



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: Kindle Briten Megan Blythe

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. 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 Pacific 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, Kindle Briten Megan Blythe (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 MFDA 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. ACKNOWLEDGMENT

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 IX) 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. From October 6, 2014 to July 8, 2016, the Respondent was registered in British Columbia and Alberta as a dealing representative with the Member.

7. Since July 22, 2016, the Respondent has been registered in British Columbia with a dealer member of the Investment Industry Regulatory Organization of Canada (“IIROC”).

8. At all material times, the Respondent has carried on business in the Vancouver, British Columbia area.

Background

9. Prior to becoming registered with the Member in October 2014, between approximately 2012 and 2014, the Respondent worked for Approved Persons of the Member as an unlicensed administrative assistant.

10. In approximately August 2014, the Respondent began working in a group led by former Approved Person Mohammad Movassaghi (“Movassaghi”). The group was comprised of Movassaghi and unlicensed assistants who provided support to him.

11. In October 2014, the Respondent became registered for the first time.
12. The Respondent had complete authority to service client accounts including the accounts of a small number of clients that she serviced on her own. She also had all of the regulatory obligations of any Approved Person. However, she predominantly assisted Movassaghi to service the accounts of clients that had been assigned to him. The Respondent states that she primarily performed administrative tasks in support of Movassaghi.
13. Throughout the time that the Respondent was an Approved Person of the Member, all securities related business processed by Movassaghi and by the Respondent was processed using a joint representative code.
14. The use of a joint representative code reflected the agreement of Movassaghi and the Respondent to share responsibility for servicing client accounts and compensation earned from servicing client accounts in accordance with the terms of an agreement between them.
15. Movassaghi was the principal Approved Person responsible for servicing most of the client accounts that Movassaghi and the Respondent serviced together. In accordance with the terms of their agreement, Movassaghi received 80% and the Respondent received 20% of the commissions earned from servicing the client accounts and Movassaghi received 90% and the Respondent received 10% of the trailer fees earned from servicing the client accounts.
16. The Respondent states that as the principal Approved Person, in most cases, Movassaghi provided investment advice and obtained instructions from clients concerning account changes to be made and trading to be processed and the Respondent and unlicensed administrative assistants who worked with them in their office would prepare the documentation required to implement the instructions that Movassaghi had received from the clients.
17. The Respondent had authority to sign paperwork in her capacity as an Approved Person and she did prepare and sign account change forms and trade instruction documents that were subsequently used to process account changes and trades for clients.

18. The Respondent states that in many cases she was not present at the meetings and did not participate in the phone calls during which Movassaghi obtained client instructions concerning account activity that she later prepared paperwork to execute.

Client X

19. In January 2014, several months before the Respondent became an Approved Person, client X became a client of the Member and Movassaghi became the Approved Person responsible for servicing her accounts.

20. Client X was a client of the Member whose accounts were serviced by Movassaghi, and by the Respondent to the extent instructed to do so by Movassaghi, from October 2014 (when the Respondent became registered) to July 2016 (when Movassaghi and the Respondent ceased to be registered with the Member).

21. On January 21, 2014, client X opened 2 accounts with the Member: a Registered Retirement Savings Plan (“RRSP”) account and a Tax Free Savings Account (“TFSA”).

22. In January 2014, client X set up monthly pre-authorized contributions (“PACs”) to her investment accounts. Specifically, client X agreed to have \$2,000 withdrawn from her personal bank account each month and applied as follows: \$1,000 per month into her TFSA and \$1,000 per month into her RRSP account with the Member.

23. On September 19, 2014, client X opened a non-registered investment account with the Member.

24. In September 2014, client X accepted a recommendation of Movassaghi to set up monthly PACs to her non-registered investment account with the Member. Specifically, client X agreed to have \$1,000 withdrawn from her personal bank account each month and deposited into her non-registered investment account with the Member.

