



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: Portfolio Strategies 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 Prairie 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, Portfolio Strategies Corporation.

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 IX) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is approved by the MFDA.

IV. AGREED FACTS

Registration History

6. The Respondent is registered as a mutual fund dealer and exempt market dealer in the provinces of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec and the Northwest Territories.

7. The Respondent has been a Member of the MFDA since February 8, 2002.

Corporate Structure

8. The Respondent’s head office is located at 1850 – 14 Street S.W., Calgary, Alberta (the “Head Office”). As of the date of this Settlement Agreement, in addition to its Head Office location, the Respondent maintains 11 branches and 188 sub-branches. The Respondent sponsors the registration of 290 Approved Persons.¹

OVERVIEW

9. This case concerns sales and financial compliance deficiencies that are described below and were identified by Staff during compliance examinations at the offices of the Respondent

¹As of April 30, 2020.

between 2012 and 2018. Some of the contraventions resulted in part from deficiencies in the policies and procedures of the Respondent. Contrary to applicable MFDA Rules and Policies, the Respondent did not adequately fulfill its regulatory obligations to conduct and maintain evidence of: (1) trade and account supervision; (2) branch reviews; and (3) evidence of reconciliations of its securities held for clients in nominee name. Some of the compliance deficiencies are repeat deficiencies.

BACKGROUND

The 2012 and 2014 Sales Compliance Examinations

10. In 2012 and in 2014, MFDA Compliance Staff (“MFDA Compliance”) conducted sales compliance examinations in order to assess compliance by the Respondent with the By-laws, Rules and Policies of the MFDA.

11. MFDA Compliance conducted the sales compliance examinations at the Respondent’s Head Office, and at a sample of branches and sub-branches, on the following dates:

- a) commencing May 14, 2012, covering the review period of May 1, 2009 to March 31, 2012 (the “2012 Sales Compliance Examination”); and
- b) commencing May 26, 2014, covering the period between April 1, 2012 and March 31, 2014 (the “2014 Targeted Sales Compliance Examination”).

12. During the 2012 Sales Compliance Examination and 2014 Targeted Sales Compliance Examination, MFDA Compliance identified multiple compliance deficiencies in the operations of the Respondent, including the following:

- a) the Respondent did not establish adequate processes for trade and account supervision, including documenting or maintaining adequate evidence of supervisory queries, and
- b) the Respondent did not adequately conduct branch and sub-branch reviews as required by MFDA Policy No. 5.

13. After completing the 2012 Sales Compliance Examinations and after completing the 2014 Targeted Sales Compliance Examination, the compliance deficiencies that were identified by

Compliance during the examinations were summarized in written reports that were delivered to the Respondent.²

The 2016 - 2018 Sales and Financial Compliance Examinations

14. Between 2016 and 2018, MFDA Compliance conducted two more sales compliance examinations and financial compliance examinations were conducted annually in order to assess compliance by the Respondent with the By-laws, Rules and Policies of the MFDA.

15. MFDA Compliance conducted the 2016 and 2018 sales compliance examinations at the Respondent's Head Office, and at a sample of branches and sub-branches, on the following dates:

- a) commencing September 19, 2016, covering the review period of April 1, 2012 to July 31, 2016 (the "2016 Sales Compliance Examination"); and
- b) commencing September 17, 2018, covering the review period of August 1, 2016 to July 31, 2018, except with respect to the Respondent's branch review program, which covered the review period of August 31, 2015 to August 31, 2018 (the "2018 Sales Compliance Examination").

16. The financial compliance examinations were conducted on the following dates:

- a) commencing September 19, 2016, covering the month ended July 31, 2016 (the "2016 Financial Compliance Examination"); and
- b) commencing September 11, 2017, covering the month ended July 31, 2017 (the "2017 Financial Compliance Examination").

17. After completing the 2016 and 2018 Sales Compliance Examinations and the 2016 and 2017 Financial Compliance Examinations, compliance deficiencies that were identified by MFDA Compliance were summarized in written reports that were delivered to the Respondent.

