



**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: Natascha Nadine Stutz**

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**SETTLEMENT AGREEMENT**

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**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 Central 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, Natascha Nadine Stutz.

**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. ACKNOWLEDGMENT**

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. Between May 1, 1996 and December 14, 2018, the Respondent was registered in Ontario as a mutual fund salesperson/dealing representative<sup>1</sup> with Scotia Securities Inc. (“SSI”), a Member of the MFDA.

7. On December 16, 2013, the Respondent was designated a Branch Manager in Ontario by SSI in accordance with MFDA Rule 2.5.5(a), and shortly thereafter began acting in the capacity of Branch Compliance Officer (“BCO”). Effective February 1, 2017, the Respondent’s designation as a Branch Manager was suspended as a result of the events that are the subject of this Notice of Hearing.

8. On December 14, 2018, the Member terminated the Respondent’s registration. The Respondent is not currently registered in the securities industry in any capacity.

9. At all material times, the Respondent carried on business as an Approved Person at a branch located in Waterloo, Ontario.

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<sup>1</sup> In September 2009, the registration category Mutual Fund Salesperson changed to “Dealing Representative” when National Instrument 31-103 came into force.

## SSI's Policies and Procedures

10. At all materials times, SSI's policies and procedures provided that:
- (a) for any transactions where the instructions are received by email or fax, before processing the trades, the account holder's identity and instructions must be confirmed by telephone;
  - (b) all telephone/fax/email instructions are to be documented by recording on the Investment Direction form, *inter alia*, a summary of discussions regarding any fees or charges to be paid on the transaction or fees that may apply;
  - (c) voicemail instructions cannot be accepted; and
  - (d) the Approved Person must maintain for each account all Investment Directions forms together with transaction-related documents, and also keep notes relating to discussions with customers.
11. Similarly, SSI's Telephone/Facsimile/E-mail Agreement entered into by SSI account holders, provided:
- ... Prior to carrying out Instructions provided by e-mail or fax we will contact the account owner or authorized person by telephone to confirm both their identity and the trade or other instructions. If the contact cannot be made the Instructions will not be carried out. ...

## Trading Without Client Authorization

### *Client DG*

12. In September 2007, the Respondent became the Approved Person responsible for servicing the accounts of spouses AG and DG. Clients AG and DG each opened a Registered Retirement Savings Plan account ("**RRSP Account**") and a Spousal RRSP Account with the Respondent.
13. The Respondent did not personally meet with Clients AG and DG. Responsibility for servicing their accounts had transferred to the Respondent from a retiring Branch Manager.

14. Client AG fell into financial difficulties and, between April 2011 and March 2014, Client AG liquidated the investments held in his personal RRSP and Spousal RRSP Accounts. The Respondent states that Client AG did not disclose these financial difficulties to the Respondent.

15. Beginning in August 2011, but predominantly throughout 2014, Client AG instructed the Respondent to process redemptions from Client DG’s RRSP and Spousal RRSP Accounts<sup>2</sup> and to direct the proceeds from those redemptions to a joint bank account held in the names of Client AG and Client DG (the “**Joint Bank Account**”). The Respondent processed the following ten (10) redemptions from Client DG’s accounts without confirming the instructions with Client DG by telephone:

<b>Date</b>	<b>Account</b>	<b>Gross Amount of Redemption</b>
August 11, 2011	RRSP Account	\$5,000.00
October 11, 2011	RRSP Account	\$5,000.00
June 5, 2014	Spousal RRSP Account	\$5,000.00
July 2, 2014	Spousal RRSP Account	\$5,000.00
July 28, 2014	Spousal RRSP Account	\$5,000.00
September 8, 2014	Spousal RRSP Account	\$5,000.00
October 21, 2014/ October 29, 2014 <sup>3</sup>	Spousal RRSP Account	\$2,000.62
October 21, 2014	RRSP Account	\$3,000.00
November 17, 2014	RRSP Account	\$5,000.00
December 3, 2014	RRSP Account	\$5,000.00
	<b>Total</b>	<b>45,000.62</b>

16. All of the redemptions were processed without Client DG’s knowledge or authorization.

17. Client AG did not have signing authority or trading authority for Client DG’s registered accounts and Client DG had not been granted Client AG power of attorney for her personal property.

<sup>2</sup> Only Client DG could provide trading instructions with respect to her Spousal RRSP Account.

<sup>3</sup> The sale of the mutual fund units occurred on October 21, 2014, but the funds were retained in the Spousal RRSP Account. On October 29, 2014, the Respondent generated a second Investment Direction to transfer the proceeds from the redemption of mutual fund units to the Joint Bank Account.

18. For each redemption, the Respondent generated an Investment Direction<sup>4</sup> on which she indicated that she had confirmed the trading instructions with Client DG by telephone. Contrary to the information that she recorded on the Investment Direction forms, the Respondent never spoke with Client DG by telephone or otherwise.

19. The Respondent also failed to caution Client DG that the proceeds of redemption from her registered accounts would be subject to income tax, or inquire to determine whether Client DG's financial circumstances had changed such that an update to the Know Your Client information on file for Client DG would be appropriate.

