



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Jason Andrew Savoy

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel (the “Hearing Panel”) of the Atlantic Regional Council of the Mutual Fund Dealers Association of Canada (the “MFDA”) on March 16, 2017 at 10:00 a.m. (Atlantic) concerning a disciplinary proceeding commenced by the MFDA against Jason Andrew Savoy (the “Respondent”). Members of the public who would like to listen to the teleconference should contact the Manager, Hearings at 416-945-5146 or mwynnyckyj@mfd.ca to obtain particulars. The Hearing on the Merits will take place in Halifax, Nova Scotia at a time and venue to be announced.

DATED this 16th day of December, 2016.

“Sarah Rickard”

Sarah Rickard
Director of Regional Councils

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Telephone: 416-945-5143
Facsimile: 416-361-9781
Email: corporatesecretary@mfd.ca

NOTICE is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

Allegation #1: In about December 2013, the Respondent agreed to personally reimburse a client the deferred sales charge fees the client would incur on a transaction without the knowledge and approval of the Member, and then reneged on the agreement, thereby engaging in personal financial dealings with the client, contrary to MFDA Rule 2.1.1 and MFDA Policy No. 3.

Allegation #2: Between 2009 and 2014, the Respondent obtained and possessed 10 pre-signed client account forms in respect of 7 clients, contrary to the Member's policies and procedures and MFDA Rules 1.1.2, 2.5.1, and 2.1.1.

Allegation #3: Between April 2007 and October 2013, the Respondent accepted cash deposits from 6 clients on 11 occasions, and used the cash deposits to purchase bank drafts to invest in mutual funds on the clients' behalf, contrary to the Member's policies and procedures and MFDA Rules 1.1.2, 2.5.1, and 2.1.1.

Allegation #4: Between October 2009 and August 2014, the Respondent delayed, at his discretion, the processing of 20 transactions in the accounts of 10 clients, thereby failing to process trades in client accounts in a timely manner, contrary to MFDA Rule 2.1.1, and subsections 9.1(1) and (2) and 10.2(1) and (2) of the National Instrument 81-102.

Allegation #5: Between September 2012 and 2014, the Respondent compensated 6 clients for fees incurred by the clients as a result of investment losses due to errors or trade delays caused by the Respondent, without the Member's prior consent, contrary to the Member's policies and procedures and MFDA Rules 2.11, 1.1.2, 2.5.1, and 2.1.1, and MFDA Policy No. 3.

Allegation #6: Between 2004 and 2013, the Respondent had and continued in a dual occupation by providing tax preparation services to 14 clients, which was not disclosed to and approved by

the Member, contrary to the Member's policies and procedures and MFDA Rules 1.2.1(c) (now MFDA Rule 1.3), 1.1.2, 2.5.1, and 2.1.1.

Allegation #7: Between July 2014 and November 2014, the Respondent made misleading statements during the Member's investigation into his conduct when he falsely denied that he:

- i) had accepted cash from clients; and
- ii) engaged in tax preparation services with clients,

thereby interfering with the ability of the Member to supervise his conduct, contrary to MFDA Rules 2.1.1.

Allegation #8: Between 2007 and 2013, the Respondent misled the Member in annual compliance questionnaires when he falsely represented to the Member that he:

- i) did not arrange for and maintain pre-signed forms;
- ii) did not enter into financial settlements with clients that had not been approved by the Member; and
- iii) had disclosed and sought approval for outside business activities,

thereby interfering with the ability of the Member to supervise his conduct, contrary to MFDA Rule 2.1.1.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

Registration History

1. Since 1998, the Respondent has been registered as a mutual fund salesperson (now known as a dealing representative) with Investors Group Financial Services Inc. (“Investors Group” or the “Member”), a Member of the MFDA.
2. The Respondent has been designated as a Branch Manager with Investors Group since October 2008.
3. On June 1, 2012, the Respondent was appointed a Division Director with Investors Group, which gave him additional responsibilities including supervision of other Approved Persons at Investors Group. In 2015, Investors Group removed the Respondent’s appointment as a Division Director as a result of the matters described herein.
4. At all material times, the Respondent carried on business in the Halifax, Nova Scotia, area.

Allegation #1 – Reimbursing DSC Fees to Clients

5. At all material times, client WQ was a client of Investor’s Group whose accounts were serviced by the Respondent. Client WQ was a senior and therefore a vulnerable client.
6. In about September 2011, the Respondent recommended that client WQ invest approximately \$93,000 in mutual funds which were subject to a 7-year deferred sales charge (“DSC”) schedule. Accordingly, client WQ would be required to pay any applicable DSC schedule should client WQ redeem his investments prior to the expiry of the DSC schedule.
7. In December 2013, client WQ advised the Respondent that he was contemplating transferring his accounts from Investors Group to another financial institution. Without notifying Investors Group or obtaining its authorization, the Respondent advised client WQ that he would reimburse client WQ for any DSC fees he would incur as a result of the transfer.

8. On or about March 17, 2014, client WQ advised the Respondent that he had decided to transfer his accounts out of Investors Group.

