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: IPC Investment Corporation

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 of the MFDA (the "Hearing Panel") should accept the settlement agreement entered into between Staff of the MFDA ("Staff") and the Respondent, IPC Investment Corporation ("IPC" or "the Member" or "the Respondent") (the "Settlement Agreement").

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 section 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 Parts IV and V 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 XII) 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 is registered as a mutual fund dealer and has been a Member of the MFDA since March 8, 2002.

7. The Respondent's head office is located in Mississauga, Ontario.

8. IPC Securities Corporation Inc. ("IPCSC") is an affiliate of the Respondent, operates as a securities dealer, and is regulated by the Investment Industry Regulatory Organization of Canada ("IIROC").

The Respondent's Dealings with Mushaluk

9. On or about October 31, 2011, the Respondent entered into a referral arrangement with IPCSC which permitted the Respondent's Approved Persons to refer clients to IPCSC in order for clients to purchase, sell, or otherwise transact in securities (i.e., non-mutual fund securities) that Approved Persons are not registered to trade or advise in ("Referral Arrangement").

10. The Referral Arrangement was established by the Respondent to allow its Approved Persons to refer clients wishing to purchase non-mutual fund securities to an appropriate registrant in a formal manner in which the referral could be centralized and monitored. Under the terms of the Referral Arrangement, the Respondent's Approved Persons were required to limit their referral-related activities to providing clients with a basic description of the services available through IPCSC and providing contact information for an IPCSC representative.

11. The Respondent's policies and procedures prohibited its Approved Persons from providing advice, recommendations or opinions about non-mutual fund investments available through other registrants, including through the Referral Arrangement.

12. The Referral Arrangement was announced in a memorandum issued by the Respondent to its Approved Persons on October 31, 2011 that included, among other things:

(a) An announcement that the National Accounts Desk had been launched by IPCSC to facilitate handling of Approved Persons' clients' orders "for purchasing various exchange-traded investment products, including securities listed on major stock exchanges, which are not available to MFDA registered advisors;" and

(b) Answers to Frequently Asked Questions about the Referral Arrangement that, among other things, indicated that: referring advisors registered with the Respondent were not permitted to place orders with IPCSC on behalf of their clients; and all paperwork in the creation, maintenance of an IPCSC account or any trading instructions must be conducted between the client and the National Accounts Desk Advisor employed by IPCSC.

13. On or about February 27, 2009, prior to the Referral Arrangement, the Respondent had also issued Compliance Bulletin 09-003 to its Approved Persons, including Approved Person Jeffrey Mushaluk ("Mushaluk")[1], that dealt more generally with referrals to IIROC dealers, including IPCSC, and the activities by Approved Persons were not permitted when making such referrals, including:

(a) assisting the client in the completion of the other firm's account opening documents;
(b) assisting the client in the completion of the other firm's trade tickets;
(c) obtaining or updating Know-Your-Client information such as investment objectives, risk tolerance and time horizon on behalf of the other firm;
(d) actively participate in discussions where investment advice is given to the referred client by the other firm; or
(e) providing advice, recommendations or opinions on the investments held through the other firm.

14. In November 2012, the Respondent issued a further Compliance Bulletin reminding its Approved Persons referring clients to IPCSC through the Referral Arrangement that they were not permitted to, among other things:

i. discuss with clients the features, terms, and advantages of purchasing specific equities available through the Referral Arrangement; and
ii. discuss the risks of specific issuers with clients.

15. Mushaluk has admitted to the following: [2]

[1] One of the Respondent's former dealing representatives who worked in and around Salmon Arm, British Columbia.
[2] Mushaluk entered into an Agreed Statement of Facts with the MFDA dated July 14, 2016 ("ASF"). In the ASF, Mushaluk admitted that between August 2012 and May 2013, he engaged in securities related business that was not carried on for the account and through the facilities of the Member and acted outside his registration as a mutual fund salesperson, contrary to MFDA Rules 1.1.1 and 2.1.1. On July 26, 2016, an MFDA Hearing Panel made findings against Mushaluk and imposed the following sanctions: a three year prohibition from conducting securities related business in any capacity while in the employ of, or associated with any Member of the MFDA, effective

i. in or about July 2010, Mushaluk became aware of a local mineral exploration company known as Pacific Booker Minerals Inc. ("PBM") that was based in Salmon Arm and had a potential mine located on the outskirts of Salmon Arm and whose common shares traded on the TSX Venture Exchange;

ii. between July 2010 and August 2012, Mushaluk personally purchased 45,000 shares of PBM;

iii. on August 24, 2012, without the prior approval or knowledge of the Respondent, Mushaluk sent an email to 22 of his IPC clients recommending that the clients purchase shares of PBM (the "PBM Email"). In particular, Mushaluk stated in the PBM Email:

