



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: Scott Byron Reeves

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of the Central Regional Council (the “Hearing Panel”) of the Mutual Fund Dealers Association of Canada (the “MFDA”) in the hearing room at the MFDA offices located at 121 King Street West, Suite 1000, Toronto, Ontario on November 5, 2015 at 9:00 a.m. (Eastern), or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Scott Byron Reeves (the “Respondent”).

DATED this 27th day of August, 2015.

“Sarah Rickard”

Sarah Rickard
Director of Regional Councils

Mutual Fund Dealers Association of Canada
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Toronto, ON 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 2004 and May 9, 2014, the Respondent solicited and accepted from at least three clients a total of approximately \$5,064,208, some or all of which the Respondent deposited into accounts that he controlled, which the Respondent failed to invest, return or otherwise account for, contrary to MFDA Rule 2.1.1., 1.1.1, 2.1.4 .

Allegation #2: Between 2010 and 2014, on at least 34 instances, the Respondent directed the Member to deposit redemptions totalling approximately \$1,126,117 from a client's account at the Member to a bank account that did not belong to the client, by providing the Member with a void cheque that had been altered so that it appeared to the Member that the cheque corresponded to the client's bank account when the client did not hold such an account, contrary to MFDA Rule 2.1.1.

Allegation#3: Between 2009 and May 9, 2014, the Respondent made statements and provided documents to at least three clients, which he knew were false, misleading or incorrect, and misrepresented to the clients the amounts and whereabouts of their investments and monies, contrary to MFDA Rule 2.1.1.

Allegation #4: Between January 8, 2004 and May 9, 2014, the Respondent had and continued in other gainful occupations that were not disclosed to and approved by the Member by acting as an officer or a director for at least 11 corporations, contrary to MFDA Rules 1.2.1(c)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:

¹ Prior to February 22, 2011, MFDA Rule 1.2.1(c) was numbered as MFDA Rule 1.2.1(d).

Registration History

1. From January 8, 2004 to May 9, 2014, the Respondent was registered as a mutual fund salesperson (now known as a Dealing Representative) with FundEX Investments Inc. (“FundEX”), a Member of the MFDA.
2. From January 1997 to November 2003, the Respondent was registered as a mutual fund salesperson with Keybase Financial Group Inc. (“Keybase”), a Member of the MFDA.
3. While registered with FundEX, the Respondent sought and obtained approval from FundEX to operate his business under the trade names: Reeves Wealth Services (“RWS”); Scott Reeves Financial (“SRF”); Reeves Financial Services (“RFS”); and Reeves Financial Services Inc. (“RFSI”). In particular, FundEX approved the Respondent to operate his business selling life insurance and Guaranteed Investment Certificates (“GICs”) under the trade name SRF or RFSI.
4. The Respondent is currently not registered in the securities industry in any capacity.
5. At all material times, the Respondent conducted business in the area of Hamilton, Ontario.

Client GM

i. GICs

6. Commencing in approximately January 2004, client GM was a client of FundEX whose accounts were serviced by the Respondent.
7. In or about late 2008, the Respondent recommended that client GM purchase GICs through him, as he advised client GM that he could obtain more favourable interest rates on GICs than those available directly from a bank.

8. Based on the Respondent's recommendations, client GM agreed to purchase GICs through the Respondent, and over time client GM redeemed mutual funds that she held in her FundEX account in order to provide the Respondent with the monies required to purchase the GICs.

9. Between approximately March 2009 and July 2011, the Respondent obtained from client GM at least 18 cheques totaling \$299,000, which the Respondent instructed client GM to make payable to his companies, as follows:

	Date of Cheque	Amount of Cheque	Cheque Made Payable to
1	March 4, 2009	\$5,000	Reeves Financial DBS
2	March 23, 2009	\$5,000	Reeves Financial Service DBS
3	March 23, 2009	\$25,000	Reeves Financial Service DBS
4	April 8, 2009	\$25,000	Reeves Financial Service DBS
5	June 3, 2009	\$14,000	Reeves Financial Service DBS
6	June 30, 2009	\$22,750	Reeves Financial Service DBS
7	June 30, 2009	\$13,000	Reeves Financial Service DBS
8	July 9, 2009	\$16,250	Reeves Financial DBS
9	July 9, 2009	\$13,000	Reeves Financial Service DBS
10	September 25, 2009	\$14,000	Reeves Financial Service DBS
11	September 25, 2009	\$19,000	Reeves Financial Service DBS
12	September 25, 2009	\$18,000	Reeves Financial Service DBS
13	September 25, 2009	\$12,000	Reeves Financial Service DBS
14	September 25, 2009	\$23,000	Reeves Financial Service DBS
15	September 25, 2009	\$14,000	Reeves Financial Service DBS
16	January 13, 2010	\$20,000	Reeves Financial Service DBS
17	January 13, 2010	\$20,000	Reeves Financial Service DBS
18	July 26, 2011	\$20,000	RFSI
TOTAL \$299,000			

