



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: Neil Rutley

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 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, Neil Rutley.

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 XI) 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. Since February 1976, the Respondent has been registered in Ontario as a mutual fund salesperson (now known as a Dealing Representative) with Investors Group Financial Services Inc. (“Investors Group”), a member of the MFDA.

7. At all material times, the Respondent conducted business in Belleville, Ontario.

Pre-Signed Account Forms

8. At all material times, Investors Group's policies and procedures contained the following prohibition against the use of pre-signed account forms:

Pre-signed forms - from time to time situations have arisen where forms that have been pre-signed by clients have been found in Consultant files. Pre-signed forms are prohibited. The use of pre-signed forms, from a regulatory point of view, may suggest discretionary or improper activity on the part of the Consultant. Pre-signed forms are not to be used under any circumstances and they should be destroyed immediately.

9. Between November 2005 and February 2014, the Respondent obtained and maintained 16 blank pre-signed account forms in respect of 8 clients. The account forms consisted of order entry forms, Know-Your-Client forms and bank account authorization forms.

Accepting Cash From a Client

10. At all material times, Investors Group's policies and procedures contained the following prohibition against accepting cash from clients:

Cash should not be accepted. In the event that a client is unable to utilize a cheque, the client must be advised to convert cash to a negotiable instrument such as a bank draft payable to Investors Group Financial Services Inc.

11. On February 12, 2014, the Respondent accepted cash from a client in the amount of \$9,950. The Respondent, following his client's instructions, invested the cash in the client's Registered Retirement Savings Plan account.

Investigation by the Member

12. Investors Group compliance staff detected the conduct that is the subject of this Settlement Agreement as a result of a routine sales audit in February 2014 and its follow-up investigation.

13. Investors Group has reviewed all of the client files maintained by the Respondent.
14. There is no evidence that the Respondent completed any trades using pre-signed account forms.
15. On June 17, 2014, the Respondent provided a written statement confirming that he, “now knows the seriousness of blank signed forms left in client files...” and assured Investors Group management that, “this will not happen again.” On or around September 4, 2014, he provided another statement, explaining, “I had no intent to misrepresent my clients in anyway (*sic*) but to be honest and respectful in every way of operating my business.”
16. Investors Group has advised the MFDA that it will conduct random sampling of the Respondent’s files on an on-going basis to ensure the Respondent’s future compliance.

Additional Factors

17. There is no evidence that the Respondent received any benefit from obtaining, maintaining, and in one case, using, pre-signed forms, or from the accepting cash from a client, beyond the commissions or fees he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.
18. There is no evidence of client harm or unauthorized trading.
19. The Respondent has not previously been the subject of any MFDA disciplinary proceedings.
20. The Respondent cooperated with Investors Group’s investigation into his conduct.
21. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources and expenses associated with conducting a full hearing on the merits.

V. CONTRAVENTIONS

22. The Respondent admits that:

- a) between November 2005 and February 2014, the Respondent obtained and maintained, 16 blank pre-signed forms in respect of 8 clients, contrary to MFDA Rule 2.1.1; and
- b) on February 12, 2014, the Respondent accepted cash from a client, thereby failing to comply with Investors Group anti-money laundering procedures, contrary to MFDA Rules 2.5.1 and 1.1.2.

VI. TERMS OF SETTLEMENT

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

- a) the Respondent shall pay a fine in the amount of \$10,000 pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
- b) the Respondent shall pay costs in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law No.1;
- c) the Respondent shall in the future comply with MFDA Rules 1.1.2, 2.1.1, and 2.5.1; and
- d) the Respondent will attend in person, on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

24. 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 XI 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 VII, 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

25. 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.

26. 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.

27. 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.

28. 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

29. 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 proceedings 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

30. 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.

31. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that it 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

32. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 25th day of June, 2015.

“Stephen Butcheel”
Witness – Signature

“Neil Rutley”
Neil Rutley

Stephen Butcheel
Witness – Print name

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



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Re: Neil Rutley

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 Neil Rutley (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:

- a) between November 2005 and February 2014, the Respondent obtained and maintained 16 blank pre-signed forms in respect of 8 clients, contrary to MFDA Rule 2.1.1; and

b) on February 12, 2014, the Respondent accepted cash from a client, thereby failing to comply with Investors Group's anti-money laundering procedures, contrary to MFDA Rules 2.5.1 and 1.1.2.

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 \$10,000 pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
2. the Respondent shall pay costs in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law 24.2; and;
3. the Respondent shall in the future comply with MFDA Rules 1.1.2, 2.1.1, and 2.5.1.

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

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]