



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: Charanjit Goody Aul

Heard: September 17, 2015, in Vancouver, British Columbia
Reasons for Decision: September 29, 2015.

REASONS FOR DECISION

Hearing Panel of the Pacific Regional Council:

Bradley Doney
Holly A. Millar

Chair
Industry Representative

Appearances:

Christopher Corsetti)	For the Mutual Fund Dealers Association of
)	Canada
)	
Julie Lamb)	For the Respondent, Charanjit Goody Aul
Guild Yule LLP)	
)	

BACKGROUND

1. We were constituted as a Hearing Panel of the Pacific Regional Council of the Mutual Fund Dealers Association of Canada (MFDA) to address allegations set out in a Notice of Hearing dated October 10, 2014.

2. The Notice of Hearing set out 4 allegations against the Respondent:

Allegation 1: Between August 2009 and December 2011, the Respondent engaged in securities related business that was not carried on for the account and through the facilities of the Member by recommending, selling, referring or facilitating the sale of an investment to a client and at least two other individuals outside of the Member, contrary to MFDA Rules 1.1.1(a), 2.4.2 and 2.1.1.

Allegation 2: Between August 2009 and December 2011, the Respondent had and continued in another gainful occupation that was not disclosed to or approved by the Member by recommending, selling, referring or facilitating the sale of an investment product to a client and at least two other individuals outside of the Member, contrary to MFDA Rule 1.2.1(c), 2.4.2 and 2.1.1.

Allegation 3: Between July 2013 and December 2013, the Respondent provided false and misleading information to MFDA Staff by denying that she received any referral fees or other remuneration in respect of the activity described in Allegations 1 and 2, thereby engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1.

Allegation 4: Between May 2008 and at least January 2013, the Respondent obtained, maintained and/or used approximately 46 forms which were signed by clients when the account forms were blank or only partially completed, contrary to MFDA Rule 2.1.1.

3. The Hearing Panel was asked to consider an agreed statement of facts with respect to the allegations against the Respondent and to determine the appropriate penalty. MFDA Staff proposed sanctions that were not objected to by the Respondent.

4. In the agreed statement of facts the Respondent admits to Allegations 1 and 4. MFDA Staff withdrew Allegations 2 and 3.

5. The Hearing Panel considered the agreed statement of facts and the penalty proposed by MFDA Staff and heard submissions from Counsel on its appropriateness. In light of the agreed statement of facts and submissions on penalty the Hearing Panel accepted the proposed penalty and signed an Order dated September 17, 2015, which provides:

- a) the Respondent shall be permanently prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member, commencing from the date of the Hearing Panel's Order, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
- b) the Respondent pay a fine in the amount of \$35,000 pursuant to section 24.1.1(b) of By-law No. 1;
- c) the Respondent pay costs in the amount of \$2,500 pursuant to section 24.2 of By-law No. 1;
- d) if at any time a non-party to this proceeding requests production of or access to exhibits in this proceeding that contain intimate financial or personal information, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the nonparty without first redacting from them any and all intimate financial or personal information.

AGREED FACTS

Registration History

6. From March 21, 2007 to November 14, 2012, the Respondent was registered in British Columbia as a mutual fund dealing representative with Sun Life Financial Investment Services (Canada) Inc. (SunLife), a member of the MFDA.
7. On November 14, 2012 the Respondent was terminated by SunLife.
8. The Respondent is not currently registered in the securities industry in any capacity. The Respondent states that she is currently employed as an insurance agent.
9. The Respondent has not previously been the subject of disciplinary proceedings.