> I have an opportunity that I think you can benefit from in the short term. I have been a shareholder in a junior mine for approximately 15 months which is now at the stage of some exciting developments. It is a copper, gold, silver, molybdenum mine located in Granisle B.C. called pacific Booker Minerals. The mine is days (up to 40) away from potentially receiving a permit. Currently the stock is trading at $13 and I believe within months it could sell for a lot more. In fact, the permit alone could double the value of the company.
>
> I recommend selling some of your existing investments with me to explore this opportunity. This is extremely time sensitive in that you will have to make a decision of whether you want to entertain this or not by Tuesday of next week [in 5 days]. I will be calling you either Sunday evening or Monday to explain more details. If you are not interested however, please email reply now.

iv. From August 24 to 27, 2012, without the knowledge or approval of the Respondent, Mushaluk further communicated with 15 of the 22 clients to whom he had sent the Recommendation Email, as well as additional clients he serviced, with respect to purchasing PBM shares. Mushaluk discussed one or more of the following with the clients:

a. PBM is a junior mining company;

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from August 1, 2014 to July 31, 2017; fine in the amount of $25,000, payable on or before July 31, 2017; and costs in the amount of $5,000, payable by August 31, 2016. Reasons for Decision are dated November 10, 2016.

b. the Environmental Assessment Certificate ("EAC") application for the property which PBM owned in central British Columbia was awaiting approval from the provincial government;

c. some of the risks of investing in PBM; and

d. "this could be a situation where $100k turns into $400k or greater".

16. Where clients advised Mushaluk that they intended to invest in PBM, Mushaluk discussed the amounts to be invested in PBM and, where necessary, the mutual funds that the clients would redeem in order to generate monies to invest in PBM.

17. In order to process the sale of PBM shares, Mushaluk provided the representative at the IPCSC National Accounts Desk who had been identified through the Referral Arrangement with, among other things, the names of clients who were investing in PBM and, in some cases, the approximate amounts to be invested in PBM, and details of any mutual fund redemptions required to facilitate the investments in PBM.

18. Following the receipt of the referrals of clients to IPCSC to purchase PBM, both the IPCSC National Accounts Desk Advisor and the National Director, IIROC Compliance for IPCSC spoke with Mushaluk, who told them that he had been approached by several individuals on an unsolicited basis about investing in PBM and its future prospects. Mushaluk also said that he had given these individuals only very general information about PBM and had also told them he was not registered to provide any advice about PBM before referring those clients to IPCSC for possible trades.

19. The Registered Representative from the National Accounts Desk at IPCSC who handled any referrals of clients from IPC was at the time an IIROC registrant who worked as a salaried, non-commission employee of IPCSC. The Registered Representative consulted directly with each and every Mushaluk client who approached IPCSC to purchase PBM, obtained completed and signed New Account Application Forms, and opened IPCSC accounts for all such persons who wished to purchase PBM. This person also conducted a suitability review regarding the

relevant persons' proposed purchases of PBM and, where applicable, provided appropriate warnings to those persons before any PBM shares were purchased.

20. From August 2012 to October 2013**,** 29 clients that were serviced by Mushaluk at IPC and referred to IPCSC by Mushaluk purchased approximately $519,502 worth of shares in PBM through IPCSC.[3]

21. In or about August 2012, the National Accounts Desk at IPCSC was asked by Mushaluk to modify the normal commission structure for any clients referred to IPCSC to purchase PBM. The normal commission structure paid a referral fee of 85% of the net commission payable in respect of IPCSC trades. Mushulak sought to have the commission modified such that he could waive the commission on the initial purchase but later charge the clients 5% commission when they sold the stock at a later date. At that time, compliance staff and staff at the National Accounts Desk for IPCSC refused to alter the commission structure for these trades and instructed Mushaluk that any details relating to the purchase of PBM were to be provided by clients to IPCSC directly, not to discuss the specifics of PBM with clients and not to promote PBM. The Respondent did not take sufficient steps at that time to ensure Mushaluk was not acting outside his registration.