10. The Respondent deposited each of the cheques into an RFSI bank account that he controlled. The Respondent was the sole director and officer of RFSI.

ii. False statements and documents

11. The Respondent provided client GM with at least 16 forms entitled “Guaranteed Investment Certificate Application” (“GIC Applications”) on RFS letterhead, which the Respondent represented to client GM corresponded to the purchases by GM of GICs offered through various financial services companies. The GIC Applications contained details of the purchases of the GICs and represented to client GM that she had purchased a total of approximately \$323,000 in GICs.

12. The Respondent also provided GM with a portfolio summary that referenced both FundEX and RWS (the “Portfolio Summary”) containing details of the GICs purportedly purchased by GM, including the representation that the total market value of the GICs as at April 8, 2014 was approximately \$334,484.26.

13. In April 2014, GM contacted the Respondent in order to process a \$3,000 redemption from her GIC investment she believed that she held. After the Respondent failed to process the redemption and client GM could not reach the Respondent, client GM contacted a financial institution listed on the Portfolio Summary she received from the Respondent. The financial institution advised client GM that her GIC investment did not exist.

14. During 2014, the Respondent also provided client GM with an RSP tax contribution receipt (the “RSP Contribution Receipt”) purportedly issued by a certain financial institution. Client GM approached the financial institution and was advised that the RSP Contribution Receipt was fictitious. Client GM also determined that she did not hold a GIC at this financial institution as reflected on the Portfolio Summary that the Respondent had provided to her.

15. There is no evidence that any of the GICs that GM purchased through the Respondent exist.

16. The Respondent has failed to repay or otherwise account for all the monies he obtained from GM.

Client DA

i. GICs

17. Commencing in approximately 2003, client DA was a client of FundEX whose accounts were serviced by the Respondent.

18. In 2011, the Respondent approached client DA and advised that her mutual fund investments were not performing well and recommended that client DA move her monies invested in mutual funds at FundEX into GICs that she could purchase through the Respondent.

19. Client DA redeemed her mutual funds at FundEX in order to purchase the GICs through the Respondent.

20. Between 2011 and 2013, the Respondent obtained from client DA at least 13 cheques totaling approximately \$334,946, which monies the Respondent led client DA to believe were going to be used to purchase GICs.

21. The Respondent instructed client DA to make cheques payable for the purchase of GICs to Infinita Capital Management (“Infinita”), and to his companies, “Reeves Financial” or “Reeves Financial Services DBS”, as follows:

	Date of Cheque	Amount of Cheque	Cheque Payable To
1	November 9, 2011	\$40,000	Infinita
2	June 14, 2012	\$48,746.43	Reeves Financial Services DBS
3	June 14, 2012	\$40,000	Infinita
4	January 22, 2013	\$25,000	Reeves Financial
5	March 5, 2013	\$25,000	Infinita
6	March 5, 2013	\$25,000	Infinita
7	March 5, 2013	\$25,000	Infinita
8	April 3, 2013	\$7,000	Infinita
9	April 3, 2013	\$25,000	Infinita
10	April 3, 2013	\$18,000	Infinita
11	May 14, 2013	\$14,500	Infinita

	Date of Cheque	Amount of Cheque	Cheque Payable To
12	June 4, 2013	\$25,000	Infinita
13	June 26, 2013	\$16,700	Infinita
Total: \$334,946.43			

22. The Respondent told client DA that Infinita was a brokerage firm. The Respondent was the sole director and officer of Infinita, a company that was not registered in the securities industry in any capacity.

23. The Respondent deposited each of the cheques described in paragraph 21 above into accounts he controlled at either Infinita or Reeves Financial.

ii. False statements

24. On or about May 2014, the Respondent provided client DA with an Infinita account statement (“Infinita Account Statement”) which included the details of client DA’s purchases of GICs, the terms of the investments, and a representation that DA had invested a total of \$305,154 in GICs with an expected value at maturity of approximately \$361,383.

