



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: Isaac Muhima

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada (“Staff”) and the Respondent, Isaac Muhima (the “Respondent”), consent and agree to settlement of this matter by way of this agreement (the “Settlement Agreement”).
2. Staff conducted an investigation of the Respondent’s activities which disclosed 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.

II. JOINT SETTLEMENT RECOMMENDATION

3. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.
4. The Respondent admits to the following violations of the By-laws, Rules or Policies of the MFDA:

- a) on or about June 20, 2016, the Respondent signed the signature of a client on an account form, and submitted the account form for processing, contrary to MFDA Rule 2.1.1;
 - b) on or about June 20, 2016, the Respondent failed to comply with a Member directive to contact a client to review the suitability of the holdings in a client account, contrary to MFDA Rule 2.1.1; and
 - c) on or about June 20, 2016, the Respondent failed to use due diligence to learn the essential facts of the client when he completed Know-Your-Client information without having met or discussed the information with the client, contrary to MFDA Rules 2.2.1 and 2.1.1.
5. Staff and the Respondent agree and consent to the following terms of settlement:
- a) the Respondent shall pay a fine in the amount of \$3,500 pursuant to s. 24.1.1(b) of MFDA By-law No.1;
 - b) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with a Member of the MFDA for a period of 1 year, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
 - c) the Respondent shall in the future comply with MFDA Rules 2.2.1 and 2.1.1; and
 - d) the Respondent will attend in person, on the date set for the Settlement Hearing.
6. Staff and the Respondent agree to the settlement on the basis of the facts set out in Part III herein and consent to the making of an Order in the form attached as Schedule "A".

III. AGREED FACTS

Registration History

7. Between March 2016 and August 2016, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a Dealing Representative) with BMO Investments Inc. ("BMO"), a Member of the MFDA.
8. At all material times, the Respondent conducted business in the Kingston, Ontario area.

9. On August 11, 2016, BMO terminated the Respondent's registration as a result of the conduct that is the subject of this Settlement Agreement. The Respondent is not currently registered in the securities industry in any capacity.

Respondent signed client's signature on account form, failed to comply with Member directive, and failed to use due diligence to learn essential facts relative to client

10. At all material times, client BS was a client of BMO whose account was serviced by the Respondent. Client BS held a mutual fund in a Tax Free Savings account (the "TFSA Account") that was aligned with client BS's know-your-client information and there were no suitability issues with client BS's holdings in the TFSA Account.

11. On June 7, 2016, the Respondent met with client BS, who completed and signed an account form in order to process a redemption in the TFSA Account (the "Redemption Form"). On the Redemption Form, client BS changed the account investment objective to "fixed income".

12. The Respondent submitted the Redemption Form to BMO for processing.

13. On June 8, 2016, the Respondent's branch compliance officer reviewed the Redemption Form and identified that, as a result of the change to the account investment objective to "fixed income", the mutual fund that client BS held in the TFSA Account was unsuitable for client BS.

14. As a result, the branch compliance officer directed the Respondent to have client BS attend at the branch to review her investment objectives.

15. On or about June 20, 2016, rather than contact client BS as directed by the branch compliance officer, the Respondent completed an account amendment form (the "Account Form"), selected the account investment objective of "conservative balanced" on the form to align with the mutual fund held in client BS' account so that it appeared suitable in respect of client BS's holdings, and signed the client's signature on the form. The Respondent submitted the form to the branch compliance officer for processing.

BMO's Investigation

16. On June 20, 2016, BMO became aware of the conduct that is the subject of this Settlement Agreement when the branch compliance officer identified an inconsistency between client BS's signature on the Account Form and client BS's signature on other previously signed account forms.

17. As part of its investigation, BMO interviewed the Respondent and reviewed all client files serviced by the Respondent. BMO did not identify further issues.

18. BMO contacted client BS who completed a new redemption form with the same account investment objective of "conservative balanced" as the Account Form.

19. On August 11, 2016, BMO terminated the Respondent's registration.

Additional Factors

20. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above other than the commissions or fees he would ordinarily be entitled to had the transactions been completed in the proper manner.

21. There is no evidence of client loss.

22. The Respondent has not previously been the subject of MFDA disciplinary proceedings.

23. 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 allegations.

IV. ADDITIONAL TERMS OF SETTLEMENT

24. This settlement is agreed upon in accordance with section 24.4 of MFDA By-law No. 1 and Rules 14 and 15 of the MFDA Rules of Procedure.

25. The Settlement Agreement is subject to acceptance by the Hearing Panel which shall be sought at a hearing (the "Settlement Hearing"). At, or following the conclusion of, the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 and Rule 15.2(2) of the MFDA Rules of Procedure. If the Hearing Panel

accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at www.mfda.ca.

26. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately, and any suspensions, revocations, prohibitions, conditions or other terms of the Settlement Agreement shall commence, upon the effective date of the Settlement Agreement.

27. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel:

- a) the Settlement Agreement will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter;
- b) the Respondent waives any 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;
- c) Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in this Settlement Agreement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations;
- d) 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; and
- e) 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 the Respondent.

28. If, for any reason, this Settlement Agreement is not accepted 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 the Settlement Agreement or the settlement negotiations.

29. Staff and the Respondent agree that the terms of the 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.

30. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement. A facsimile copy of any signature shall be effective as an original signature.

DATED this 2nd day of August, 2018.

“Isaac Muhima”

Isaac Muhima

“JM”

Witness – Signature

JM

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.**



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**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: Isaac Muhima

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 Isaac Muhima (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) on or about June 20, 2016, the Respondent signed the signature of a client on an account form, and submitted the account form for processing, contrary to MFDA Rule 2.1.1;

- b) on or about June 20, 2016, the Respondent failed to comply with a Member directive to contact a client to review the suitability of the holdings in a client account, contrary to MFDA Rule 2.1.1; and
- c) on or about June 20, 2016, the Respondent failed to use due diligence to learn the essential facts of the client when he completed Know-Your-Client information without having met or discussed the information with the client, contrary to MFDA Rules 2.2.1 and 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 \$3,500 pursuant to s. 24.1.1(b) of MFDA By-law No.1;
2. The Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with a Member of the MFDA for a period of 1 year, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
3. The Respondent shall in the future comply with MFDA Rules 2.2.1 and 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 650529