Failure to Report Securities Related Business of Approved Person – Mushaluk

22. In or about May 10, 2013, the Respondent first learned of the PBM Email; however, at that time the Respondent did not commence a formal investigation of Mushaluk's activities, and did not report the matter on the MFDA reporting system, METS.

23. Rather, on or about May 13, 2013, the Respondent in conjunction with compliance staff from IPCSC had a conference call with Mushaluk during which Mushaluk reiterated that he had not given any advice to clients for trades in PBM. The Respondent ought to have known at that time that Mushaluk's representations were not consistent with the PBM email.

[3] Almost all the initial PBM share purchases were made in August and September 2012. Although there were some PBM purchases by Mushaluk's 29 clients after September 2012, they were generally "repeat purchasers", i.e. clients purchasing additional PBM shares following their initial purchase.

24. At the time Mushaluk initially solicited clients to invest, PBM's share price was approximately $13 per share. In about October 2012, PBM's EAC application was denied by the provincial government.[4] Immediately following the release of this news, PBM's share price declined to approximately $3 to $4 per share. As of August 17, 2016 the PBM share price was trading at approximately $1.03 per share.

25. On or about May 14, 2013, the Respondent issued a Compliance Notice to Mushaluk directing that he should immediately refrain from any further discussions with clients or prospective clients regarding PBM, its business activities, share price or value, regulatory status or future prospects, and reminding him of the Member's procedures forbidding sales of securities and exempt products. The Compliance Notice further required that any questions or inquiries regarding PBM be referred directly to the IPCSC National Accounts Desk and that Mushaluk should not himself answer any such questions. Mushaluk signed the Compliance Notice on May 16, 2013 agreeing in writing to the terms contained in the Compliance Notice.

26. After August and September 2012, there were no further referrals by Mushaluk of any clients to purchase PBM through IPCSC. However, between October 2012 and October 2013, eight of the clients that had previously been referred to IPCSC made further purchases of PBM shares through IPCSC – all of which were done directly with the IPCSC National Accounts Desk and all of which proceeded on a fully unsolicited basis after appropriate steps were taken at IPCSC to assess the suitability of those trades.

27. Once the Respondent issued the Compliance Notice to Mushaluk, the Respondent considered the matter closed, and failed to take any additional action at that time, such as writing to or calling Mushaluk's clients, reviewing any of his client accounts, or conducting a branch examination at Mushaluk's branch.

[4] PBM successfully appealed the decision denying its EAC application to the British Columbia Supreme Court and was permitted to re-submit its EAC application.

28. During the MFDA Sales Compliance Review that was ongoing at the time the Compliance Notice was issued, MFDA staff identified the matter of the initial referrals made by Mushaluk to the IPCSC National Accounts Desk as an instance where there may have been an Approved Person giving advice on securities outside his registration. Following additional discussions, MFDA staff requested that the entire matter regarding Mushaluk's activities be reported on METS. The Respondent agreed and reported the matter on METS on September 24, 2013 and the Respondent thereafter commenced a formal investigation regarding Mushaluk's activities, as required for all matters reported on METS.

29. During the formal investigation, which was completed in April 2014, the Respondent took several steps, including the following:

(a) the Respondent wrote to all of Mushaluk's clients inquiring about his discussions and interactions with them in relation to PBM;
(b) the Respondent interviewed Mushaluk regarding his dealings with PBM and the clients referred to IPCSC to purchase PBM;
(c) the Respondent either interviewed or attempted to interview all of the clients that had been referred to IPCSC to purchase PBM; and
(d) IPC head office staff conducted an on-site visit to Mushaluk's branch on November 12 and 13, 2013.

30. As a result of the internal investigation, the Respondent placed Mushaluk on close supervision starting on November 7, 2013 and thereafter placed Mushaluk on strict supervision effective March 5, 2014. The Respondent issued a further Compliance Notice on May 26, 2014 continuing the strict supervision of Mushaluk for one year to January 1, 2015, imposing a fine on Mushaluk, and requiring Mushaluk to complete the Conduct and Practices Handbook Course within three months thereafter.

31. Mushaluk did not accept the additional conditions imposed by the Respondent and his registration was terminated by the Respondent by notice given on July 2, 2014, effective August 1, 2014**.**

Respondent's Dealings with JEC

32. In or about June 2010, JEC ("JEC") became the dealing representative at IPC responsible for servicing the mutual fund accounts of client ER. Client ER's initial investments were comprised of a transfer of her retirement pension savings to IPC and totaled approximately $200,929.