20. By means of the redemptions, Client AG liquidated substantial sums from Client DG's RRSP Account and the entirety of Client DG's Spousal RRSP Account and directed that the proceeds be transferred to a bank account that he could access without Client DG's knowledge or consent. Unbeknown to the Respondent and Client DG, Client AG subsequently used the proceeds of the redemptions for his own benefit.

21. The Respondent processed redemptions totalling \$45,000.62 without the knowledge, authorization or consent of Client DG. Client DG was subsequently required to pay income tax on the redeemed amounts.

22. Following an investigation conducted by the Member, the Member concluded that there was no evidence that the redemptions processed in Client DG's registered accounts had been authorized by Client DG. As a result, on February 7, 2017, the Respondent was placed on internal monthly close supervision by SSI and her Branch Manager designation was terminated by the Member and she ceased acting as the BCO.

### ***Client BH***

23. The Respondent has never met or communicated with Client BH and, prior to the transaction described below, she had never processed trades or otherwise acted as the Approved Person responsible for servicing any investment accounts of Client BH.

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<sup>4</sup> For the September 8, 2014 redemption, the Respondent printed the Pending Transaction Summary because she was unable to generate an Investment Direction form.

24. On April 17, 2012, the Respondent processed a redemption of \$14,203.39 from the Registered Retirement Income Fund account (the “**RRIF Account**”) of Client BH without obtaining his authorization. The trade resulted in the complete liquidation of the RRIF Account of Client BH.

25. The Respondent generated an Investment Direction form on which she indicated that she had received the redemption instruction from Client BH by telephone.

26. Client BH has never spoken to the Respondent by telephone or otherwise.

27. The redemption request had been made by Brenda Marie Douglas (“**Douglas**”), who was the daughter of Client BH and an Approved Person at the same branch as the Respondent. Douglas did not have trading authority for the RRIF Account and had not been granted power of attorney to process trades on behalf of her father, Client BH.

28. Douglas had previously arranged to have the RRIF Account opened and to have the investments held in Client BH’s account at another Member transferred to SSI. The Respondent was not involved in the process of opening the RRIF Account or transferring investments into it.

29. When the RRIF Account was opened, the personal contact information recorded on the New Account Application Form actually contained the address and telephone number of Douglas, not the contact information of Client BH. The Respondent states that she was not aware of this fact.

30. The trade instructions that the Respondent processed resulted in the liquidation of Client BH’s investments and the deposit of the proceeds into a bank account that was jointly owned by Douglas and her father Client BH. Unbeknown to the Respondent and Client BH, Douglas subsequently used the proceeds of redemption for her personal benefit without the knowledge, authorization or approval of Client BH.

31. In another proceeding (MFDA File No. 201824), an MFDA Hearing Panel sanctioned Douglas for misappropriating funds from Client BH.

32. By processing redemptions in the investment accounts of Clients DG and BH on the basis of trading instructions received from third parties who did not have trading authorization on those

accounts, without confirming those instructions with Clients DG and BH, the Respondent engaged in unauthorized trading and thereby unwittingly facilitated the misappropriation of client assets.

### **Breaching the Member's Policies and Procedures**

33. The Respondent processed the following redemptions from the RRSP and Spousal RRSP Accounts of Client AG without confirming the instructions with Client AG by telephone:

<b>Date</b>	<b>Account</b>	<b>Gross Amount of Redemption</b>
April 28, 2011	RRSP Account	\$5,000.00
May 20, 2011	RRSP Account	\$5,000.00
September 6, 2011	RRSP Account	\$5,000.00
January 13, 2012	RRSP Account	\$5,000.00
April 10, 2012	RRSP Account	\$5,000.00
May 3, 2012	RRSP Account	\$5,000.00
July 5, 2012	RRSP Account	\$5,000.00
August 14, 2012	RRSP Account	\$5,000.00
September 6, 2012	RRSP Account	\$5,000.00
September 25, 2012	RRSP Account	\$5,000.00
October 19, 2012 /October 25, 2012 <sup>5</sup>	RRSP Account	\$5,758.11
October 17, 2013	Spousal RRSP Account	\$5,000.00
November 26, 2013	Spousal RRSP Account	\$5,000.00
December 11, 2013	Spousal RRSP Account	\$5,000.00
January 2, 2014	Spousal RRSP Account	\$5,000.00
January 30, 2014	Spousal RRSP Account	\$5,000.00
March 17, 2014/ March 20, 2014 <sup>6</sup>	Spousal RRSP Account	\$2,640.90
	<b>Total:</b>	<b>\$83,399.01</b>

34. For each redemption, the Respondent generated an Investment Direction form on which she indicated that she had confirmed the instruction by telephone. No such telephone conversations took place.

<sup>5</sup> The sale of the mutual fund units occurred on October 19, 2012, but the funds were retained in the RRSP Account. On October 25, 2012, the Respondent generated a second Investment Direction to redeem the resulting cash to the Joint Bank Account.

<sup>6</sup> The sale of the mutual fund units occurred on March 17, 2014, but the funds were retained in the Spousal RRSP Account. On March 20, 2014, the Respondent generated a second Investment Direction to redeem the resulting cash to the Joint Bank Account.

