



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: John A. Moro

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing dated October 24, 2007, the Mutual Fund Dealers Association of Canada (the “MFDA”) announced that it proposed to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the MFDA Central Regional Council (the “Hearing Panel”) should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and John Moro (the “Respondent”).

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 paragraph 33) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is approved by the Hearing Panel.

IV. AGREED FACTS

Registration History

6. Between April 2, 1998 and December 27, 2006, the Respondent was registered as a mutual fund salesperson with JDM Financial Ltd. (“JDM Financial”). The Respondent was JDM Financial’s president and sole owner and was, at all material times, JDM Financial’s compliance officer and only Approved Person.

7. From April 2, 1998 until its registration was suspended on December 31, 2006, JDM Financial was registered with the Ontario Securities Commission as a mutual fund dealer in Ontario. JDM Financial became a Member of the MFDA on November 15, 2002 and is in the process of resigning its Membership.

8. On February 1, 2007, the Respondent became, and continues to be, registered as a mutual fund salesperson and Branch Manager with IPC Investment Corporation, a Member of the MFDA.

Pre-Signed Forms Found During Compliance Examinations

9. In August and September 2004, the MFDA conducted a Compliance Examination of JDM Financial (the “First Examination”). In the First Examination, the MFDA found two trade order forms onto which client signatures had been cut and pasted. The MFDA also found a blank pre-signed trade order form in a client file. JDM Financial was cautioned in November 2004 that having pre-signed blank forms in its possession was contrary to MFDA Rule 2.1.1.

10. JDM Financial signed an agreement with the MFDA dated May 19, 2005 in which JDM Financial acknowledged that it had “cut and pasted” signatures onto trade order forms and undertook that, going forward, all forms that require a client’s signature must be signed personally by the client. Specifically, JDM Financial agreed to “ensure that in future, all forms requiring the signature of a client are, in fact, personally signed by the relevant client...”.

11. In August and September 2006, the MFDA conducted a second Compliance Examination of JDM Financial (the “Second Examination”). In the Second Examination, the MFDA found, among other things, that the Respondent continued to possess pre-signed blank forms and had carried out trades in client accounts using those forms.

12. During an inspection by the MFDA on October 4, 2006, the Respondent was found to have in his possession 44 trading forms on which only the signatures of clients VR, DR, MY, LC, RV, WB, GM had been completed (the “Pre-Signed Forms”). Each of the Pre-Signed Forms fell into one of the following categories:

- (a) blank forms with original client signatures;

- (b) photocopies of the forms in (a) above; or
- (c) a trading form completed in ink, including the original ink signatures of the joint clients, to which the Respondent had applied liquid correction fluid to cover the original date and trade instructions, and which was then photocopied to create a stock of blank forms bearing the clients' signatures.

Respondent's Use of Pre-Signed Forms

13. The Respondent had some clients who requested that they receive cash on a recurring basis, usually because they were out of town for long periods of time. In order to facilitate their requests, the Respondent obtained or created the Pre-Signed Forms and then used those forms to process redemptions while the clients were away or otherwise not able to sign the required documentation in person.

14. To effect these redemptions, the Respondent received verbal instructions from the client that he/she wished to receive a specified amount of money and the Respondent then proceeded to:

- (a) enter all of the necessary elements of the trade on a Pre-Signed Form, including details as to which mutual fund should be redeemed and, in some cases, the account from which the funds should be redeemed;
- (b) execute and date the form as the signature guarantee; and
- (c) submit the form for trade execution.

