



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

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Stephen Ping Cheung

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the Pacific Regional Council (the “Hearing Panel”) of the MFDA should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and the Respondent, Stephen Cheung.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff conducted an investigation of the Respondent’s activities. The investigation disclosed that the Respondent had engaged in activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No. 1.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A”.

4. Staff and the Respondent agree that the terms of this Settlement Agreement, including the attached Schedule “A”, will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

III. ACKNOWLEDGEMENT

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part IX) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is accepted by the Hearing Panel.

IV. AGREED FACTS

Registration History

6. The Respondent has been registered as a mutual fund salesperson (now known as a mutual fund dealing representative) with PFSL Investments Canada Inc. (“PFSL”), a Member of the MFDA, in British Columbia since September 1, 1999, in Ontario since November 1995 and in Alberta since March 1998. From December 1996 to present, the Respondent has also been registered as a branch manager with PFSL.

7. At all material times, the Respondent has operated out of a PFSL branch location in Richmond, British Columbia (the “Branch”).

PFSL Prohibited Pre-Signed Forms

8. At material times, PFSL's policies and procedures prohibited the use of blank or partially completed pre-signed forms.

Use of Pre-Signed Forms

9. On October 23, 2012, PFSL compliance staff conducted an on-site audit of the Branch (the "2012 Audit"). During the 2012 Audit, PFSL compliance staff found that the Respondent had obtained and used 55 blank or partially complete pre-signed forms, or photocopies of blank or partially complete pre-signed forms, in order to process transactions in respect of 12 clients.

10. As a result of the 2012 Audit, PFSL compliance staff commenced an investigation into the Respondent's use of pre-signed forms. During the investigation, the Respondent disclosed that, in addition to the forms described in paragraph 9 above, he had obtained and used blank or partially complete pre-signed forms, or photocopies of blank or partially complete pre-signed forms, in order to process transactions in respect of three other clients.

11. On November 9, 2012, PFSL compliance staff conducted a file review for the three clients identified by the Respondent and found 13 additional blank or partially complete pre-signed forms, or photocopies of blank or partially complete pre-signed forms, which the Respondent had used to process transactions in respect of the clients.

12. Following the 2012 Audit, the Respondent assured PFSL that he would not use pre-signed forms again in the future.

13. On February 15, 2013, PFSL compliance staff conducted an unannounced audit of the Branch (the "2013 Audit"). PFSL compliance staff found that the Respondent had obtained (but not yet used) six blank signed forms in respect of six clients. One of the six forms found during

the 2013 Audit was obtained by the Respondent after he had assured PFSL that he would not use pre-signed forms in the future.

Failure to Supervise the Use of Pre-Signed Forms

14. During the 2013 Audit, PFSL compliance staff found that the Respondent, in his capacity as branch manager, had reviewed and approved 21 blank or partially completed pre-signed forms, or photocopies of blank or partially complete pre-signed account forms, submitted by other Approved Persons of the Branch.

PFSL's Response

15. On January 15, 2013, PFSL sent letters to 14 of the 15 clients (one account was found to be inactive) affected by the Respondent's conduct described above, in order to inform the clients of the Respondent's conduct and to determine whether the clients had authorized the transactions processed by the Respondent in their accounts. PFSL also sent letters to a random selection of 71 of the clients serviced by the Respondent to determine whether the clients had authorized the transactions processed by the Respondent in their accounts. None of the 85 clients reported any concerns to PFSL with respect to transactions conducted in their accounts.

16. On August 2, 2013, PFSL issued a disciplinary letter to the Respondent regarding his use of pre-signed forms. PFSL also placed the Respondent on "probation" for a period of one year, reduced the Respondent's supervisory duties, placed him under heightened supervision, required that he be subject to two unannounced audits by PFSL compliance staff each year, and required him to attend additional training at his own expense.

17. The Respondent states that the supervisory duties which were reduced by PFSL were remunerative and the reduction in the Respondent's duties as a result of his use of pre-signed forms has resulted in lost income for the Respondent. The Respondent calculates his reduced income at a minimum of \$30,000.

Additional

18. No clients serviced by the Respondent have complained about his conduct.
19. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above, beyond the commissions or fees he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.
20. The Respondent has expressed remorse for his actions.
21. The Respondent has not previously been the subject of MFDA disciplinary proceedings.
22. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources and expenses associated with conducting a full hearing of the allegations.

