



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: Troy Allen Hale

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, Troy Allen Hale.

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 accepted by the Hearing Panel.

IV. AGREED FACTS

Registration History

6. Commencing in January 2010, the Respondent has been registered in the securities industry.

7. From July 2013 to July 2018, the Respondent was registered as a dealing representative¹ (previously referred to as a mutual fund salesperson) in Alberta with BMO Investments Inc., a Member of the MFDA (the “**Member**”).

8. Commencing on August 15, 2018, the Respondent has been registered as a dealing representative with Investors Group Financial Services Inc., a Member of the MFDA.

9. At all material times, the Respondent carried on business in the Medicine Hat, Alberta area.

The Respondent Engaged in Conflicts of Interest

¹ In September 2009, the registration category mutual fund salesperson was changed to “dealing representative” when National Instrument 31-103 came into force.

10. At all material times, the Member's policies and procedures required its dealing representatives to refrain from engaging in conflicts of interest with clients.

11. From November 2016 to October 2017, the Respondent processed 18 transactions in respect of 18 clients as redemptions and purchases, rather than as switches.

12. In particular, the Respondent processed the redemptions of clients' existing mutual funds or deposit products and subsequently purchased new mutual funds using the redemption proceeds, when the transactions could have been conducted as switches.

13. To process the switches, the Respondent had the clients sign redemption and purchase forms on the same day, with the purchases to be processed after the redemptions had been completed.

14. By processing the transactions in the manner described above, the Respondent exposed the clients to the risk of a change in the value of the mutual funds as the clients' assets were not invested while the trades settled. Had the Respondent completed the transactions as switches, rather than redemptions and purchases, the transactions would not have exposed the clients to this risk as the assets would have remained invested.

15. The processing of transactions as redemptions of the existing mutual funds and deposit products and subsequently purchasing new mutual funds resulted in losses in 9 of the affected client accounts due to the changes in price between the dates that the redemptions and purchases were completed and the dates a switch could have been completed, as follows:

Client	Loss
RB and DB	\$1,000.84
KD and DD	\$249.71
PF	\$541.04
LG	\$500.01
GH	\$42.31
DH	\$150.83
CP	\$458.04
RARL	\$139.28
RT and ST	\$118.19

Client	Loss
TOTAL:	\$3,200.25

16. The Respondent processed the transactions as described above in order to, among other things, increase his compensation. At the material time, transactions carried out as redemptions and purchases contributed more towards meeting the annual sales targets set by the Member for Approved Persons than conducting transactions as switches. Had the transactions been conducted as switches, the amount of sales revenue that would have counted towards the applicable sales targets would have been approximately \$2,700. By processing the transactions as described above as redemptions and purchases, the amount of sales revenue that counted towards the applicable sales targets was approximately \$111,000.

17. The Respondent did not disclose to or obtain approval from the Member to process the transactions described above in paragraphs 11-16 as redemptions and purchases, rather than as switches.

Pre-Signed Account Forms

18. At all material times, the Member’s policies and procedures prohibited its Approved Persons from obtaining, holding, or using pre-signed account forms.

19. Between November 2016 and May 2017, the Respondent obtained, possessed, and used to process transactions, 10 pre-signed account forms in respect of 10 clients.

20. The pre-signed account forms all consisted of purchase order forms where the purchase order amount was left blank at the time the clients signed the form.

21. The Respondent obtained and used the pre-signed account forms described above as part completing redemption and purchase transactions to meet sales incentive targets, as described in paragraphs 11-16, above.

The Member's Investigation

22. In November 2017, the Member conducted a national review of trading activity among its Approved Persons, which resulted in the Member identifying the conduct which is the subject of the Settlement Agreement.

23. On or about March 6, 2018, the Member issued a warning letter to the Respondent regarding the conduct that is the subject of this Settlement Agreement.

24. The Member subsequently offered compensation to all clients who suffered a loss as a result of the Respondent processing mutual fund redemptions and purchases instead of switches.

Additional Factors

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

26. The Respondent has co-operated with the MFDA in its investigation.

27. There is no evidence of client complaints concerning the conduct described in this Settlement Agreement or that any of the transactions referenced in this agreement were processed without the authorization of the client.

28. The Respondent did not meet his sales target during the year between November 2016 and November 2017, and consequently, he did not receive any financial benefit as a result of processing the transactions described in paragraphs 11-16, above, as redemptions and purchases, rather than as switches.

29. The Respondent states that due to the financial implications of the ongoing Covid-19 pandemic, and significant monthly expenses that he incurs to address a health related condition of one of his children, the Respondent requires additional time to pay the fine that he has agreed to pay pursuant to the terms of this Settlement Agreement. The Respondent and Staff have agreed to permit the Respondent to pay the fine and the costs agreed upon in instalments payable over a 6 month period pursuant to the schedule set out in the terms of settlement below.