18. The 2016 Sales Compliance Examination report which commenced on September 19, 2016 was delivered to the Respondent on March 22, 2017. The 2018 Sales Compliance Examination report which commenced on September 17, 2018 was delivered to

² For the 2012 Sales Compliance Examination: in reports dated October 9, 2012.
For the 2014 Targeted Sales Compliance Examination: in reports dated September 10, 2014.

the Respondent on February 20, 2019. The 2016 Financial Compliance Examination report which commenced on September 19, 2016 was provided to the Respondent on March 22, 2017 and the 2017 Financial Compliance Examination report which commenced on September 11, 2017 was provided to the Respondent on February 6, 2018.

19. During the 2016 and 2018 Sales Compliance Examinations and during the 2016 and 2017 Financial Compliance Examinations, MFDA Compliance identified certain compliance deficiencies that were described in the reports, including those that are described below. Some of the compliance deficiencies that were identified during the 2016 and 2018 Sales Compliance Examinations had previously been identified by MFDA Compliance in 2012 and/or in 2014.

Staffing Changes

20. The Respondent's former Chief Compliance Officer ("CCO") and Chief Financial Officer was first hired in 2008. Prior to joining the Respondent, the Respondent's former CCO worked in the securities industry for approximately 20 years including senior positions with a provincial securities regulator and as CCO of a different Member.

21. The CCO acted in that capacity during the period of time which gave rise to the compliance deficiencies described in this Settlement Agreement.

22. On June 20, 2017, the Member terminated both its CCO and its Vice President of Operations.

23. On June 22, 2017, the Respondent hired a new CCO who started work on July 18, 2017. On August 2, 2017, this Approved Person was registered as CCO of the Respondent.

24. Since the Respondent's new CCO was hired, she has worked cooperatively with MFDA Compliance to address the Respondent's compliance deficiencies.

CONTRAVENTION #1 – Inadequate Trade and Account Supervision

A. Trade & Account Supervision And Policies & Procedures

25. Prior to July 18, 2017, the Respondent did not adequately supervise, and prior to July 15, 2018, the Respondent did not establish, implement and maintain adequate policies and procedures

to ensure that supervisory staff of the Respondent responsible for trade and account supervision were:

- a) ensuring that client accounts held and trades processed were suitable by:
 - i. querying trade and account holdings that were potentially unsuitable;
 - ii. creating and maintaining evidence of supervisory queries that were made; and
 - iii. adequately following up on and resolving supervisory queries that were made;
- b) ensuring that Approved Persons were accurately documenting certain Know-Your-Client (“KYC”) information by:
 - i. querying KYC information that was potentially unreasonable or potentially inconsistent with other information on record for the client or the account; and
 - ii. querying situations in which two Approved Persons may have been recording uniform KYC information for client accounts that they serviced;
 - iii. taking into account KYC information on record for the account when determining whether trades or client account holdings should be queried to ensure suitability; and
 - iv. assessing whether client purchases of mutual funds that would potentially be subject to deferred sales charge (“DSC”) fees upon redemption (“DSC Mutual Funds”) were suitable having regard to the client’s age and time horizon.

B. Concentration in Sector Mutual Funds and Exempt Market Securities

26. Prior to July 15, 2018, the Respondent did not:

- a) establish and implement policies and procedures to ensure that appropriate supervisory action was taken in cases where:
 - i. client account holdings were heavily concentrated in sector mutual funds or exempt market securities; or

- ii. trades were submitted for processing that could result in heavy concentration of the client's account in sector mutual funds or exempt market securities;
- b) prior July 18, 2017, the Respondent did not:
 - i. query trades that could result in heavy concentration of a client's account in sector mutual funds or exempt market securities; or
 - ii. take reasonable supervisory action to address two cases in which a high proportion of the client accounts serviced by Approved Persons DT and VS were heavily concentrated in precious metals sector mutual funds.