15. The Respondent followed this process on the following 14 occasions:

	Client(s)	Date	Transaction	Amount
1	DR	June 6, 2005	Deregistration/Withdrawal Request	\$4,000
2	DR	Jan. 3, 2006	Deregistration/Withdrawal Request	\$5,000
3	DR	Jan. 23, 2006	Deregistration/Withdrawal Request	\$5,000
4	LC	Feb. 7, 2006	Deregistration/Withdrawal Request	\$7,067
5	DR	Feb. 23, 2006	Deregistration/Withdrawal Request	\$5,000
6	VR	Mar. 30, 2006	Deregistration/Withdrawal Request	Unknown
7	DR & VR	May 2, 2006	Deregistration/Withdrawal Request	\$5,000

8	DR & VR	May 31, 2006	Deregistration/Withdrawal Request	\$6,000
9	DR & VR	June 30, 2006	Deregistration/Withdrawal Request	\$6,000
10	MY	June 30, 2006	Deregistration/Withdrawal Request	\$4,000
11	MY	July 10, 2006	Deregistration/Withdrawal Request	\$4,000
12	DR	July 26, 2006	Deregistration/Withdrawal Request	\$6,000
13	DR & VR	Aug. 28, 2006	Deregistration/Withdrawal Request	\$6,000
14	DR & VR	Sep. 25, 2006	Deregistration/Withdrawal Request	\$6,000

16. On two other occasions, clients DR and VR requested that the Respondent make large one-time redemptions from their joint account, as set out in the table below.

	Clients	Date	Transaction	Amount
1	DR & VR	Aug. 4, 2005	Deregistration/Withdrawal Request	\$20,000
2	DR & VR	July 31, 2006	Deregistration/Withdrawal Request	\$44,000

17. The Respondent failed to keep any record of the instructions he received from clients VR, DR, LC and MY when he redeemed funds using Pre-Signed Forms. The Respondent also failed to record and maintain evidence of the time and date he received client instructions, the time the orders were entered, the time and price at which the orders were executed, the means by which the client instructions were conveyed to him, and any terms or conditions placed by the clients on their orders/instructions.

18. To the extent that the Respondent, after receiving redemption requests on the 16 occasions noted above, completed certain sections of the Pre-Signed Forms on behalf of those clients (including information as to which mutual fund(s) were redeemed and from which account), he engaged in discretionary trading contrary to MFDA Rule 2.1.1(b) and the terms of his registration as a mutual fund salesperson.

19. By failing to record and maintain evidence of client instructions for the 16 trades set out above, the Respondent breached MFDA Rule 5.1(b) and MFDA Member Regulation Notice MR-0035.

RESPONDENT'S POSITION

20. The Respondent admits that he engaged in discretionary trading only insofar as he completed certain sections of the Pre-Signed Forms on behalf of clients VR, DR, LC and MY when they were unable to attend his office in person, and only did so on the 16 occasions noted above. The Respondent denies making any trade or effecting any redemption in the account of any client without the client's knowledge and authorization.

21. The Respondent acknowledges that discretionary trading is contrary to both MFDA Rule 2.1.1(b) and the terms of his registration as a mutual fund salesperson.

22. The Respondent acknowledges that maintaining detailed, accurate, legible and readily accessible records of client instructions is an important internal control that provides both Members and the MFDA with an audit trail by which transactions can be confirmed and trade instructions verified in the event of a dispute. The Respondent further acknowledges that failing to maintain evidence of client instructions reduces an Approved Person's ability to defend accusations that a trade was made improperly, erroneously or without authorization and interferes with the Member's ability to meet its supervisory obligations and respond to requests for information from the MFDA.

CONTRAVENTIONS

23. The Respondent admits that, by obtaining and possessing the Pre-Signed Forms, he failed to observe high standards of ethics, contrary to MFDA Rule 2.1.1(b), and engaged in business conduct or practice that was unbecoming, contrary to MFDA Rule 2.1.1(c).

24. The Respondent admits that, by using the Pre-Signed Forms to execute the 16 trades set out in Part IV above, he failed to observe high standards of ethics and conduct in the transaction of business, contrary to MFDA Rule 2.1.1(b).