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

V. CONTRAVENTIONS

31. The Respondent admits that:

- (a) between November 2016 and October 2017, he processed 18 transactions in respect of 18 clients as redemptions and purchases, rather than as switches, to ensure that the transactions counted toward sales targets established by the Member for the Respondent, thereby engaging in conduct which gave rise to a conflict of interest which the Respondent failed to disclose to the Member, or address by the exercise of responsible business judgement influenced only by the best interests of the client, contrary to the Member's policies and procedures and MFDA Rule 1.1.2, 2.1.1, 2.1.4, and 2.5.1; and
- (b) between November 2016 and May 2017, he obtained, possessed, and used to process transactions, 10 pre-signed account forms in respect of 10 clients, contrary to MFDA Rule 2.1.1.

VI. TERMS OF SETTLEMENT

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

- (a) the Respondent shall pay a fine of \$22,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to Section 24.1.1(b) of MFDA Bylaw No. 1;
- (b) the Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA Bylaw No. 1;
- (c) the payment by the Respondent of the Fine and Costs shall be made and received by MFDA Staff in certified funds as follows:
 - I. \$2,500 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;

- II. \$1,500 (Fine) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - III. \$3,500 (Fine) on or before the last business day of the first month following the date of the Settlement Agreement;
 - IV. \$3,500 (Fine) on or before the last business day of the second month following the date of the Settlement Agreement;
 - V. \$3,500 (Fine) on or before the last business day of the third month following the date of the Settlement Agreement;
 - VI. \$3,500 (Fine) on or before the last business day of the fourth month following the date of the Settlement Agreement;
 - VII. \$3,500 (Fine) on or before the last business day of the fifth month following the date of the Settlement Agreement;
 - VIII. \$3,500 (Fine) on or before the last business day of the sixth month following the date of the Settlement Agreement;
- (d) the Respondent shall in the future comply with MFDA Rules 1.1.2, 2.1.1, 2.1.4, 2.5.1; and
 - (e) the Respondent will attend in person or via videoconference, on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

33. 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 VII of this Settlement Agreement, subject to the provisions of Part XI below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and contraventions that are not set out in Parts IV and VII of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts IV and VII, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

34. 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.

35. 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 his rights to a full hearing, a review hearing before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction.

36. 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 MFDA By-law No. 1.

37. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against him.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

38. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against the Respondent based on, but not limited to, the facts set out in Part IV of the Settlement Agreement, as well as

the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the 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

39. 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

40. 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.

41. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

XI. DISCLOSURE OF AGREEMENT

42. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 14th day of December, 2020.

“Troy Allen Hale”

Troy Allen Hale

Witness – Signature

Witness – Print Name

“Charles Toth”

Staff of the MFDA

Per: Charles Toth

Vice-President, Enforcement

Schedule "A"

Order

File No. 202046



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: Troy Allen Hale

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 Troy Allen Hale (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 the Hearing Panel is of the opinion that:

- (a) between November 2016 and October 2017, the Respondent processed 18 transactions in respect of 18 clients as redemptions and purchases, rather than as switches, to ensure that the transactions counted toward sales targets established by the Member for the Respondent, thereby engaging in conduct which gave rise to a

conflict of interest which the Respondent failed to disclose to the Member, or address by the exercise of responsible business judgement influenced only by the best interests of the client, contrary to the Member's policies and procedures and MFDA Rule 1.1.2, 2.1.1, 2.1.4, and 2.5.1; and

- (b) between November 2016 and May 2017, the Respondent obtained, possessed, and used to process transactions, 10 pre-signed account forms in respect of 10 clients, contrary to MFDA 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 \$22,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to Section 24.1.1(b) of MFDA Bylaw No. 1;
2. The Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of Bylaw No. 1;
3. The payment by the Respondent of the Fine and Costs shall be made and received by MFDA Staff in certified funds as follows:
 - a. \$2,500 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - b. \$1,500 (Fine) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - c. \$3,500 (Fine) on or before the last business day of the first month following the date of the Settlement Agreement;
 - d. \$3,500 (Fine) on or before the last business day of the second month following the date of the Settlement Agreement;
 - e. \$3,500 (Fine) on or before the last business day of the third month following the date of the Settlement Agreement;
 - f. \$3,500 (Fine) on or before the last business day of the fourth month following the date of the Settlement Agreement;

- g. \$3,500 (Fine) on or before the last business day of the fifth month following the date of the Settlement Agreement;
 - h. \$3,500 (Fine) on or before the last business day of the sixth month following the date of the Settlement Agreement;
4. The Respondent shall in the future comply with MFDA Rules 1.1.2, 2.1.1, 2.1.4, 2.5.1; and
5. 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[].

Name,
Chair

Name,
Industry Representative

Name,
Industry Representative

DM# 787992