27. By failing to adequately query Approved Persons who submitted trade orders that would significantly concentrate a client's holdings in a particular sector mutual fund or exempt market security, supervisory Staff of the Respondent did not adequately ensure that such trade orders were suitable.

Accounts Serviced By DT

28. DT was an Approved Person of the Respondent who conducted business from a sub-branch located in Edmonton, Alberta. On November 18, 2014, a branch review was conducted at DT's sub-branch. During the branch review, the Respondent recognized and noted in its branch review report that a high proportion of DT's client accounts were heavily invested in precious metals sector mutual funds and raised the issue with DT, however, following the 2014 branch review of DT's sub-branch, supervisory staff of the Respondent did not take adequate steps to address the concentration concerns that had been identified.

29. At the time of the 2016 Sales Compliance Examination, MFDA Compliance observed that 98% of the assets under administration serviced by DT were invested in precious metals sector mutual funds. Following the 2016 Sales Compliance Examination, the Respondent did not:

- a) implement a policy concerning the suitability of accounts that were heavily concentrated in sector mutual funds; and

- b) adequately address the suitability concerns raised by the fact that a large number of DT's client accounts were highly concentrated in precious metals sector mutual funds.

These were identified as compliance deficiencies in the 2016 Sales Compliance Examination Report (the "2016 Suitability of Concentration Deficiencies").

30. On May 2, 2018, the Respondent terminated DT's registration with the Respondent.

31. Following the termination of DT, the Respondent instructed Approved Persons who took over responsibility for servicing client accounts that had previously been serviced by DT to review KYC information with clients and encourage rebalancing of client portfolios.

32. Staff has been informed by the Respondent that between May and July, 2018, the Respondent contacted clients that had previously been serviced by DT to ensure that client KYC information was updated and accounts were rebalanced.

Accounts Serviced By VS

33. VS and DG were Approved Persons at a different mutual fund dealer. VS and DG shared a representative code, and VS assisted DG in servicing his clients.

34. In February 2016, a few months before VS transferred her registration to the Respondent, Staff commenced an investigation into the conduct of VS and her former colleague DG as many client accounts that were serviced by VS and DG were heavily concentrated in precious metals sector mutual funds and may not have been suitable.

35. In May 2016, DG ceased to be an Approved Person and VS took over responsibility for servicing the accounts of his former clients.

36. In June 2016, VS transferred her registration from a different mutual fund dealer and became an Approved Person of the Respondent who operated a sub-branch office of the Respondent in Campbell River, British Columbia.

37. After VS became an Approved Person of the Respondent in June 2016, Staff made requests to the Respondent verbally and in writing to take steps to investigate and if appropriate, to address the concentration and suitability concerns arising from the fact that a high proportion of the client accounts serviced by VS were concentrated in precious metals sector mutual funds.

38. Following the 2016 Sales Compliance Examination, the Respondent agreed to take steps to address the suitability concerns associated with the client accounts serviced by VS that were heavily concentrated in precious metals sector mutual funds. However, prior to August 2017, satisfactory supervisory action had not been taken.

39. Between August 2017 and March 2018, at the direction of the Respondent, VS contacted the clients that she was responsible for servicing to review and update the KYC information of the clients and in appropriate cases, to recommend rebalancing of their portfolios.

40. Effective June 30, 2018, the Respondent accepted the voluntary resignation of VS as an Approved Person of the Respondent.

C. The Sale of Mutual Funds Subject to DSC Fees

41. Prior to January 9, 2017, the Respondent did not maintain adequate policies and procedures to ensure that DSC Mutual Funds were suitable for the clients to whom they were sold. In particular, the Respondent's policies and procedures did not include consideration of the client's age and time horizon as factors relevant to the supervision of trades of DSC Mutual Funds.

42. Commencing on January 9, 2017, the Respondent implemented revised policies and procedures concerning the suitability of DSC Mutual Fund trades.

CONTRAVENTION #2 - Branch Review Program

43. Prior to December 2017, the Respondent did not implement a Branch Review program compliant with the requirements set out in MFDA Policy No. 5. This was a repeat compliance deficiency.