25. There is no evidence that any of the GICs that client DA believed she purchased through the Respondent exist.

26. The Respondent has failed to repay or otherwise account for all the monies he received from client DA.

Client PV

27. The Respondent began advising client PV in 1997 when the Respondent was registered with Keybase. In 2003, client PV became a client of FundEX whose personal and corporate accounts were serviced by the Respondent.

i. Protected notes and false statements

28. Beginning in 2006, the Respondent recommended that client PV purchase investments that the Respondent described as “protected notes” that were purportedly offered through the Canadian Imperial Bank of Commerce (“CIBC”). The Respondent told client PV that the protected notes were similar to GICs in that the invested capital is guaranteed as long as the note is held to maturity and the investments would earn a reasonable rate of return.

29. Between approximately 2006 and 2014, the Respondent obtained cheques from client PV for the purchase of the protected notes. The Respondent instructed client PV to make the cheques payable to accounts at the CIBC in amounts of at least \$10,000 each.

30. In or about May 2014, the Respondent provided client PV with CIBC quarterly account statements (the “CIBC Quarterly Statements”) that represented to client PV that, between 2006 and 2014, he had provided the Respondent with payments on approximately 187 instances totaling approximately \$2,394,925 for investment in the protected notes.

31. In June 2014, client PV determined that the CIBC Quarterly Statements he received from the Respondent were fictitious and there is no record of client PV holding any accounts at CIBC.

32. There is no evidence that any of the protected notes that client PV believed he had purchased through the Respondent exist.

33. The Respondent has failed to repay or otherwise account for the monies he received from client PV.

ii) *Infinita, Adroit, and false statements and documents*

34. In addition to the protected notes described above, while registered with FundEX, the Respondent recommended that client PV purchase investments through Infinita. The Respondent represented to client PV that he transferred his investments from FundEX to Infinita, and that

client PV and his corporation held Infinita accounts containing both mutual funds and shares of companies.

35. During the period that client PV believed he held accounts at Infinita, client PV approached the Respondent with concerns that client PV had difficulty finding evidence of the existence of the Infinita. The Respondent told client PV that there was no reason to be concerned, but advised client PV that if he was no longer comfortable continuing with Infinita that he could instead transfer his investments to a company the Respondent described to client PV as being the investment arm of Canadian Western Bank named “Adroit Investment Management Inc.”.

36. The Respondent represented to client PV that his investments were transferred from Infinita to Adroit Investment Management **Inc.** [emphasis added.]

37. Adroit Investment Management **Ltd.** [emphasis added] is registered in Alberta as an investment counsel or an equivalent registration category in other Canadian provinces.

38. There is no evidence that Adroit Investment Management Inc. exists.

39. The Respondent represented to PV that he held individual shares of large publicly traded companies that his advisor at Adroit Investment Management Inc. had selected for him based on PV’s personal and financial information.

40. The Respondent created or used documents containing references similar to Adroit Investment Management Ltd., without that company’s knowledge or approval. The Respondent provided client PV with documents and emails containing false representations, investments, and fictitious names and contact information of people who are not associated with Adroit Investment Management Ltd., as follows:

- a) Client PV received emails from a person with the title “Client Relationship Specialist” for Adroit Investment Management Inc., whom the Respondent advised client PV was his advisor;

- b) the Respondent provided client PV with an document entitled “Investment Policy Statement” dated January 2013 on the letter head of “Adroit Investment Management”, which, among other things:
 - i. indicated that it was prepared for client PV and his corporation;
 - ii. contained Know Your Client information for client PV;
 - iii. contained recommendations for the purchase of investments consisting of shares and bonds of large publicly traded companies and banks;
 - iv. stated that the Investment Policy Statement was adopted on March 5, 2013, and signed by PV and the Respondent, as well as a person identified as a “Senior Investment Manager” of Adroit Investment Management Inc.; and
 - v. listed the Respondent as an “Investment Advisor” at RFSI, which is a registration category under securities registration that the Respondent has never held.

- c) the Respondent provided client PV with various documents on letterhead of “Adroit Investment Management” consisting of documents entitled Statement of Positions, Interim Statement of Positions, and Statement of Account (the “Adroit Investment Management Statements”). These documents contained the following representations:
 - i. the Respondent was client PV’s “Investment Advisor”;
 - ii. client PV or his corporation held securities in various publicly traded companies; and
 - iii. client PV and his corporation together held investments totaling approximately \$2,011,386.98.

41. On or about June 30, 2014, representatives of the Canadian Western Bank issued a letter to the Respondent advising him, among other things, that RFS is making unauthorized use of trademarks belonging to it on Statements of Account, and that RFS is intentionally passing itself off as Adroit Investment Management Ltd. The letter demanded that the Respondent cease and desist from using such documents.