25. The Respondent was first introduced to client X shortly after she became an Approved Person and began working with Movassaghi. During the fall of 2014, Movassaghi scheduled in-person meetings with client X on two occasions and the Respondent attended those meetings with Movassaghi.

26. Between January 2015 and July 2016, when the Respondent ceased to be an Approved Person of the Member, the Respondent did not meet with client X in-person.

27. After October 6, 2014, Movassaghi continued to be the primary Approved Person servicing client X's accounts but as an Approved Person, Blythe had authority to and did in fact participate in servicing the investment accounts of clients including client X.

Contravention #1 – Unauthorized Changes To KYC Information

28. At all material times, the Member's policies and procedures required Approved Persons to obtain:

- a) information concerning recorded Know-Your-Client ("KYC") information from the client; and
- b) a client signature on KYC information update forms in order to affirm the client's approval of the changes.

29. Between April 8, 2015 and June 9, 2015, 3 KYC update forms were submitted for processing to change KYC information on file with the Member for accounts of client X (the "3 KYC Update Forms"). The changes to client X's account records resulting from the processing of the 3 KYC Update Forms had the effect of:

- a) increasing the risk tolerance of client X from "medium" to "very high"; and
- b) changing the Investment Profile of client X from "moderate conservative/moderate" to "very aggressive".

30. Client X denies that there were any actual changes to her KYC information and she denies that she was informed about or authorized the changes to her KYC information. Client X also denies that the client signatures on the forms were signed by client X.

31. The Respondent states that she received the 3 KYC Update Forms from Movassaghi and believed that the forms had been signed by client X and sent to Movassaghi.

32. The Respondent signed her name on the Approved Person signature line of the 3 KYC Update Forms. Movassaghi's name was printed on each form on the line that identified the

Approved Person responsible for the account. The Respondent states that she signed the forms and submitted the 3 KYC Update Forms for processing because she believed that Movassaghi had obtained the forms from client X and that client X had signed them. As an Approved Person, the Respondent had authority to sign these types of forms in this manner.

33. The Respondent did not meet with client X or speak with client X prior to submitting the 3 KYC Update Forms for processing.

34. In fact, client X had not signed the 3 KYC Update Forms and had not provided the signed forms to Movassaghi.

35. The Respondent states that she relied on Movassaghi's representations to her and did not know that the 3 KYC Update Forms that she signed as Approved Person and submitted for processing had not actually been signed by client X and had not been received from client X.

36. The Respondent admits that she failed to exercise due diligence to ensure that the 3 KYC Update Forms had been signed by client X and that client X had authorized the changes that were made to client X's account information as a result of the submission by the Respondent of the 3 KYC Update Forms for processing, contrary to the policies and procedures of the Member and MFDA Rules 2.2.1, 2.10, 2.5.1 and 1.1.2.

Contravention #2 – Unauthorized Discretionary Trading

37. At all material times, the policies and procedures of the Member prohibited the execution of trades in client accounts on a discretionary basis and required Approved Persons to obtain client authorization for all trades processed in client accounts.

38. Between January 2015 and June 2016, more than 180 trades were processed in the accounts of client X.

39. Client X denies that she was aware of most of the trading that was processed in her accounts between January 2015 and June 2016 and denies that she provided client instructions concerning all elements of the trades that were processed in her accounts during that period.

40. The Respondent states that between January 2015 to June 2016, Movassaghi provided the Respondent with trade instructions purportedly received from client X and instructed her to complete the necessary trade documentation to facilitate the processing of the trades. The Respondent thought that Movassaghi had actually obtained trade instructions for each trade from client X.

41. The Respondent prepared, signed and submitted paperwork to facilitate the processing of approximately 180 trades in the accounts of client X without personally receiving trade instructions in respect of those trades from client X.

42. In fact, as it turned out, between January 2015 and June 2016, Movassaghi had not received trade instructions from client X in respect of any of the trades that were processed in client X's accounts during that period.

43. The Respondent states that she relied on Movassaghi's representations to her and did not know that client X had not authorized the trades in respect of which she prepared, signed and submitted trade documentation.

