



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: Rakesh Garg

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada (“Staff”) and the Respondent, Rakesh Garg (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 Mutual Fund Dealers Association of Canada (“MFDA”):
 - a) between October 2017 and January 2020, the Respondent obtained, possessed, and in some cases, used to process transactions 17 pre-signed account forms in respect of 15 clients, contrary to MFDA Rule 2.1.1;

- b) between August 2017 and December 2017, the Respondent altered and used to process transactions 2 account forms in respect of 2 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1; and
- c) between February 2017 and November 2019, the Respondent photocopied signature pages from account forms that had been previously signed by clients and re-used the signature pages to complete 16 additional forms in respect of 8 clients, contrary to MFDA Rule 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 \$25,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law 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 s. 24.2 of MFDA By-law 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) \$10,000 (Fine) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - ii) \$2,500 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - iii) \$5,000 (Fine) on or before the last business day of the first month following the date of the Settlement Agreement;
 - iv) \$5,000 (Fine) on or before the last business day of the second month following the date of the Settlement Agreement; and
 - v) \$5,000 (Fine) on or before the last business day of the third month following the date of the Settlement Agreement.
- d) the Respondent shall in the future comply with MFDA Rule 2.1.1; and
- e) the Respondent will attend via videoconference, on the specified 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. Since approximately August 1999, the Respondent has been registered in the securities industry.

8. Since approximately July 2004, the Respondent has been registered in Ontario as a dealing representative with Worldsource Financial Management Inc. (the “Member”), a Member of the MFDA.

9. At all material times, the Respondent conducted business in the Mississauga, Ontario area.

Pre-Signed Account Forms

10. Between October 2017 and January 2020, the Respondent obtained, possessed, and in some cases, used to process transactions, 17 pre-signed account forms in respect of 15 clients.

11. The account forms consisted of:

- a) 10 Worldsource Financial Management Redemption Forms;
- b) 3 CI Investments Registered Educational Savings Plan (“RESP”) Educational Assistance Payment Forms;
- c) 2 Worldsource Financial Management Purchase Forms; and
- d) 2 Franklin Templeton Investments RESP Educational Assistance Payment Forms.

Altered Account Forms

12. Between August 2017 and December 2017, the Respondent altered and used to process transactions 2 account forms in respect of 2 clients by altering information on the account forms without having the client initial the alterations.

13. The account forms consisted of:

- a) 1 Worldsource Financial Management Redemption Form; and
- b) 1 CI Investments RESP Educational Assistance Payment Form.

14. The alterations the Respondent made to the account forms included alterations to a fund number, an account number, and an academic year start date.

Respondent Re-Used Client Signatures

15. Between February 2017 and November 2019, the Respondent photocopied signature pages from account forms that had been previously signed by clients and re-used the signature pages to complete 16 additional forms in respect of 8 clients.

16. The account forms consisted of:

- a) 5 Franklin Templeton Investments RESP Educational Assistance Payment Forms;
- b) 4 Worldsource Financial Management Redemption Forms;
- c) 4 CI Investments RESP Educational Assistance Payment Forms; and
- d) 3 Worldsource Financial Management Purchase Forms.

The Member's Investigation

17. On March 11, 2020, the Member conducted an audit of the Respondent's branch location, during which it discovered some of the account forms described above.

18. On March 17, 2020, the Member issued the Respondent a cautionary letter regarding his use of pre-signed account forms, altered account forms, and the reusing of client signatures.

19. The Member commenced an investigation to determine whether the transactions by the Respondent were authorized by the clients and whether the Know Your Client ("KYC") information that the Member had on file was accurate. The Member's investigation included conducting a full review of the Respondent's client files and writing the affected clients in order to review with the clients their transaction history and KYC information. No clients responded to the Member with any concerns.

20. From March 17, 2020 to March 31, 2021, the Member imposed a period of close supervision on the Respondent. The Member deducted \$1,117.55 from the Respondent's commission for the cost of conducting the close supervision of the Respondent during that period.

Additional Factors

21. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above beyond any commissions and fees that he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.
22. There is no evidence of client loss, complaints, or lack of authorization.
23. The Respondent has not previously been the subject of MFDA disciplinary proceedings.
24. 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.
25. The Respondent states that he engaged in the conduct described within the settlement agreement for the purpose of client convenience, but he acknowledges that this is not an acceptable justification for such conduct.

IV. ADDITIONAL TERMS OF SETTLEMENT

26. 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.
27. 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.
28. 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.

29. 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 agrees to waive any rights to a full hearing, a review hearing or appeal 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 facts and contraventions described in this Settlement Agreement. 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. 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.

30. 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.

31. 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.

32. 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 14th day of March, 2022.

“Rakesh Garg”

Rakesh Garg

“Charles Toth”

Staff of the MFDA

Per: Charles Toth

Vice-President, Enforcement



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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: Rakesh Garg

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 Rakesh Garg (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 the Respondent:

- a) between October 2017 and January 2020, the Respondent obtained, possessed, and in some cases, used to process transactions 17 pre-signed account forms in respect of 15 clients, contrary to MFDA Rule 2.1.1;
- b) between August 2017 and December 2017, the Respondent altered and used to process transactions 2 account forms in respect of 2 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1; and
- c) between February 2017 and November 2019, the Respondent photocopied signature pages from account forms that had been previously signed by clients and

re-used the signature pages to complete 16 additional forms in respect of 8 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 in the amount of \$25,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law 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 s. 24.2 of MFDA By-law 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) \$10,000 (Fine) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - b) \$2,500 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - c) \$5,000 (Fine) on or before [date];
 - d) \$5,000 (Fine) on or before [date]; and
 - e) \$5,000 (Fine) on or before [date].
4. The Respondent shall in the future comply with MFDA Rule 2.1.1; 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 of 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 886283