42. In or about May 2014, client PV became aware that the Respondent was involved in bankruptcy proceedings and became concerned about the investments he made through the Respondent.

43. In or about June 2014, client PV determined that he did not hold the accounts or investments that the Respondent had represented to him.

44. There is no evidence that client PV or his corporation held accounts at Infinita or Adroit Investment Management Ltd., or Adroit Investment Management Inc.

45. The Respondent has failed to repay or otherwise account for the monies he received from client PV.

iii. Alteration of client cheques for direct deposit

46. On at least 34 instances between 2010 and 2014, the Respondent directed FundEX to deposit redemptions totaling approximately \$1,126,117 from client PV's accounts at FundEX to a bank account that did not belong to client PV. To process the redemptions, the Respondent provided FundEX with a void cheque that had been altered so that it appeared to FundEX that the cheque corresponded to client PV's bank account when PV did not in fact hold such an account.

Allegation #1 – Failing to repay or account for monies obtained from clients

47. None of the purported investments entered into by the clients were carried on for the account or through the facilities of FundEX.

48. By engaging in the conduct described above between 2004 and May 9, 2014, the Respondent solicited and accepted from at least three clients a total of approximately \$5,064,208, some or all of which the Respondent deposited into accounts that he controlled, which the Respondent failed to invest, return or otherwise account for, contrary to MFDA Rule 2.1.1., 1.1.1, and 2.1.4

Allegation #2 - Alteration of cheques and misrepresentation of client account information

49. As described above, on at least 34 instances, the Respondent directed the Member to deposit redemptions totalling approximately \$1,126,117 from a client's account at the Member to a bank account that did not belong to the client, by providing the Member with a void cheque that had been altered so that it appeared to the Member that the cheque corresponded to the client's bank account when the client did not hold such an account, contrary to MFDA Rule 2.1.1.

Allegation #3 - False statements and documents provided to clients

50. As described above, the Respondent made statements and provided documents to clients DA, GM and PV, which he knew to be false, misleading or incorrect, and misrepresented to the clients the amounts and whereabouts of their investments and monies.

51. Such documents include:

- a) GM:
 - i. the RFS GIC Applications;
 - ii. the RSP Contribution Receipt; and

- iii. the Portfolio Summary;
- b) DA:
- i. the Infinita Account Statement; and
- c) PV:
- i. The CIBC Quarterly Statements,
 - ii. the Adroit Investment Management Statements; and
 - iii. the Investment Policy Statement.

52. By engaging in the conduct described above, the Respondent acted contrary to MFDA Rule 2.1.1.

Allegation #4 – Unapproved outside business activity

53. While registered with FundEX, the Respondent operated several outside business activities for which he did not disclose to or receive approval from FundEX to operate.

54. On May 9, 2014, FundEX representatives conducted an unannounced branch visit at the Respondent's branch office location, at which time signs for the following companies were located on or near the door of the branch office²:

- a) Reeves Financial Group;
- b) Reeves Group Solutions Limited;
- c) Reeves Mortgage Solutions Inc.;
- d) Reeves Private Wealth Inc.;
- e) Reeves Portfolio Management Inc.; and
- f) Reeves Financial Charitable Foundation.

² Signs for the entities RWS and RFS were also located on the door, which were trade names approved for use by the Respondent.

55. While registered as a mutual fund salesperson with FundEX, the Respondent was as an officer and director for each of the above listed corporations. The Respondent did not disclose to or obtain approval from FundEX to operate these corporations.

56. In addition to the above listed corporations, the Respondent was either an officer and/or director of the following corporations, none of which he disclosed to or obtained approval from FundEX to operate:

- a. Your Group Benefits People Limited (Formerly known as Reeves Group Solutions Limited);
- b. Reeves Financial Advisors Limited;
- c. TPR Wind Energy Distribution Inc.;
- d. Infinita Capital Management Corporation; and
- e. Conway Opportunities Homes.

57. By acting as an officer and/or director of the above listed corporations while registered with FundEX, the Respondent had and continued in other gainful occupations that were not disclosed to and approved by FundEX, contrary to MFDA Rules 1.2.1(c) 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:

- has failed to carry out any agreement with the MFDA;
- 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;

- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- 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 Office of 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, ON M5H 3T9
Attention: David Halasz
Fax: 416-361-9073
Email: dhalasz@mfd.ca

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

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

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

- (b) transmitting one (1) copy of the **Reply** to the Office of 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 Office of the Corporate Secretary permits otherwise; or
- (c) transmitting one (1) electronic copy of the **Reply** to the Office of 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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