44. The Respondent admits that she failed to exercise due diligence to ensure that client X had authorized all elements of the transactions that the Respondent prepared, signed and submitted trade documentation and thereby failed to ensure that those trades had been authorized by the client, contrary to the policies and procedures of the Member and MFDA Rules 2.3.1(a) [now MFDA Rule 2.3.1(b)], 2.10 and 1.1.2.

Contravention # 3 - False Or Misleading Records Of Instructions

45. At all material times, the policies and procedures of the Member required Approved Persons to prepare handwritten client trade instruction documentation and to record electronic notes on the Member's electronic client management system to document and maintain records of the source, timing and content of instructions received from clients in respect of transactions that were processed in their accounts.

46. Between January 2015 and June 2016, the Respondent prepared client trade instruction documentation and notes on the Member's electronic client management system that indicated that

unsolicited trade instructions were received from client X, usually by telephone, to instruct Approved Persons to process the trades in client X's accounts.

47. The Respondent states that Movassaghi represented to her that he had received trade instructions from client X by telephone directing and authorizing Movassaghi and the Respondent to process trades in the accounts of client X that she described in the client trade instruction documentation and in the electronic records that she created on the Member's electronic client management system.

48. Client X had not in fact provided the trade instructions that the Respondent had described in the client trade instruction documentation and in the electronic records on the Member's electronic client management system that the Respondent had created concerning trades that were processed in client X's account.

49. The Respondent admits that she failed to exercise due diligence to ensure that the client trade instruction documentation and the electronic records that she had created concerning trades processed in the accounts of client X accurately described trade instructions that had been received from client X, contrary to the policies and procedures of the Member and MFDA Rules 5.1(b), 2.10, 2.5.1 and 1.1.2.

Mitigating Factors

50. The Respondent was new to the industry during the relevant period of time, and her reliance on Movassaghi was in part based on the fact that he was her principal and therefore she deferred to him on the basis of his more extensive experience in the industry. The Respondent also states that she believed that Movassaghi's representations to her that client X had authorized the changes and transactions that she processed were true.

51. The Respondent received virtually no financial benefit from her misconduct. Most of the unauthorized discretionary trading described herein resulted in the movement of funds between mutual funds held in client X's investment accounts that had the same commission and fee structure and no switch fees were charged to the client, and therefore, in most cases, client X was not charged additional commissions or fees as a result of the unauthorized discretionary trades.

52. The Respondent has no prior disciplinary history with the MFDA or any other regulator.

53. The Respondent cooperated with Staff during its investigation of the conduct described in this Settlement Agreement.

54. By entering into this Settlement Agreement, the Respondent has saved the MFDA time, resources, and expenses associated with conducting a full hearing of the allegations.

V. CONTRAVENTIONS

55. The Respondent admits that between April 8, 2015 and June 9, 2015, she submitted 3 KYC Update Forms to the Member to update account records of client X without exercising due diligence to ensure that client X was aware of and had authorized the changes to her KYC information, contrary to the policies and procedures of the Member and MFDA Rules 2.2.1, 2.5.1, 2.10, and 1.1.2.

56. The Respondent admits that between January 2015 and June 2016, she facilitated the processing of approximately 180 trades in the investment accounts of client X without exercising due diligence to ensure that client X had authorized all elements of the trades that were processed in client X's account, contrary to the policies and procedures of the Member and MFDA Rules 2.3.1(a) [now MFDA Rule 2.3.1(b)]¹, 2.10 and 1.1.2.

57. The Respondent admits that between January 2015 and June 2016, she created records of purported instructions received from client X which had not in fact been received and failed to exercise due diligence to ensure that the records of instructions that she created accurately described instructions that had been received from client X, contrary to the policies and procedures of the Member and MFDA Rules 5.1(b), 2.10, 2.5.1 and 1.1.2.

¹ On January 19, 2017, MFDA Rule 2.3.1 was amended. The prohibition on discretionary trading was moved from MFDA Rule 2.3.1(a) to MFDA Rule 2.3.1(b).

