



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: Bruce Ian Mawer

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of the Prairie Regional Council (the “Hearing Panel”) of the Mutual Fund Dealers Association of Canada (the “MFDA”) in the hearing room located at 800 - 6th Avenue S.W., Suite 850, Calgary, Alberta on December 17, 2013 at 10:00 a.m. (Mountain), or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Bruce Ian Mawer (“Respondent”). The Hearing on the Merits will take place in Edmonton, Alberta and time and venue to be announced.

DATED this 25th day of October, 2013.

“Bernadette Devine”

Bernadette Devine
Assistant Corporate Secretary

Mutual Fund Dealers Association of Canada
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Toronto, Ontario, M5H 3T9
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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 2006 and 2007, the Respondent engaged in personal financial dealings with four clients of the Member by soliciting and accepting monies from them in the total amount of \$103,000, which monies he pooled with monies obtained from four insurance-only clients, his partner SS and his own monies, for the purposes of purchasing investment properties, contrary to MFDA Rules 2.1.4 and 2.1.1.

Allegation #2: Between 2006 and 2007, the Respondent had and continued in another gainful occupation that was not disclosed to and approved by the Member by soliciting and accepting monies in the total amount of \$240,000 from four clients of the Member and four insurance-only clients, which monies he pooled together with monies obtained from his partner SS and his own monies, for the purposes of purchasing investment properties, contrary to MFDA Rules 1.2.1(d)¹ and 2.1.1.

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. The Respondent was registered in Alberta as a mutual fund salesperson with Worldsource Financial Management Inc. (the “Member”), a Member of the MFDA, from June 4, 2004 to October 27, 2008, at which time the Member terminated the Respondent.
2. Prior to this, the Respondent was registered in Alberta as a mutual fund salesperson with WFG Securities of Canada Inc. (“WFG”), also a Member of the MFDA, from August 2001 to May 2004.
3. At all material times, the Respondent carried on business in Edmonton, Alberta.

¹ On December 3, 2010, MFDA Rule 1.2.1 (d) was renumbered as MFDA Rule 1.2.1 (c)

4. The Respondent is not currently registered in the securities industry in any capacity.

Allegation #1 - Personal Financial Dealings with Clients

The Investment Properties

5. The Respondent and SS were childhood friends and also business partners. At or around the material time of these events, SS was a real estate agent. Between approximately 2000 and 2006, the Respondent and SS together purchased at least three properties in Edmonton, Alberta. The Respondent and SS rented the properties to tenants and eventually sold the properties for a profit.

6. As described in greater detail below, between 2006 and 2007, the Respondent and SS solicited and accepted approximately \$240,000 from eight individuals, four of whom were clients of the Member. The remaining four individuals were not clients of the Member but were insurance-only clients serviced by the Respondent in his capacity as a licensed insurance agent (the “insurance-only clients”).

7. The Respondent and SS combined the monies they received from these eight individuals together with their own monies (collectively, the “Pooled Funds”) and used the Pooled Funds to purchase various properties in Alberta and British Columbia with the intent to sell the properties for a profit (the “Investment Properties”).

8. Details of the Investment Properties are as follows:

	Date Purchased	Property Address	Ownership -Certificate of Title
1	January 16, 2007	107, 9020 Jasper Ave, Edmonton, Alberta	Respondent and SS as Joint Tenants
2	February 14, 2007	6, 9020 Jasper Ave, Edmonton, Alberta	Respondent and SS as Joint Tenants
3	May 1, 2007	7614 – 16 th Ave, Edmonton, Alberta	Respondent and SS as Joint Tenants
4	August 2007	203, 880 Dogwood Drive, Trickle Creek Condos, Kimberly, British Columbia	Respondent
5	2007	Exact address unknown Kimberly, British Columbia	Respondent and SS
6	2007	Exact address unknown Kimberly, British Columbia	Respondent and SS

7	2007	Exact address unknown Kimberly, British Columbia	Respondent and SS
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Clients of the Member who contributed to the Pooled Funds

(i) Clients DP and NP

9. DP and NP are husband and wife.

10. DP and NP were clients of the Member. The Respondent was the mutual fund salesperson responsible for servicing their account. DP and NP were also insurance clients of the Respondent.