V. CONTRAVENTIONS

23. The Respondent admits that:
 - (a) between July 27, 2005 and February 6, 2013, he obtained and used to process transactions, 74 blank or partially complete pre-signed account forms or photocopies of blank or partially complete pre-signed account forms, in respect of 22 client accounts, contrary to MFDA Rule 2.1.1; and
 - (b) between March 2005 and March 2012, in his capacity as branch manager, he reviewed and approved 21 blank or partially completed pre-signed forms, or photocopies of blank or partially complete pre-signed account forms, submitted by other Approved Persons, contrary to MFDA Rules 2.5.5(f) and 2.1.1.

VI. TERMS OF SETTLEMENT

24. The Respondent agrees to the following terms of settlement:

- (a) The Respondent is prohibited from acting in a compliance or supervisory capacity with a Member for a period of three months from the date of the acceptance of this Settlement Agreement by the Hearing Panel, pursuant to section 24.1.1(c) of MFDA By-law No. 1;
- (b) the Respondent shall pay a fine in the amount of \$12,500, pursuant to section 24.1.1(b) of By-law No. 1;
- (c) the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of By-law No. 1;
- (d) the Respondent shall attend the Settlement Hearing in person; and
- (e) in the future, the Respondent shall comply with all MFDA By-laws, Rules and Policies and all applicable securities legislation and regulations made thereunder including MFDA Rule 2.1.1.

VII. STAFF COMMITMENT

25. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the facts set out in Part IV and the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part IX below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and contraventions that are not set out in Parts IV and V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts IV and V, whether

known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

26. Acceptance of this Settlement Agreement shall be sought at a hearing of the Pacific Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent.

27. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the settlement hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive its his rights to a full hearing, a review hearing before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction.

28. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.2 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1.

29. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against him.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

30. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against the

Respondent based on, but not limited to, the facts set out in Part IV of the Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

X. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

31. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule "A" is not made by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

32. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

XI. DISCLOSURE OF AGREEMENT

33. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law.

34. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

XII. EXECUTION OF SETTLEMENT AGREEMENT

35. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

36. A facsimile copy of any signature shall be effective as an original signature.

DATED this 2nd day of September, 2015.

“Tan Ping Wong”
Witness – Signature

Tan Ping Wong
Witness – Print name

“Stephen Cheung”
Stephen Cheung

“Shaun Devlin”
Staff of the MFDA
Per: Shaun Devlin
Senior Vice-President,
Member Regulation – Enforcement



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Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Stephen Ping Cheung

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of Stephen Cheung (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated [date] (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 the Hearing Panel is of the opinion that the Respondent:

- a) between July 27, 2005 and February 6, 2013, he obtained and used to process transactions, 74 blank or partially complete pre-signed account forms or

photocopies of blank or partially complete pre-signed account forms, in respect of 22 client accounts, contrary to MFDA Rule 2.1.1; and

- b) between March 2005 and March 2012, in his capacity as branch manager, he reviewed and approved 21 blank or partially completed pre-signed forms, or photocopies of blank or partially complete pre-signed account forms, submitted by other Approved Persons, contrary to MFDA Rules 2.5.5(f) and 2.1.1.

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1. If at any time a non-party to this proceeding requests production of, or access to, any materials filed in, or the record of, this proceeding, including all exhibits and transcripts, then the MFDA Corporate Secretary shall not provide copies of, or access to, the requested documents to the non-party without first redacting from them any and all intimate financial or personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure*;
2. The Respondent is prohibited from acting in a compliance or supervisory capacity with a Member for a period of three months from the date of the acceptance of this Settlement Agreement by the Hearing Panel, pursuant to section 24.1.1(c) of MFDA By-law No. 1;
3. the Respondent shall pay a fine in the amount of \$12,500, pursuant to section 24.1.1(b) of By-law No. 1;
4. the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of By-law No. 1;
5. in the future, the Respondent shall comply with all MFDA By-laws, Rules and Policies and all applicable securities legislation and regulations made thereunder including MFDA Rule 2.1.1.

DATED this [day] day of [month], 20[].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]

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