25. The Respondent admits that, to the extent that he completed sections of the Pre-

Signed Forms concerning which mutual fund(s) were redeemed and from which account in relation to the 16 trades set out in Part IV above, he engaged in discretionary trading contrary to MFDA Rule 2.1.1(b) and the terms of his registration as a mutual fund salesperson as set out in section 98 of Regulation 1015 made under the Securities Act, General Regulation, R.R.O. 1990, Reg. 1015, as amended.

26. The Respondent admits that, by failing to document client instructions in respect of the 16 trades set out in Part IV above, he failed to record and maintain an adequate record of each order, and of any other instruction, given or received for the sale of securities, contrary to MFDA Rule 5.1(b) and MFDA Member Regulation Notice MR-0035.

TERMS OF SETTLEMENT

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

- (a) the Respondent shall surrender his registration as Branch Manager within 5 business days of the date of the acceptance of this Settlement Agreement by the Hearing Panel and shall be prohibited from acting in a supervisory capacity with a Member for a period of two (2) years from the date of the acceptance of this Settlement Agreement;
- (b) the Respondent shall rewrite the appropriate proficiency examination prior to becoming re-registered in any supervisory capacity with a Member;
- (c) the Respondent shall pay a fine in the amount of \$5,000 upon the acceptance of this Settlement Agreement; and
- (d) the Respondent shall pay \$2,500 in respect of the costs of the investigation and settlement of this matter upon the acceptance of this Settlement Agreement.

STAFF COMMITMENT

28. 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 any conduct or alleged conduct of the Respondent in relation to the facts set out in Part IV of this Settlement Agreement, subject to the provisions of paragraph 33 below.

PROCEDURE FOR APPROVAL OF SETTLEMENT

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

30. 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 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.

31. 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. 24.1.1 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.

32. 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 proceeding against him.

33. 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 in Part VI herein, Staff reserves the right to bring proceedings under 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.

34. 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.

35. 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.

DISCLOSURE OF AGREEMENT

36. 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.

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

EXECUTION OF SETTLEMENT AGREEMENT

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

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

Dated: October 19, 2007

“A. Bonitatibus”
Witness – Signature

“John Moro”
John Moro

“A. Bonitatibus”
Witness – Print Name

“Mark T. Gordon”
Staff of the MFDA
Per: Mark T. Gordon
Executive Vice-President



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Re: John A. Moro

ORDER

WHEREAS on October 24, 2007, the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of MFDA By-law No. 1 in respect of John A. Moro (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated October 19, 2007 (the "Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which he could be disciplined as an Approved Person of the MFDA, pursuant to sections 20 and 24.1.1 of MFDA By-law No. 1;

AND UPON reviewing the Settlement Agreement and the Notice of Settlement Hearing, and upon reading the submissions of Staff of the MFDA and hearing submissions from counsel for the Respondent and Staff of the MFDA;

AND WHEREAS the Hearing Panel is of the opinion that the Respondent's conduct was contrary to the public interest;

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which, the following penalties shall be imposed upon the Respondent:

- (a) Pursuant to s. 24.1.1 of MFDA By-law No. 1, the Respondent shall surrender his registration as Branch Manager within 5 business days of today and shall be prohibited from acting in a supervisory capacity with a Member of the MFDA for a period of two (2) years from today;
- (b) Pursuant to s. 24.1.1 of MFDA By-law No. 1, the Respondent shall rewrite the appropriate proficiency examination prior to becoming re-registered in any supervisory capacity with a Member of the MFDA;
- (c) Pursuant to s. 24.1.1 of MFDA By-law No. 1, the Respondent shall pay a fine in the amount of \$5,000; and
- (d) Pursuant to s. 24.2 of MFDA By-law No. 1, the Respondent shall pay \$2,500 in respect of the costs of the investigation and settlement of this matter.

DATED at Toronto, Ontario this 19th day of November, 2007.

Per: _____
The Hon. Edward Saunders, Chair

Per: _____
John Armstrong, Industry Representative

Per: _____
Christopher Marrese, Industry Representative