



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: Menashe Keshet

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 s. 24.4 of By-law No. 1 (“By-law No. 1”), a hearing panel of the Central 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, Menashe Keshet (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 Part X) 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 in the mutual fund industry since January 1995.

7. From December 5, 1995 to November 2012, the Respondent was registered in Ontario as a mutual fund salesperson/dealing representative with De Thomas Financial Corp. (“De Thomas”), a Member of the MFDA.

8. Since November 2012, the Respondent has been registered in Ontario as a dealing representative with FundEX Investments Inc. (“FundEX”), a Member of the MFDA.

9. At all material times, the Respondent carried on business from a branch office of De Thomas located in North York, Ontario.

Pre-Signed Forms

10. At all material times, De Thomas' policies and procedures prohibited its Approved Persons from using pre-signed forms, including photocopies of pre-signed forms, to conduct business.

11. In or around May 2012, the Respondent submitted two trade forms to De Thomas which contained a photocopy of the client's signature. De Thomas reviewed the client's file and found six additional trade forms which contained a photocopy of the client's signature.

12. As a result of these findings, De Thomas selected and reviewed 15 client files maintained by the Respondent. De Thomas selected the files for the client accounts which contained the most trading activity and/or the largest dollar value trades. Through its review, De Thomas found approximately 80 account forms in relation to 11 client files that contained photocopied client signatures.

13. On May 23, 2013, Staff of the MFDA interviewed the Respondent. During the interview, the Respondent admitted that, between October 2008 to December 2011, he used 85 account forms in relation to 22 client accounts which contained a photocopy of the client's signature in order to process trades or update Know Your Client information.

14. The 85 client account forms used by the Respondent consisted of the following:

- a) 38 Switch Order forms;
- b) 27 Mutual Fund Trade Tickets;
- c) 12 Client Update (Know Your Client) forms;
- d) 4 Additional Purchase forms; and
- e) 4 Redemption forms.

De Thomas' Response

15. After De Thomas detected the Respondent's use of photocopied client signatures in or around May 2012, De Thomas placed the Respondent, for a period of one year, under close supervision and imposed following terms and conditions on him:

- a) only original trading and Know Your Client forms could be submitted for review and processing;
- b) all documentation had be completed in blue ink;
- c) upon submission of any document that required a client signature, the Respondent's Branch Manager and De Thomas' Head Office compliance staff would review previous documents pertaining to the client's account to ensure that the document had not been photocopied;
- d) the Respondent's Branch Manager would conduct random reviews of at least three client files every three months;
- e) the Chief Compliance Officer and the Respondent's Branch Manager would conduct an examination and review of all of the Respondent's client files within three months; and;
- f) the Respondent's commissions would be reduced by 10%.

16. The Respondent resigned in November 2012, approximately 6 months after De Thomas imposed the terms and conditions set out above.

17. De Thomas sent letters to the clients serviced by the Respondent, which included an account transaction history that clients were asked to review to identify any inaccuracies or trading activity that they were unaware of. None of the clients reported any concerns to De Thomas in response to the letters.

18. There is no evidence that:

- a) the Respondent engaged in discretionary or unauthorized trading activity, or updated Know Your Client information without the knowledge or authorization of clients;
- b) the Respondent received any financial benefit from engaging in the misconduct beyond the commissions or fees to which he would have been ordinarily entitled had the transactions in the clients' accounts been carried out in the proper manner;
- c) clients suffered any financial harm as a result of the Respondent's conduct; and
- d) any clients have complained about the Respondent's conduct.

19. The Respondent states that, since the events described herein came to the attention of De Thomas in May 2012, he has not used photocopied client signatures to conduct business at De Thomas or FundEX.

V. CONTRAVENTIONS

20. The Respondent admits that, between October 2008 and December 2011, he obtained, maintained and/or used to process trades and update Know Your Client information approximately 85 account forms in 22 client accounts which contained photocopies of client signatures, contrary to MFDA Rule 2.1.1.

VI. TERMS OF SETTLEMENT

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

- (a) the Respondent shall pay a fine in the amount of \$7,500, pursuant to section 24.1.1(b) of By-law No. 1;
- (b) the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of By-law No. 1;
- (c) the Respondent shall attend the Settlement Hearing in person; and

(d) 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

22. 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 X 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 this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in this Settlement Agreement, 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

23. 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.

24. 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 right 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.

25. 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.

26. 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

27. 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 By-law No. 1 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

28. 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.

29. 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

30. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 28th day of May, 2014.

“Ronen Ashkenazi”

Witness – Signature

“Menashe Keshet”

Menashe Keshet

Ronen Ashkenazi

Witness – Print name

“Shaun Devlin”

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



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Re: Menashe Keshet

ORDER

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

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated [Date] ("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 on the Hearing Panel is of the basis of the admissions made by the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that, between October 2008 and December 2011, the Respondent obtained, maintained and/or used approximately 85 account forms in 22 client accounts which contained photocopies of client signatures, contrary to MFDA Rule 2.1.1.

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

1. The Respondent shall pay a fine in the amount of \$7,500, pursuant to s. 24.1.1(b) of By-law No. 1; and

2. The Respondent shall pay costs in the amount of \$2,500, pursuant to s. 24.2 of By-law No. 1.

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

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]