **filed** by:

- a) providing 4 copies of the **Reply** to the Corporate Secretary by personal delivery, mail or courier to:

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, Ontario
M5H 3T9
Attention: Office of the Corporate Secretary; or

- b) transmitting 1 copy of the **Reply** to the Corporate Secretary by fax to fax number 416-361-9781, provided that the Reply does not exceed 16 pages, inclusive of the covering page, unless the Corporate Secretary permits otherwise; or
- c) transmitting 1 electronic copy of the **Reply** to the Corporate Secretary by e-mail at CorporateSecretary@mfd.ca.

A **Reply** may either:

- i.) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or
- ii.) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- a. to **serve** and **file** a **Reply**; or
- b. attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-Laws.

End.

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