44. At the time of the 2012 Sales Compliance Examination, PSC had 14 branches and 124 sub-branches. MFDA Compliance determined that at least 12 branches and 85 sub-branches had never

been subject to a branch review. There were no branch review reports or other evidence that 2 branches had been reviewed. The Respondent's failure to establish and implement a branch review program compliant with MFDA Policy No. 5 was identified as a compliance deficiency in the 2012 Compliance Examination Report.

45. Following the 2012 Sales Compliance Examination, an action plan was submitted to MFDA Compliance that included a schedule that was prepared to ensure that all of the Respondent's branches and sub-branches would be reviewed within a 3 year period.

46. After the Respondent agreed to address the deficiencies in its branch review program that had been identified during the 2012 Sales Compliance Examination:

- a) At the time of the 2014 Targeted Sales Compliance Examination, the Respondent carried on business from 16 branches and 173 sub-branches. MFDA Compliance determined that:
 - i. 1 branch and 34 sub-branches had never been subject to a branch review; and
 - ii. 13 additional sub-branches that had previously been subject to a branch review had not been reviewed during the 3 years preceding that compliance examination.
- b) At the time of the 2016 Sales Compliance Examination for the review period of April 1, 2012 to July 31, 2016, the Respondent had 10 branch and 203 sub-branch locations and MFDA Compliance determined that:
 - i. 33 sub-branches had never been subject to a branch review; and
 - ii. 3 branches and 43 sub-branches that had previously been subject to a branch review had not been subject to a subsequent review during the 3 year period preceding that compliance examination; and
- c) At the time of the 2018 Sales Compliance Examination for the review period of August 31, 2015 to August 31, 2018, out of 11 branch and 211 sub-branch locations, there was no evidence that 3 branch and 52 sub-branch locations had been reviewed during the 3 year period preceding that compliance examination.

47. After deficiencies with the Respondent's branch review program were identified during the 2012 Sales Compliance Examination, the Respondent did not adhere to the branch review schedule that had been submitted to MFDA Compliance to address this deficiency and the Respondent did not implement a branch review program that was compliant with MFDA Policy No. 5.

48. On December 2017, the Respondent implemented a new proper branch review program and dedicated audit staff were hired. The Respondent states that the Respondent's branch review program is now up to date.

CONTRAVENTION #3 - Nominee Name Reconciliations

49. On March 31, 2015, the Respondent became a Level 4 Mutual Fund Dealer and accordingly was thereafter permitted to hold client securities in the name of the dealer on behalf of clients (nominee name accounts). As a Level 4 Mutual Fund Dealer, the Respondent was required to maintain evidence of monthly reconciliations of its nominee name holdings.

50. During the 2016 and 2017 Financial Compliance Examinations, MFDA Financial Compliance Staff concluded that the Respondent did not, prior to July 2016, retain evidence of any nominee name mutual fund asset reconciliation process that had been implemented.

51. Since July 31, 2017, the Respondent has taken steps to improve its internal controls and reconciliation procedures in order to ensure that records of the monthly reconciliations are maintained in compliance with MFDA Rules 2.9 and 5 and MFDA Policy No. 4.

The Respondent's Previous MFDA Disciplinary Proceedings

52. The Respondent was the subject of two prior settlement hearings held before a Hearing Panel of the MFDA, File No. 200807 and File No. 201122.

Additional Factors

53. On July 15, 2018, the Respondent implemented a revised version of the Respondent's policies and procedures in order to address its compliance deficiencies.

54. There is no evidence of client harm resulting from the Respondent's conduct in this matter.

55. In addition to its efforts to address its compliance deficiencies, the Respondent has cooperated with Staff's investigation and cooperated in the resolution of the subject matter of this Settlement Agreement.

V. CONTRAVENTIONS

56. The Respondent admits that prior to July 18, 2017, the Respondent did not adequately supervise and prior to July 15, 2018, the Respondent did not establish, implement and maintain adequate supervisory policies and procedures with respect to, the reasonability of KYC information and the suitability of trades including consistency with KYC information, concentration in sector mutual funds and exempt market securities and the sale of DSC Mutual Funds to clients, contrary to MFDA Rules 2.5.1, 2.2.1, 5.1 and MFDA Policy No. 2.