9. On March 21, 2014, the Respondent advised client WQ that the DSC fees associated with redeeming his investments to transfer to the other financial institution would amount to \$4,758. At that point, the Respondent informed client WQ that he had changed his mind about reimbursing client WQ for any fees because client WQ was aware of the DSC fees when he had purchased the mutual funds recommended by the Respondent.

10. Client WQ complained to Investors Group that the Respondent reneged on his offer to pay the DSC fees relating to his investments.

11. Client WQ subsequently transferred to the other financial institution, and Investors Group reimbursed client WQ for the DSC fees he incurred.

12. By virtue of the foregoing, the Respondent agreed to personally reimburse a client the deferred sales charge fees the client would incur on a transaction without the knowledge and approval of the Member, and then reneged on the agreement, thereby engaging in personal financial dealings with the client, contrary to MFDA Rule 2.1.1 and MFDA Policy No. 3.

Allegation #2 - Pre-Signed Account Forms

13. At all materials times, the policies and procedures of Investors Group prohibited its approved persons from using pre-signed account forms.

14. Between 2009 and 2014, the Respondent obtained and possessed 10 blank or partially completed pre-signed client account forms in respect of 7 clients.

15. The pre-signed forms consisted of client update documents, investment instructions, RESP withdrawal documents, pre-authorized agreements, and transfer authorization documents.

16. By virtue of the foregoing, the Respondent obtained and possessed 10 pre-signed client account forms in respect of 7 clients, contrary to the Member's policies and procedures and MFDA Rules 1.1.2, 2.5.1, and 2.1.1.

Allegation #3 - Accepting Cash Deposits from Clients

17. At all material times, the policies and procedures of Investors Group prohibited its approved persons from accepting cash deposits from clients.

18. Between April 2007 and October 2013, the Respondent accepted cash deposits from 6 clients, and used the monies to purchase bank drafts in order to deposit the monies in the client's accounts at Investors Group for the purchase of various mutual funds.

19. The details of the cash deposits that the Respondent received from clients are as follows:

Client	Cash Amount Received	Approx. Date
AF & TF	\$1,000	Apr. 23/07
AF & TF	\$1,500	Apr. 16/13
AF & TF	\$550	Sept. 10/13
AT & NT	\$900	Sept. 6/07
AT & NT	\$900	Sept. 6/07
AT & NT	\$427	Apr. 8/10
AT & NT	\$460	Apr. 8/10
AT & NT	\$375	May 3/11
AT & NT	\$1,733	Oct. 3/13
AT & NT	\$550	Feb. 27/13
DP & LP	\$2,000	Feb. 27/13
	Total: \$10,395	

20. For the cash deposits described above, the Respondent converted the cash he received from the clients to a bank draft for deposit in the clients' accounts at Investors Group, which

caused delays in processing the clients' transactions ranging from 1 day to approximately 4 months.

21. By virtue of the foregoing, the Respondent accepted cash deposits from 6 clients on 11 occasions, and used the cash deposits to purchase bank drafts to invest in mutual funds on the clients' behalf, contrary to the Member's policies and procedures and MFDA Rules 1.1.2, 2.5.1, and 2.1.1.

Allegation #4 - Failure to Process Trades in a Timely Manner

22. In addition to the 11 instances of failing to process transactions in a timely manner as described in paragraph 18 above, the Respondent also failed to process trades in a timely manner in respect of an additional 9 transactions, as follows:

Client	Amount of Transaction	Type of Delay	Delay
NT	\$1,800	Delay in processing a trade	4 days
NT & AT	\$1,586	Delay in processing an RRSP Contribution	3 days
NT & AT	\$120	Delay in setting up a pre-authorized contribution program ("PAC")	4 days
NT & AT	\$150	Delay in setting up PAC	5 days
NT & AT	\$648	Delay in setting up PAC	10 days
NT & AT	\$595	Delay in setting up PAC	8 days
NT & AT	\$329	Delay in setting up PAC	8 days
BF	\$1,000	Delay in processing a trade	1 day
WQ	Approx. \$97,000	Delay in processing a trade	1 day

23. During the material time, subsections 9.1 (1) and (2) and 10.2 (1) and (2) of National Instrument 81-102 required purchase and redemption orders of securities of a mutual fund to be transmitted:

- a. where the order is received at a location that is not the principal office of the participating dealer, to the principal office of the participating dealer by no later than the next day; and
- b. where the order is received at the principal office of the participating dealer, to the order receipt office of the mutual fund no later than the next day.

24. By virtue of the foregoing, the Respondent delayed, at his discretion, the processing of 20 transactions in the accounts of 10 clients, thereby failing to process trades in client accounts in a timely manner, contrary to MFDA Rule 2.1.1, and subsections 9.1(1) and (2) and 10.2(1) and (2) of the National Instrument 81-102.

Allegation #5 - Compensation Paid Directly to Clients

25. At all material times, Investors Group prohibited its Approved Persons from entering into private settlements with a client, and required all settlements be approved and issued by Investors Group.