11. In 2006, the Respondent asked clients DP and NP if they were interested in pooling monies with him for the purposes of investing in real estate.

12. On or about October 27, 2006, clients DP and NP redeemed a total of \$41,780.46 from their joint non-registered account and gave \$40,000² to the Respondent for the purposes of investing with him in the Investment Properties.

13. The Respondent contributed these monies to the Pooled Funds, which were used to place deposits on one or more of the Investment Properties.

14. According to the Respondent, at the end of 2006, the Respondent gave clients DP and NP \$8,000.³

15. In or about early 2007, clients NP and DP gave the Respondent an additional \$8,000 for the purposes of investing in the investment properties.

16. The Respondent contributed these monies to the Pooled Funds as well, which were used to place deposits on one or more of the Investment Properties.

² Clients DP and NP incurred DSC fees in the total amount of \$1,780.46 upon making the redemption.

³ The Respondent has not produced any documentary evidence to support this claim.

(ii) Clients RF and AF

17. RF and AF are husband and wife and were friends of the Respondent.

18. RF and AF were also clients of the Member. The Respondent was the mutual fund salesperson responsible for servicing their account. RF and AF were also insurance clients of the Respondent.

19. In 2006, clients RF and AF gave the Respondent approximately \$55,000⁴ for the purposes of investing in the Investment Properties.

20. The Respondent contributed these monies to the Pooled Funds, which were used to place deposits on one or more of the Investment Properties.

21. According to the Respondent, clients RF and AF were repaid approximately \$13,750.⁵

22. In total, the four clients of the Member contributed \$103,000 to the Pooled Funds. The Respondent did not disclose to the Member that he was soliciting and accepting monies from clients to be used to purchase the Investment Properties.

Insurance-only clients who contributed to the Pooled Funds

LS

23. LS is the father of the Respondent's business partner, SS. LS and his late wife, MS, were insurance-only clients of the Respondent.

24. In August 2007, LS arranged for approximately \$67,316 to be directed to the Respondent for the purposes of investing in the Investment Properties.

25. The Respondent used these monies to assist with purchasing the property located at Dogwood Drive in Kimberly, B.C. (row 4 in the table above)

⁴ There is no evidence that either RF or AF redeemed mutual funds to finance their investment in the Investment Properties.

⁵ The Respondent has not produced documentary evidence to support this claim.

RS

26. RS is the cousin of SS and was an insurance-only client of the Respondent.
27. In 2007, RS gave the Respondent \$10,000 for the purposes of investing in the Investment Properties.
28. The Respondent contributed these monies to the Pooled Funds and used them to place deposits on one or more of the Investment Properties.

DF

29. DF is the sister of client AF and was an insurance-only client of the Respondent.
30. In 2006 or 2007, DF gave the Respondent \$10,000 for the purposes of investing in the Investment Properties.
31. The Respondent contributed these monies to the Pooled Funds, which were used to place deposits on one or more of the Investment Properties.

NN

32. NN was a friend of the Respondent and was an insurance-only client of the Respondent.
33. In September 2007, NN gave the Respondent \$50,000 for the purposes of investing in the Investment Properties.
34. The Respondent contributed these monies to the Pooled Funds, which were used to place deposits on one or more of the Investment Properties.
35. According to the Respondent, NN was repaid approximately \$10,000.⁶
36. In total, the four insurance-only clients contributed \$137,316 to the Pooled Funds. Collectively, the contributions of the four clients and four insurance-only clients to the Pooled Funds comprised \$240,316.

⁶ The Respondent has not produced any documentary evidence to support this claim.

Record keeping

37. The Respondent states that he did not create or maintain any records of the monies provided to him by the aforementioned four clients of the Member and four insurance-only clients, nor did the Respondent provide any of these eight individuals with any documentation acknowledging receipt of their monies.

38. The Respondent states that he also did not create or maintain any records of the ownership interests of the eight aforementioned individuals in the Investment Properties, nor did the Respondent provide the eight individuals with any documentation evidencing their ownership interests in the Investment Properties.

