



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: Paul J. Poggione

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (“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 Central Regional Council (“Hearing Panel”) of the MFDA should accept the settlement agreement (“Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and the Respondent, Paul J. Poggione.

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. 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 of this Agreement) 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 22, 1997 to August 27, 2013, the Respondent was registered in the province of Ontario as mutual fund salesperson or dealing representative¹ with a number of mutual fund dealers.

7. In particular:

¹ In September 2009, the registration category formerly known as ‘mutual fund salesperson’ was changed to ‘dealing representative’.

- (a) from August 25, 1998 to May 24, 2011, the Respondent was registered with Desjardins Financial Security Investments Inc. (“Desjardins”)² and other mutual fund dealers that were subsequently acquired by Desjardins. Desjardins has been a Member of the MFDA since November 15, 2002; and
- (b) from May 27, 2011 to August 27, 2013, the Respondent was registered as a dealing representative in the provinces of Ontario, Alberta and Quebec with Worldsource Financial Management Inc. (“Worldsource”), a Member of the MFDA.

8. From May 27, 2011 to January 26, 2013, the Respondent was also designated as a Branch Manager with Worldsource, however, he did not assume responsibility for Branch Manager duties including account opening approval and trade supervision until September 2011.

9. From September 2013 to December 31, 2015, the Respondent was a dealing representative of Members of the Investment Industry Regulatory Organization of Canada (“IIROC”).

10. At all material times, the Respondent conducted business in the greater Ottawa area.

The Policies And Procedures Of The Member

11. At all material times, the policies and procedures manual (the “PPM”) of Worldsource stated that: “[b]y using the signature guarantee stamp, the Branch Manager or advisor is certifying that the signature is an original client signature.” The PPM also stated that Branch Managers or Approved Persons may be held responsible for any losses incurred by the client or the dealership if the signature guarantee stamp is used inappropriately.

² Prior to September 27, 2006, Desjardins operated under the name of Optifund Investments Inc.

False Signature Guarantees

12. During the time in which the Respondent was an Approved Person of Desjardins, the Respondent also served as the licensed assistant to Approved Person Conrad Eagan (“Eagan”).

13. The Respondent was aware that Eagan was the mutual fund salesperson who was assigned responsibility for certain inactive client accounts at Desjardins. Some of the inactive client accounts had been opened with mutual fund dealers that were later acquired by Desjardins. Eagan was assigned responsibility for the inactive client accounts on behalf of Desjardins.

14. During the period when the Respondent served as Eagan’s licensed assistant at Desjardins, the Respondent did not meet any of the inactive account holders. He also did not observe and was not informed about any meetings or scheduled appointments between Eagan and the inactive account holders. The Respondent was also aware that the inactive account holders were excluded from certain office mailings that were sent to clients by Eagan.

15. After Eagan and the Respondent transferred their registration to Worldsource, Eagan began processing the transfer of client accounts from Desjardins to Worldsource. The Respondent signature guaranteed the signatures of clients on Worldsource Change of Dealer/Advisor forms in order to facilitate the transfer of client accounts from Desjardins to Worldsource.

16. Between June 22, 2011 and July 29, 2011, among the numerous Worldsource Change of Dealer/Advisor forms that were provided to the Respondent by Eagan to be signature guaranteed were five (5) forms that contained signatures purportedly of clients who had held inactive accounts at Desjardins (the “Five Forms”).

17. In light of the circumstances described above, the Respondent knew or ought to have known that the signatures on the Five Forms had been falsified.

18. Prior to signature guaranteeing the documents, the Respondent did not exercise due diligence to validate the authenticity of the signatures that he was asked to guarantee.

19. By signature guaranteeing the Five Forms, the Respondent facilitated the transfer from Desjardins to Worldsource of the five inactive client accounts referenced in the chart below:

Client Name	Account Number(s)	Date on Form
BA	*****6957	June 22, 2011
OM	*****5900	July 28, 2011
LDG	*****4400	July 28, 2011
AJ	*****0155; *****0422	July 28, 2011
MM	*****2095; *****3194	July 29, 2011

20. By engaging in the conduct described above, the Respondent breached the standard of conduct.

The Respondent Later Reported Eagan's Conduct

21. During the fall of 2011, the Respondent became increasingly concerned about the conduct of Conrad Eagan. In October 2011, the Respondent began sending emails to AM, the then President of Worldsource, asking to speak with him by telephone to describe his concerns.

22. On November 28, 2011, the Respondent sent a 4 page letter to AM, informing AM in detail of serious concerns that the Respondent had with respect to Eagan's activities as an Approved Person and dealing representative that had occurred at Desjardins and at Worldsource including allegations of conduct by Eagan that could constitute contraventions of regulatory requirements by Eagan.

23. Among the alleged contraventions of regulatory requirements that the Respondent reported to Worldsource in his November 28, 2011 letter to AM, the Respondent informed Worldsource about the bulk transfer of certain inactive client accounts from Desjardins to

Worldsource that he referred to in the letter as “dead accounts” and 6 account holders were listed in the letter. 5 of the 6 inactive client accounts that the Respondent listed in his letter were the five aforementioned accounts.