57. The Respondent admits that prior to December 2017, the Respondent failed to maintain a branch review program that ensured that an on-site compliance review of all of its branches and sub-branches was conducted at least once every three years, in accordance with the requirements set out in MFDA Rule 2.5.1 and MFDA Policy No. 5.

58. The Respondent admits that between March 31, 2015 and July 31, 2016, the Respondent did not maintain evidence of any nominee name reconciliations that were completed, contrary to MFDA Rules 2.9 and 5 and MFDA Policy No. 4.

VI. TERMS OF SETTLEMENT

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

- a) the Respondent shall pay a fine in the amount of \$100,000, pursuant to s. 24.1.2(b) of MFDA By-law No. 1, payable as follows:
 - i. \$50,000 shall be paid on the date that the Settlement Agreement is accepted;
and
 - ii. \$50,000 shall be paid within 90 days of the date that the Settlement Agreement is accepted;

- b) the Respondent shall pay costs in the amount of \$10,000, pursuant to s. 24.2 of MFDA By-law No. 1, payable on the date that the Settlement Agreement is accepted;
- c) the Respondent shall in the future comply with all MFDA By-laws, Rules and Policies, and all applicable securities legislation and regulations made thereunder, including MFDA Rules 2.2.1, 2.5.1, 2.9, and 5, and MFDA Policy Nos. 2, 4 and 5; and
- d) A senior officer of the Respondent will attend in person by videoconference, on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

60. 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 current officers or directors 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 including any contraventions with respect to any client harm that may have resulted directly or indirectly from any of the contraventions described in this Settlement Agreement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

61. Acceptance of this Settlement Agreement shall be sought at a hearing of the Prairie 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.

62. 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.

63. 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.

64. 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.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

65. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against the Respondent and 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.

X. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

66. 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.

67. 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.

XI. DISCLOSURE OF AGREEMENT

68. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 21st day of July, 2020.

“Mark Kent”

Portfolio Strategies Corporation
Per: Mark Kent, UDP

“LT”

Witness – Signature

LT

Witness – Print Name

“Charles Toth”

Staff of the MFDA
Per: Charles Toth
Vice-President, Enforcement

Schedule “A”

Order

File No. 202032



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: Portfolio Strategies Corporation

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 MFDA By-law No. 1 in respect of Portfolio Strategies Corporation (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 MFDA By-law No. 1;

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

- a) prior to July 18, 2017, the Respondent did not adequately supervise and prior to July 15, 2018, the Respondent did not establish, implement and maintain adequate supervisory policies and procedures with respect to, the reasonability of KYC information and the suitability of trades including consistency with KYC

information, concentration in sector mutual funds and exempt market securities and the sale of DSC Mutual Funds to clients, contrary to MFDA Rules 2.5.1, 2.2.1, 5.1 and MFDA Policy No. 2;

- b) prior to December 2017, the Respondent failed to maintain a branch review program that ensured that an on-site compliance review of all of its branches and sub-branches was conducted at least once every three years, in accordance with the requirements set out in MFDA Rule 2.5.1 and MFDA Policy No. 5; and
- c) between March 31, 2015 and July 31, 2016, the Respondent did not maintain evidence of any nominee name reconciliations that were completed, contrary to MFDA Rules 2.9 and 5 and MFDA Policy No. 4.

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 \$100,000, pursuant to s. 24.1.2(b) of MFDA By-law No. 1, payable as follows:

- i. \$50,000 shall be paid on the date that the Settlement Agreement is accepted; and
- ii. \$50,000 shall be paid within 90 days of the date that the Settlement Agreement is accepted;

2. The Respondent shall pay costs in the amount of \$10,000, pursuant to s. 24.2 of MFDA By-law No. 1, payable on the date the Settlement Agreement is accepted; and

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 763049