33. Client ER was retired at the time of the investments, and according to the NAAFs completed at the time of client ER's accounts being opened, lived on a fixed income, had a limited net worth, "novice" investment knowledge, and was seeking diversified risk in her portfolio.

34. On or about November 8, 2010, JEC invested 100% of client ER's investments in the Dynamic Strategic Gold Class fund (the "Gold Fund"), a fund its prospectus identified at the time as "moderate risk".

35. On or about November 30, 2010, client ER provided an additional $50,000 to JEC, of which 100% was invested in the Gold Fund.

36. In the period subsequent to her initial investments, client ER experienced significant losses in her accounts. In or about June 2013, client ER complained to the Respondent that she was not aware that the entirety of her funds had been invested in the Gold Fund, and that the investments in her accounts were not suitable for her. In or about September 2013, the Respondent paid client ER the amount of $119,787 pursuant to her complaint.

The Respondent's Initial Termination of JEC

37. On November 11, 2013, the Respondent issued a termination letter to JEC, with an effective termination date of January 10, 2014. The termination letter advised that the termination was due to the Respondent's investigation of the complaint of client ER, JEC's

extensive use of precious metals investment products within his clients' portfolios, and the Respondent's views not aligning with JEC's as to how best to manage client assets.

Change to the Gold Fund Risk Rating

38. On or about December 5, 2013, Dynamic Funds (the mutual fund manufacturer) changed the risk rating of the Gold Fund from "medium" to "medium-to-high".

The Respondent's Rescission of JEC's Termination

39. In or about early January 2014, JEC requested that the Respondent rescind his termination, due in part to his extenuating personal circumstances. In or about approximately the same time period, after discussions with JEC, the Respondent agreed to rescind JEC's termination on the condition that JEC would agree to meet with all clients who were highly concentrated in the Gold Fund to discuss concentration and, where appropriate, recommend diversification.

40. Notwithstanding that in November 2013, the Respondent had had concerns regarding JEC serious enough, in its view, to warrant JEC's termination, the Respondent did not impose any form of heightened supervision on JEC at that time, nor did the Respondent have any internal discussions as to whether such a step (or other measures in addition to the above agreement by JEC) ought to be taken.

41. On October 7, 2016, the Respondent terminated JEC.

The Respondent's Inadequate Procedures Regarding Concentration

42. During the material period in question, the Respondent had procedures in place for tier-2 supervision of suitability with respect to the concentration of investments in exempt market products. In May 2014, MFDA Staff asked the Respondent to also specifically monitor client concentration in sector funds and the Respondent agreed to do so. However, during the period

leading up to May 2014, the Respondent failed to adequately query the up to 100% Gold Fund concentration in JEC's clients' accounts.

JEC's Failure to Follow the Respondent's Directives

43. In or about early January 2014, the Respondent sent a draft of a letter to be signed by JEC to the 96 of JEC's approximately 300 clients who were heavily concentrated (i.e. more than 50% of their holdings) in the Gold Fund ("the Letter"). The Letter was drafted by the Respondent, JEC's signature was to be placed at the bottom and mailed out by the Respondent. The Letter advised that the Gold Fund had changed its risk rating from "medium" to "medium-to-high"; there were concentration issues in the client's accounts; and advised that JEC was seeking a meeting with the client to review and diversify the account holdings.

44. The Respondent directed JEC to review each client's account, and where necessary, make recommendations to reduce the client's concentration in the Gold Fund. The Respondent sought JEC's confirmation that he would follow this approach.

> "Can you please acknowledge back to us in an email that you will follow this approach."

45. On or about January 10, 2014, JEC advised the Respondent that he had "many concerns" with the draft letter to his clients. In an email to the Respondent, JEC stated:

> "If what you mean by this approach is … meeting with my clients to adjust the current client KYC to reflect the change in the Dynamic Strategic Gold Fund from MEDIUM risk to MED/HIGH risk and to address any other changes to the investment portfolio due to diversification or volatility concerns that they may have. Then my response is yes."