Allegation 1: Securities related business outside of the Member

10. On July 4, 2012, client TBF commenced a legal proceeding in the Supreme Court of British Columbia against SunLife and the Respondent. TBF alleged, among other things, that the Respondent had recommended an investment product (the Notary Investment) to TBF that was offered by Rashida Samji (Samji), a local notary, which was not approved for sale by SunLife.
11. The Respondent first met Samji in early 2008. The Respondent was introduced to Samji by one of her insurance clients, who suggested that the Respondent should talk to Samji about alternative investments. The client arranged a meeting between the Respondent and Samji to occur shortly thereafter.
12. The Respondent met Samji at her office on or about April 2008. During the meeting, Samji explained that the Notary Investment operated as follows:

- a) Any invested monies would be deposited in Samji's notary trust account, which Samji advised was monitored and audited by the Society of Notaries Public of British Columbia (Notary Society). The monies would remain in the notary account, and would not be paid out to any party;
- b) The monies in the notary trust account would subsequently be used to issue a comfort letter to be used by a group of wineries. The comfort letter was purportedly required by third world countries as a condition to issue grants to encourage investments in local vineyards, or as collateral for loans in unnamed foreign countries where the various wineries conducted business; and
- c) The wineries would in turn pay a fee to Samji for the use of the monies that were held in her notary account, as this saved the wineries from utilizing their own monies. Samji would pass these fees onto investors in the form of a payment with a return of 5% per six month period.

13. To facilitate investments in the Notary Investment, Samji required each investor to sign a Letter of Direction (LOD). The LOD authorized Samji to hold the investor's monies in trust for six months from the date of signing. The LOD provided that at the end of the six month period, Samji would contact the investor and ask if they wished to roll over their investment, including their accrued returns, to the next six month period.

14. By way of an Amended Notice of Hearing dated April 9, 2013, the British Columbia Securities Commission (Commission) commenced a proceeding against Samji alleging, among other things, that she had been running a Ponzi scheme and had perpetrated a fraud against approximately 218 investors.

15. On July 16, 2014, the Commission found that Samji had perpetrated a fraud against at least 200 investors by running a Ponzi scheme that took in approximately \$100 million dollars between 2003 and 2012. As part of the scheme, investors' monies were deposited in Samji's personal bank accounts in the names of Notary Corp. and Samji & Assoc. Contrary to Samji's

representations, these personal bank accounts were not monitored or audited by the Notary Society. Samji provided no letters of comfort to any BC wineries. Any returns paid to existing investors were paid using money from new investors, a part of the wider Ponzi scheme.

16. The Respondent states that she initially invested \$50,000 in the Notary Investment in the fall of 2008 and eventually invested a total amount of \$480,000. The Respondent states that, until the Notary Investment collapsed in early 2012, she experienced the returns promised with no interruption. The Respondent states that, upon the collapse of the Notary Investment, a Trustee was assigned who calculated the Respondent's losses as \$316,200 (after the deduction of monies paid to the Respondent before the Notary Investment collapsed). The Respondent states that, on June 17, 2015, the Trustee recovered and distributed to the Respondent \$6007.80 (i.e. approximately 2%) on account of her losses.

17. The Respondent advised Staff that her due diligence with respect to the Notary Investment consisted of contacting the Notary Society to determine whether Samji was a notary in good standing and making inquiries within Samji's Ismaili community to determine that Samji had a good reputation.

18. The Respondent states that, between August 2009 and December 2011, at the request of client TBF and two other individuals, HS and M (Investors), the Respondent introduced the Investors to Samji.

19. The Respondent admits that she facilitated the sale of the investments in the Notary Investment by engaging in one or more of the following types of conduct with respect to each investor:

- a) The Respondent provided the Investors with information about the Notary Investment, including:
 - i. that she had personally invested in the Notary Investment;
 - ii. that she was receiving returns of 10% per year;

- iii. how the Notary Investment operated;
 - iv. how to invest in the Notary investment; and
 - v. the minimum first time investment that Samji would accept was between \$50,000 and \$100,000;
- b) the Respondent introduced the Investors to Samji to allow the Investors to find out more about the Notary Investment from Samji and potentially invest with Samji. The Respondent was present for and arranged for the introductions; and
- c) the Respondent invested monies in the Notary Investment on behalf of her brother, HS, who had forwarded monies to her for that purpose.
20. There was no subscription agreement or agreement required for the Notary Investment.
21. The Respondent states that she told client TBF that the Notary Investment was not an appropriate investment for client TBF.
22. The Investors placed funds in the Notary Investment in the approximate amounts set out below:

Investor	Approximate Amount
HS	\$440,000
TBF	\$65,000
MM	Unknown
Total	\$505,000

23. The Notary Investment was not an investment product known to approved by SunLife for sale by its Approved Persons, including the Respondent.
24. At no point during the material time did SunLife have a referral arrangement of any type with Samji or the Notary Investment and, in particular, SunLife did not have a referral arrangement with Samji or the Notary Investment which complied with the requirements of MFDA Rule 2.4.2.

25. At all material times, SunLife's policies and procedures prohibited its Approved Persons from engaging in securities related business outside SunLife or engaging in undisclosed outside business activities.

26. At no point during the material time did the Respondent disclose her involvement in the Notary Investment as described above (or otherwise) to SunLife.

27. By facilitating the sale of investments in the Notary Investment to the Investors, the Respondent engaged in securities related business that was not carried on for the account and through the facilities of SunLife, contrary to MFDA Rule 1.1.1(a) and 2.1.1.

28. During the course of its investigation, the Commission obtained cheques written by Samji and payable to the Respondent. The cheques show the Respondent received approximately \$35,115 from Samji between August 2009 and December 2011, as set out below:

Cheque No.	Name in the Memo Line of the Cheque	Amount	Date
4045	M	\$5,500	August 24, 2009
0367	M	\$6,150	August 28, 2010
0368	S	\$2,250	August 30, 2010
0218	M	\$1,230	November 30, 2010
0699	M	\$6,150	March 1, 2011
0700	HS	\$2,250	March 1, 2011
0337	M	\$1,230	June 15, 2011
1109	M	\$6,150	September 1, 2011
1110	HS	\$1,500	September 1, 2011
1113	HS	\$450	September 1, 2011
1323	M	\$1,230	December 1, 2011
1324	TBF	\$975	December 1, 2011
TOTAL		\$35,115	

29. Each cheque received by the Respondent bore the name of one of the Investors in the memo line of the cheque.

Allegation 4: Blank Signed Forms

30. Between May 2008 and January 2013, the Respondent obtained, maintained and/or used approximately 46 forms which were signed by clients when the account forms were blank or only partially complete. The forms were comprised of:

- a) 12 "Know Your Client" forms;
- b) 8 Limited Trade Authorization forms;
- c) 10 Transfer Authorization forms;
- d) 2 Pre-Authorized Chequing/Automatic Withdrawal forms;
- e) 5 Signature Form for Electronic Application forms;
- f) 4 applications for Canadian Educational Grants (all clients in a single family);
- g) 2 Order Tickets; and
- h) 1 RESP withdrawal form.

31. Of the 46 forms, two Pre-Authorized Chequing/Automatic Withdrawal forms had been used by the Respondent to initiate Pre-Authorized Chequing programs for two separate clients. There was no evidence that the remaining 44 forms had been used.

32. There was no evidence of a client complaint regarding the blank or partially completed pre-signed forms.

33. The Respondent states that she obtained blank pre-signed forms for the convenience of the clients.

34. By obtaining, maintaining and/or using forms which were signed by clients when the account forms were blank or only partially complete, the Respondent engaged in conduct that is contrary to MFDA Rule 2.1.1.

DECISION

35. There is no reason for us to interfere with the agreed statement of facts.

36. The penalty proposed by MFDA staff, and not objected to by the Respondent, is consistent with previous decisions. A permanent prohibition is the ultimate sanction and will serve as a deterrent. The Respondent has also experienced grave financial harm from her personal investments in the Notary Investment.

37. For these reasons we executed the Order referred to in paragraph 5.

DATED this 29th day of September, 2015.

“Bradley Doney”

Bradley Doney
Chair

“Holly A. Millar”

Holly A. Millar
Industry Representative