39. As shown in the table above, only the Respondent and his business partner, SS (who by the time the Investment Properties were purchased was no longer a client of the Member) appeared as owners on the Certificates of Title for the Investment Properties.

Status of the Investment Properties

40. According to the Respondent, by the middle of 2007 the real estate market had declined to the point that instead of selling the Investment Properties with known addresses (rows 1, 2, 3 and 4 in the table above) for a profit as originally intended, he was forced to rent them to tenants.

41. According to the Respondent:

- a) the Investment Properties with unknown addresses located in Kimberly, B.C. (rows 5, 6 and 7 in the table above) were in the process of being built at the time they were purchased;
- b) after the Respondent had paid deposits for these three units, the builder experienced construction delays and difficulties; and
- c) the builder is no longer in existence and the deposits were subsequently lost.

42. In 2012, the Respondent advised Staff that all of the Investment Properties were in foreclosure. There is no reasonable prospect of the eight individuals who contributed to the

Pooled Funds (including the four clients of the Member) recovering the principal amount of their investment.

43. In July 2012, SS, on behalf of his parents, LS and the late MS, and clients DP and NP, filed complaints with the MFDA with respect to their participation in the Pooled Funds.⁷

44. By engaging in the conduct described above, between 2006 and 2007, the Respondent engaged in personal financial dealings with four clients of the Member by soliciting and accepting \$103,000 from them, which monies he pooled with monies obtained from four insurance-only clients, his partner SS and his own monies, for the purposes of purchasing the Investment Properties, contrary to MFDA Rules 2.1.4 and 2.1.1.

Allegation #2 – Undisclosed Dual Occupation

45. At the time the Respondent became an Approved Person of the Member, the Respondent entered into an Agreement with the Member, dated May 31, 2004. The Agreement required, amongst other things, that the Respondent:

- a) act in the best interests of his clients; and
- b) comply with policies of the Member and the By-laws and Rules of the MFDA.

46. At all material times, the Member's policies and procedures required its Approved Persons to seek and obtain approval from the Member prior to engaging in any business activities outside of the Member.

47. In April 2006, the Member distributed a Compliance Notice that reminded its Approved Persons that they must obtain approval from the Member prior to engaging in any outside business activities.

48. Prior to and during the material time relating to events described in Allegation #1 above, the Respondent also:

⁷ In March 2013, clients DP and NP advised MFDA Staff that they were no longer interested in pursuing their complaint.

- a) signed a Disclosure Form, dated November 15, 2004, wherein he provided a “No” response to a question asking if he was engaged in business activities other than mutual funds;
- b) signed a Disclosure Form, dated August 10, 2006, wherein he acknowledged that he was engaged only in “Life Insurance Sales” in response to a question asking if he was engaged in business activities other than mutual funds; and
- c) indicated on his registration renewal information form in November 2007 that the only outside business activity he was involved in was Life Insurance Sales.

49. The Respondent did not seek or obtain approval from the Member to solicit and accept monies from clients and other individuals and use the monies, together with those of his business partner SS and his own monies, to purchase the Investments Properties with the intention of later reselling them at a profit.

50. By engaging in the conduct described above, between 2006 and 2007, the Respondent had and continued in another gainful occupation that was not disclosed to and approved by the Member by soliciting and accepting monies in the total amount of \$240,000 from eight individuals, which monies he pooled together with monies obtained from his business partner SS and his own monies, for the purposes of purchasing the Investment Properties, contrary to MFDA Rules 1.2.1(d)⁸ and 2.1.1.

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

⁸ On December 3, 2010, MFDA Rule 1.2.1 (d) was renumbered as MFDA Rule 1.2.1 (c)

- 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) revocation of the authority of such person to conduct securities related business;
- e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- f) 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
Pacific Regional Office

650 West Georgia Street, Suite 1220
Vancouver, British Columbia
V6B 4N9
Attention: Faye Emmanuel
Fax: 604-683-6577
Email: femmanuel@mfd.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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