Eagan’s Subsequent Conduct

24. On August 10, 2012, more than 8 months after the Respondent informed Worldsource of his concerns, unbeknownst to the Respondent and without any involvement of the Respondent, and without the knowledge or authorization of client LDG, Eagan arranged for investments held in the account of client LDG to be redeemed by faxing paperwork directly to a fund company from Eagan’s branch office instead of submitting transaction documentation with an original client signature through the facilities of the Member (the “Off-Book Transactions”). The Off-Book Transactions resulted in the redemption of \$120,000 constituting 100% of the proceeds from the investment account of LDG. Unbeknownst to the Respondent, the entirety of the redemption proceeds from the account of client LDG that had been obtained by means of the Off-Book Transactions was subsequently misappropriated by Eagan when it was directed by Eagan into his personal investment account.

V. MITIGATING FACTORS

25. As noted above, the Respondent reported serious concerns about Eagan’s conduct to Worldsource in November 2011, including his concerns about the transfer of inactive client accounts from Desjardins to Worldsource.

26. The Respondent fully cooperated with the Worldsource and MFDA investigations of Eagan’s conduct and produced the Five Forms and other materials relevant to the investigation of Eagan’s conduct.

27. The Respondent has no prior disciplinary history or complaint history during more than 18 years that he was registered in the securities industry.

28. The Respondent resigned from an IIROC dealer on December 31, 2015 to accept another registered position, but has been denied registration pending the resolution of this matter.

29. Partly as a consequence of the fact that he has not been registered in the securities industry since January 2016, the Respondent's recent income has been very limited and he earned a total of approximately \$12,000 in 2016 engaging in odd jobs and manual labour in order to support his spouse and 3 children.

VI. CONTRAVENTIONS

30. The Respondent admits that between June 22, 2011 and July 29, 2011, he signature guaranteed 5 falsified client signatures on forms prepared to facilitate the transfer of accounts to a new dealer for 5 clients when he knew or ought to have known that the client signatures were not authentic and he failed to exercise due diligence to ensure that the signatures on the forms were genuine, and thereby failed to deal fairly, honestly and in good faith with clients or observe high standards of ethics and conduct in the transaction of business and engaged in conduct detrimental to the public interest, contrary to MFDA Rule 2.1.1 and the policies and procedures of the Member.

VII. TERMS OF SETTLEMENT

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

- a) the Respondent shall pay a fine in the amount of \$5,000;
- b) the Respondent shall successfully complete the branch manager course prior to accepting designation or acting in the capacity of a branch manager or any other supervisory role in the future;
- c) the Respondent shall in the future comply with all applicable MFDA By-laws, Rules and Policies, and all applicable securities legislation and regulations that the Respondent has agreed he breached in relation to this Settlement Agreement; and

- d) the Respondent will attend by teleconference, on the date set for the Settlement Hearing.

VIII. STAFF COMMITMENT

32. 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.

IX. PROCEDURE FOR APPROVAL OF SETTLEMENT

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

34. 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.

35. 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 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.

36. 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.

X. FAILURE TO HONOUR SETTLEMENT AGREEMENT

37. 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.

XI. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

38. 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.

39. 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.

XII. DISCLOSURE OF AGREEMENT

40. 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.

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

XIII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 10th day of June, 2017.

“Paul J. Poggione”

Paul J. Poggione

“MP”

Witness – Signature

“MP”

Witness – Print Name

“Shaun Devlin”

Shaun Devlin

Staff of the MFDA

Per: Shaun Devlin

Senior Vice-President,

Member Regulation – Enforcement



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Re: Paul J. Poggione

ORDER

WHEREAS on [insert date], the Mutual Fund Dealers Association of Canada ("MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of Paul J. Poggione ("Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated [date] ("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 By-law No. 1;

AND WHEREAS on the basis of the admissions made by the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that between June 22, 2011 and July 29, 2011, the Respondent signature guaranteed 5 falsified client signatures for 5 clients on forms prepared to facilitate the transfer of accounts to a new dealer when he knew or ought to have known that the client signatures were not authentic and he failed to exercise due diligence to ensure that the signatures on the forms were genuine, and thereby failed to deal fairly, honestly and in good faith with clients or observe high standards of ethics and conduct in the transaction

of business and engaged in conduct detrimental to the public interest, contrary to MFDA Rule 2.1.1 and the policies and procedures of the Member.

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 \$5,000 on the date of this Order, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;

2. The Respondent shall successfully complete the branch manager course prior to accepting the designation of branch manager or acting in the capacity of a branch manager or any other supervisory role for a Member of the MFDA in the future, pursuant to s. 24.1.1(f) of MFDA By-law No. 1; 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[].

Name,
Chair

Name,
Industry Representative

Name,
Industry Representative

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