46. On or about January 10, 2014, the Respondent directed JEC to confirm that he would, where necessary, make recommendations to clients to redeem the Gold Fund as part of a rebalancing exercise to reduce the concentration in their accounts. The Respondent stated in an email to JEC:

> "So if you can agree that you will, when necessary, make recommendations to clients to redeem Dynamic Strategic Gold fund as part of a rebalancing exercise to reduce the concentration in each account, that is all I need. Note I didn't say how much you need to reduce by – I'll leave that to you and your experience as the advisor. However, I would say that the MFDA would view over concentration as a holding of greater than 50% in the fund in any one account, so be mindful of that."

47. On or about January 10, 2014, in an email to the Respondent, JEC stated:

> "Thanks for your direction – it is much appreciated."

48. On or about January 10, 2014, the Respondent again directed JEC to confirm that he would, where necessary, make recommendations to clients to redeem the Gold Fund as part of a rebalancing exercise to reduce the concentration in their accounts. The Respondent stated in an email to JEC:

> "…can you respond that you agree that you will, when necessary, make recommendations to clients to redeem Dynamic Strategic Gold fund as part of a rebalancing exercise to reduce the concentration in each account."

49. On or about January 10, 2014, in opposition to what the Respondent was directing, JEC stated in an email to the Respondent:

> "If the client has questions or concerns regarding their current portfolio positions I will make necessary recommendations "away from gold if that is there [sic] concern."

50. On or about January 15, 2014, the Respondent sent the Letter, signed by JEC via electronic signature, to each of the 96 clients of JEC who were concentrated in the Gold Fund.

51. Given JEC's comments to the Respondent, the Respondent ought reasonably to have concluded that JEC would not have a balanced discussion with and make appropriate recommendations to the clients and, therefore, should have taken additional steps to ensure that the clients were provided with suitable investment advice.

52. In the months that followed, JEC met with the relevant clients without his branch manager or anyone from the Respondent's head office present, and JEC advised his clients, among other things, that:

(a) selling the Gold Fund would result in a deemed disposition; and

(b) in order to maintain their current concentration in the Gold Fund, they would have to increase their KYC risk tolerance from "medium" to "medium-to-high".

53. On or about February 21, 2014, JEC provided a spreadsheet to the Respondent summarizing the results from his meetings to that point with the 96 of his clients who were concentrated in the Gold Fund. The spreadsheet indicated that the majority of those 96 clients had updated their KYC risk tolerance to "medium-to-high"; had maintained 100% of their holdings in the Gold Fund; and had not diversified their holdings.

54. Based on the February 2014 spreadsheet JEC submitted to the Respondent, the Respondent ought reasonably to have concluded that JEC had not had a balanced discussion with the clients and had re-papered the client accounts to match the holdings in the clients' accounts.

55. In or about March 12-28, 2014, the Respondent randomly selected 16 clients from the 96 clients who had been sent the Letter, and placed a telephone call to them in order to follow-up on receipt of the Letter. The purpose of the calls was to find out whether JEC had met or spoken with the clients, and to ascertain the substance of any discussions, including whether JEC had discussed the Gold Fund's risk rating, the client's risk tolerance, and the client's concentration in the Gold Fund.

56. The Respondent succeeded in speaking with 10 clients on the telephone. Some of the clients' responses regarding their meeting with JEC included the following information:

- they could not recall whether JEC had discussed the concentration or diversification;

- they were unhappy with the performance of the Gold Fund because of their age but did not have time to recover their losses;
- they had signed documents, but did not know what they were; and
- they were advised by JEC to stay in the Gold Fund as JEC repeatedly said that gold was going to go back up.

57. On or about April 17, 2014, JEC provided a revised spreadsheet to the Respondent summarizing the results from his further meetings with the relevant clients concentrated in the Gold Fund. The April 2014 spreadsheet continued to indicate that the majority of those 96 (out of a total of approximately 300) JEC clients who were invested in the Gold Fund had updated their KYC risk tolerance to "medium-to-high"; had maintained 100% of their holdings in the Gold Fund, and had not diversified their holdings.

58. Based on the April 2014 spreadsheet JEC submitted to the Respondent and the calls made to certain of JEC's clients, the Respondent ought reasonably to have concluded that JEC may not have had a balanced discussion with the clients, but rather, had re-papered the client accounts to match the Gold Fund holdings in the clients' accounts.