VI. TERMS OF SETTLEMENT

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

- a) the Respondent shall pay a fine in the amount of \$35,000 which shall be payable in instalments as follows:
 - i) \$5,000 payable on February 1, 2020;
 - ii) \$5,000 payable on March 1, 2020;
 - iii) \$5,000 payable on April 1, 2020;
 - iv) \$10,000 payable on May 1, 2020; and
 - v) \$10,000 payable on June 1, 2020.
- b) the Respondent shall pay costs in the amount of \$5,000 in certified funds on the date that this Settlement Agreement is accepted by a Hearing Panel of the MFDA;
- c) if the Respondent becomes an Approved Person of a member of the MFDA at any time in the future, she agrees that she will comply with the policies and procedures of the member and MFDA Rules 2.2.1, 2.3.1(b), 5.1(b), 2.5.1, 2.10 and 1.1.2.
- d) the Respondent will attend the Settlement Hearing in person.

VII. STAFF COMMITMENT

59. 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 IX 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 V, 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

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

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.

61. 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 her 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.

62. 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 MFDA 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.

63. 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 her.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

64. 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 MFDA 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

65. 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 MFDA By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

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

67. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

70. A facsimile or scanned copy of any signature shall be effective as an original signature.

DATED this 2nd day of January, 2020.

“Kindle Briten Megan Blythe”

Kindle Briten Megan Blythe

“OA”

Witness – Signature

OA

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. 201925



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: Kindle Briten Megan Blythe

ORDER

WHEREAS on March 21, 2019, the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Hearing pursuant to sections 20 and 24 of MFDA By-law No. 1 commencing a disciplinary proceeding against Kindle Briten Megan Blythe (the “Respondent”) and Mohammad Movassaghi (“Movassaghi”);

AND WHEREAS on [Date], the MFDA announced that pursuant to section 24.4 of MFDA By-law No. 1 a settlement hearing would be held in respect of the conduct of the Respondent (the “Settlement Hearing”);

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 MFDA By-law No. 1;

AND WHEREAS on the basis of the facts admitted in Part IV of the Settlement Agreement and the contraventions admitted in Part V of the Settlement Agreement, the Hearing Panel is of the opinion that:

- a) between April 8, 2015 and June 9, 2015, the Respondent submitted 3 KYC Update Forms to the Member to update account records of client X without exercising due diligence to ensure that client X was aware of and had authorized the changes to her KYC information, contrary to the policies and procedures of the Member and MFDA Rules 2.2.1, 2.5.1, 2.10, and 1.1.2;
- b) between January 2015 and June 2016, the Respondent facilitated the processing of approximately 180 trades in the investment accounts of client X without exercising due diligence to ensure that client X had authorized all elements of the trades that were processed in client X's account, contrary to the policies and procedures of the Member and MFDA Rules 2.3.1(a) [now MFDA Rule 2.3.1(b)]², 2.10 and 1.1.2; and
- c) between January 2015 and June 2016, the Respondent created records of purported instructions received from client X which had not in fact been received and failed to exercise due diligence to ensure that the records of instructions that she created accurately described instructions that had been received from client X, contrary to the policies and procedures of the Member and MFDA Rules 5.1(b), 2.10, 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 \$35,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 11 which shall be payable in instalments as follows:
 - a) \$5,000 payable on February 1, 2020;
 - b) \$5,000 payable on March 1, 2020;
 - c) \$5,000 payable on April 1, 2020;
 - d) \$10,000 payable on May 1, 2020; and
 - e) \$10,000 payable on June 1, 2020.

² On January 19, 2017, MFDA Rule 2.3.1 was amended. The prohibition on discretionary trading was moved from MFDA Rule 2.3.1(a) to MFDA Rule 2.3.1(b).

2. On the date of this Order, the Respondent shall pay the costs in the amount of \$5,000 in certified funds, pursuant to section 24.2 of MFDA By-law No. 1;

3. 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 719069