26. Between 2012 and 2013, the Respondent paid compensation directly to clients for financial loss the clients incurred as a result of errors or delays in processing transactions for which the Respondent was responsible.

27. The Respondent completed calculations to determine the amount of loss arising from his errors and paid compensation to clients. The Respondent paid compensation directly to clients, as follows:

Date	Client	Amount of Compensation	Reason
2012	WQ	\$436.14	Delay in processing a trade

Date	Client	Amount of Compensation	Reason
2012	AT & NT	\$45.63	Banking fees
2013	AT & NT	\$120	Trade delay due to cash deposit
2012	DG	\$81.28	Reimbursed DSC fees
2013	AP	\$152.54	Banking fees
2014	SM	\$143.75	Transfer out fees
TOTAL: \$977.34			

28. The Respondent did not disclose to Investors Group his errors or that he paid compensation directly to clients.

29. By virtue of the foregoing, the Respondent compensated 6 clients for fees incurred by the clients as a result of investment losses due to errors or trade delays, without the Member's prior consent, contrary to the Member's policies and procedures and MFDA Rules 2.11, 1.1.2, 2.5.1, and 2.1.1, and MFDA Policy No. 3.

Allegation #6 – Undisclosed Outside Business Activity

30. At all material times, Investors Group's policies and procedures required that its Approved Persons obtain approval from Investors Group in order to engage in any outside business activities.

31. Investors Group permitted its Approved Persons to provide tax preparation services to clients, provided that such activities were disclosed to and approved by Investors Group as an outside business activity.

32. Between 2004 and 2013, the Respondent engaged in tax preparation services for 14 clients without Investors Group's prior knowledge or approval, as follows:

Clients	Year of tax preparation services
TF & AF	2004
AH & BH	2012 & 2013

Clients	Year of tax preparation services
DR & BR	2003-2013
BL & BB	2010 & 2013
RH	2010 – 2013
MH	2006 – 2013
JH	2010 – 2013
MH	2009 – 2013
PG & LG	2010 – 2013

33. By virtue of the foregoing, the Respondent had and continued in a dual occupation by providing tax preparation services, which was not disclosed to and approved by the Member, contrary to the Member’s policies and procedures and MFDA Rules 1.2.1(c) (now MFDA Rule 1.3), 1.1.2, 2.5.1, and 2.1.1.

Allegation #7 - Misleading the Member During an Investigation

34. In or about July 2014, during Investors Group’s investigation into his conduct described above, the Respondent provided a written statement to Investors Group where he denied that he accepted cash deposits from clients or that he prepared income tax returns for clients.

35. The Respondent falsely advised Investors Group that he only collected tax information for clients and provided the information to a third party service provider to complete the client’s tax returns. The Respondent also falsely advised Investors Group that the Respondent’s assistant mistakenly documented in client notes that he had accepted cash from clients and that he failed to update the notes to reflect that the clients provided bank drafts or money orders.

36. The Respondent did not contact Investors Group to correct his written statement.

37. In November 2004, when Investors Group presented the Respondent with evidence of him engaging in these activities, the Respondent admitted to Investors Group that he both accepted cash from clients and prepared income tax returns for clients.

38. By misleading the Member as described above, the Respondent impaired Investors Group's ability to supervise the Respondent's activities.

39. By virtue of the foregoing, the Respondent made misleading statements during the Member's investigation into his conduct, thereby interfering with the ability of the Member to supervise his conduct, contrary to MFDA Rules 2.1.1.

Allegation #8 - False annual compliance questionnaires

40. Between 2007 and 2013, the Respondent completed Investors Group's annual compliance questionnaire and he falsely acknowledged "true" to the following questions:

- a. I have not arranged for any client to pre-sign any form(s) and do not maintain any pre-signed form(s) in any client file;
- b. I have not entered into any financial settlement with a client without it being reviewed and approved in advance by Investors Group; and
- c. I have disclosed the outside business activity, and it has been approved by my Regional Director and Area Vice-President.

41. By virtue of the foregoing, the Respondent misled the Member in annual compliance questionnaires thereby interfering with the ability of the Member to supervise his conduct, contrary to MFDA Rule 2.1.1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with the MFDA;

- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;
- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve** a **Reply** on Enforcement Counsel and **file** a **Reply** with the Office of the Corporate Secretary within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: David Halasz
Fax: 416-361-9073
Email: dhalasz@mfd.ca

A **Reply** shall be **filed** by:

- (a) providing four (4) copies of the **Reply** to the Office of the Corporate Secretary by personal delivery, mail or courier to:

The Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Office of the Corporate Secretary; or

- (b) transmitting one (1) copy of the **Reply** to the Office of the Corporate Secretary by fax to fax number 416-361-9781, provided that the Reply does not exceed 16 pages, inclusive of the covering page, unless the Office of the Corporate Secretary permits otherwise; or
- (c) transmitting one (1) electronic copy of the **Reply** to the Office of the Corporate Secretary by e-mail at corporatesecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on

the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or

- (ii) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- (a) to **serve** and **file** a **Reply**; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-laws.

END.

DM 516382 v1