59. Between May and July 2014, the Respondent sent follow-up letters to all of the 96 JEC clients who were heavily concentrated in the Gold Fund. The letters reminded those clients that the Gold Fund had changed its risk rating from "medium" to "medium-to-high" due to increased volatility in its value; there were concentration issues in the client's accounts that created risk for the client; and that the client should consider diversification. The letter directed clients to contact JEC if they wished to discuss diversifying their portfolios and also provided contact information for personnel with the Respondent's head office compliance department if the clients had any additional concerns or questions about the letters.

60. Based on all the information the Respondent possessed by May 2014, it ought reasonably to have concluded that JEC had not had a balanced discussion with the clients and had merely re-papered the accounts, and that it was not appropriate to direct clients with inquiries back to JEC. Rather, the Respondent ought reasonably to have known it should not direct clients to JEC, and

that it needed to direct clients primarily to its head office compliance department, and to follow-up thereafter if the clients did not make contact, in order to ensure that all of the relevant clients received suitable investment advice.

V. MITIGATING FACTORS

61. Regarding Mushaluk, the Respondent's affiliate IPCSC conducted a full suitability review of each and every PBM trade made by clients referred to IPCSC for that purpose. There were no complaints by the clients who had been referred by Mushaluk to IPCSC to purchase PBM securities.

62. The Respondent at all times made it clear to Mushaluk and its other Approved Persons from the outset of the Referral Arrangement in October 2011 and thereafter that, in referring clients to IPCSC for transactions in individual securities, its Approved Persons were not entitled to make any recommendations or provide any advice in relation to those securities or transactions.

63. The Respondent is addressing the deficiencies set out herein relating to the issues identified regarding JEC. The Respondent has revised its compliance and supervision structure including:

- in May 2014, the Respondent issued a bulletin to all its dealing representatives containing guidelines for concentration in sector funds and updated its policy & procedures manual;
- the Respondent's compliance department instituted a check for concentration thresholds for all medium/high and high risk sector funds, such that anything greater than 25% concentration is now queried as part of tier-2 supervision; and
- development of a monthly trend report that would capture high concentrations of medium-high and high risk sector funds.

64. By way of post-detection actions specific to the Mushaluk matter, the Respondent:

- issued a Compliance Notice in May 2013 that required Mushaluk to sign an undertaking in which he expressly agreed in writing to refrain from all future dealings or discussions with any clients in relation to PBM;
- conducted an on-site examination of Mushaluk's branch location, including a review of his client files, and interviewed Mushaluk in November 2013;
- wrote to Mushaluk's clients in March 2014 to discuss their dealings with Mushaluk, and followed-up by telephone calls to the clients in April 2014;
- placed Mushaluk under strict supervision; and
- ultimately terminated Mushaluk effective August 1, 2014**.**

65. By way of post-detection actions specific to the JEC matter, the Respondent:

- took over the supervision of JEC's activities, including:
    - all sector fund purchases are approved and reviewed to review for concentration suitability;
    - queries are made of any material KYC changes and specifically where a client increases their level of risk; and
    - a sample of client accounts are reviewed monthly, for leveraging, suitability of investments, over-concentration of investments, excessive trading or switching, and any amendments to KYC information.

66. In addition to the revisions to its compliance and supervision structure and the supervision of JEC's activities, the following steps are being implemented by the Respondent on a going forward basis:

(a) the Respondent will ensure that JEC's clients are in the short term assigned to an appropriate, salaried (i.e. non-commissioned) Approved Person (or Approved Persons) working at the Respondent's head office (the "Assigned Approved Persons") and that, in the long-term following the completion of the other steps in

this paragraph, those persons are assigned to other appropriate Approved Person(s) with IPCIC;

(b) written correspondence will be sent by the Respondent to each of JEC's former clients introducing them to their new advisor and seeking to discuss their portfolios with them;

(c) the Assigned Approved Person(s) will review the portfolios of all those clients of the Respondent that are currently or were formerly concentrated in the Gold Fund, including but not limited to the 62 clients of the Respondent who are still currently identified as being concentrated in the Gold Fund, and discuss with each of those clients their holdings in the Gold Fund, the risks of the Gold Fund itself, as well as the risks of concentration, and use best efforts to ensure that those clients receive recommendations such that they have portfolios that are suitable given their personal circumstances and that they fully understand any and all risks associated with their portfolios; and

(d) the Respondent will ensure that all of the former JEC clients identified as being concentrated in the Gold Fund and remaining as clients of the Respondent complete an updated know-your-client process, including completion of the relevant forms, where necessary.

67. There have been no client complaints regarding Mushaluk's activities and the complaint by ER regarding JEC that is referenced herein was promptly and fully resolved by the Respondent.

VI. CONTRAVENTIONS

68. The Respondent admits that:

i. from about May 10, 2013 to September 23, 2013, the Respondent failed to report Approved Person Mushaluk's suspected prohibited trading activities on the MFDA METS reporting system and failed to conduct a timely supervisory investigation of those activities, contrary to MFDA Rule 2.5.1, Rule 2.1.1, and the reporting requirements set out under MFDA Policy No. 6;

ii. from about 2010 to April 2014, the Respondent failed to adequately supervise Approved Person JEC's investment recommendations to clients, which resulted in the clients holding investments concentrated in gold-related sector funds, thus failing to ensure that each order accepted or recommendation made for any account of clients were suitable for the client based on the essential facts relative to the client and any investments within the account, contrary to MFDA Rule 2.2.1;

iii. from in or about 2010 to April 2014, the Respondent failed to adequately supervise concentration risk in the accounts of some of Approved Person JEC's clients contrary to MFDA Rule 2.2.1;

iv. from about August 2012 to January 2014, the Respondent failed to take appropriate supervisory action regarding Approved Person JEC's non-compliance with Member directives, thus failing to ensure the handling of its business was in accordance with MFDA By-laws, Rules and Policies and with applicable securities legislation, contrary to MFDA Rule 2.5.1 and Rule 2.1.1.

VII. TERMS OF SETTLEMENT

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

i. the Respondent will pay a fine of $100,000 pursuant to section 24.1.2(b) of MFDA By-law No. 1;

ii. the Respondent will pay costs of $15,000 pursuant to section 24.2 of MFDA By-law No. 1;

iii. the Respondent shall in the future comply with MFDA Rule 2.5.1 and Rule 2.1.1; and

iv. a senior officer of the Member shall attend in person on the date set for the Settlement Hearing.

VIII. STAFF COMMITMENT

70. 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 or any of its officers or directors in respect of the facts and the contraventions described in 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 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.

IX. PROCEDURE FOR APPROVAL OF SETTLEMENT

71. 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 counsel for the Respondent.

72. 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 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.

73. 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.

74. 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 it.

X. FAILURE TO HONOUR SETTLEMENT AGREEMENT

75. 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 or any of its officers or directors 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.

XI. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

76. 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.

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

XII. DISCLOSURE OF AGREEMENT

78. 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.

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

XIII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 9th day of December, 2016.

"John Novachis"
IPC Investment Corporation
Per: John Novachis, authorized signing officer

"KD"
Witness – Signature

KD
Witness – Print Name

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

Schedule "A"

Order

File No. 201659

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: IPC Investment Corporation

ORDER

WHEREAS on October 11, 2016, the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to s. 24.4 of By-law No. 1 in respect of IPC Investment Corporation (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated December 9, 2016 (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:

i) from about May 10, 2013 to September 23, 2013, failed to report Approved Person Mushaluk's suspected prohibited trading activities on the MFDA METS reporting system and failed to conduct a timely supervisory investigation of those activities, contrary to MFDA Rule 2.5.1, Rule 2.1.1, and the reporting

requirements set out under MFDA Policy No. 6;

ii) from about 2010 to April 2014, failed to adequately supervise Approved Person JEC's investment recommendations to clients, which resulted in the clients holding investments concentrated in gold-related sector funds, thus failing to ensure that each order accepted or recommendation made for any account of clients were suitable for the client based on the essential facts relative to the client and any investments within the account, contrary to MFDA Rule 2.2.1;

iii) from in or about 2010 to April 2014, failed to adequately supervise concentration risk in the accounts of some of Approved Person JEC's clients contrary to MFDA Rule 2.2.1;

iv) from about August 2012 to January 2014, failed to take appropriate supervisory action regarding Approved Person JEC's non-compliance with Member directives, thus failing to ensure the handling of its business was in accordance with MFDA By-laws, Rules and Policies and with applicable securities legislation, contrary to MFDA Rule 2.5.1 and 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 of $100,000 pursuant to section 24.1.2(b) of MFDA By-law No. 1;

2. the Respondent shall pay costs of $15,000 pursuant to section 24.2 of MFDA By-law No. 1;

3. the Respondent shall in the future comply with MFDA Rule 2.5.1 and Rule 2.1.1; and

4. If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this

proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure*.

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

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]

DM 515719 v1