35. By processing trading instructions that were received by e-mail without first contacting the client by telephone, the Respondent contravened the Member's policies and procedures that are referenced in paragraph 10.

### **Failure to Keep Proper Records**

36. The Respondent failed to retain any of the emails from Client AG that instructed her to process the redemptions from the registered accounts of Clients AG and DG. When Investment Direction forms were generated to record telephone/fax/email instructions, the forms expressly direct Approved Persons to "\*\*\*Attach documentation when instructions are provided by fax or email." By disregarding the requirement to retain the e-mail instructions on which she relied to process trades, she contravened the policies and procedures of the Member.

37. The Respondent also failed to prepare and maintain detailed notes of any telephone conversations that she had with Clients AG, DG, and BH as required by the Member's policies and procedures. In no instance did the Respondent record how she confirmed the account holder's identity as the Member's policies and procedures required.

### **Additional Facts**

38. After receiving complaints from Clients DG and BH about the conduct described above, the Member conducted investigations and found no evidence that Clients DG and BH had authorized the redemptions from their accounts as described above. As a result, the Member compensated both Clients DG and BH for the losses sustained as a result of the unauthorized redemptions.

39. The Respondent has no prior disciplinary history in the securities industry.

## **V. CONTRAVENTIONS**

40. The Respondent admits that between August 11, 2011 and December 3, 2014, she submitted to her Member for processing, eleven (11) redemptions from the registered accounts of two (2) clients based on instructions from third parties who did not have trading authorization on the accounts, without confirming those instructions with the clients, thereby engaging in



unauthorized trading, contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 2.3.1(a), 2.10, and 1.1.2.

41. The Respondent admits that between May 20, 2011 and December 3, 2014, she created and submitted to her Member for processing, thirty-one (31) trading forms, which indicated that she had confirmed instructions by telephone when such confirmations had not been made, thereby contravening the Member's policies and procedures, contrary to MFDA Rules 2.1.1, 2.5.1, and 1.1.2.

42. The Respondent admits that between May 20, 2011 and December 3, 2014, she failed to keep adequate and accurate documentation and notes of investment instructions that she received, contrary to the policies and procedures of her Member and MFDA Rules 2.1.1, 5.1(b), 2.5.1, 2.10, and 1.1.2.

## **VI. TERMS OF SETTLEMENT**

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

- (a) the Respondent will be prohibited from engaging in securities related business in any capacity while in the employ of or associated with a MFDA Member for a period of 6 months from the date the Settlement Agreement is accepted by the Hearing Panel, pursuant to section 24.1.1(c) of MFDA By-law No. 1;
- (b) the Respondent will pay a fine in the amount of \$15,000 in certified funds upon the acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
- (c) the Respondent will pay costs in the amount of \$5,000 in certified funds upon the acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No. 1;
- (d) the Respondent will in the future comply with MFDA Rules 2.1.1, 2.3.1(a), 5.1(b), 2.5.1, 2.10, and 1.1.2; and
- (e) the Respondent will attend in person on the date set for the Settlement Hearing.

## **VII. STAFF COMMITMENT**

44. 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 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 contraventions that are not set out in Part V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the contraventions set out in Part 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.

## **VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT**

45. 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. 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](http://www.mfda.ca).

46. 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 her 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.

47. 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.

48. 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 her.

49. 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.

#### **IX. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT**

50. 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.

51. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that she 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.

**X. DISCLOSURE OF AGREEMENT**

52. 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.

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

**XI. EXECUTION OF SETTLEMENT AGREEMENT**

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

55. An electronic copy of any signature shall be effective as an original signature.

**DATED** this 18<sup>th</sup> day of December, 2018.

“Natascha Nadine Stutz”  
\_\_\_\_\_  
Natascha Nadine Stutz

“DL”  
\_\_\_\_\_  
Witness – Signature

DL  
\_\_\_\_\_  
Witness – Print Name

“Shaun Devlin”  
\_\_\_\_\_  
Shaun Devlin  
Staff of the MFDA  
Per: Shaun Devlin  
Senior Vice-President,  
Member Regulation – Enforcement



**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: Natascha Nadine Stutz**

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**ORDER**

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**WHEREAS** on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of Natascha Nadine Stutz (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 By-law No. 1;

**AND WHEREAS** the Hearing Panel is of the opinion that the Respondent:

- a) between August 11, 2011 and December 3, 2014, submitted to the Member for processing, eleven (11) redemptions from the registered accounts of two (2) clients based on instructions from third parties who did not have trading authorization on the accounts, without confirming those instructions with the clients, thereby engaging in unauthorized trading, contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 2.3.1(a), 2.10, and 1.1.2.

- b) between May 20, 2011 and December 3, 2014, created and submitted to the Member for processing, thirty-one (31) trading forms, which indicated that the Respondent had confirmed instructions by telephone when such confirmations had not been made, thereby contravening the Member's policies and procedures, contrary to MFDA Rules 2.1.1, 2.5.1, and 1.1.2.
- c) between May 20, 2011 and December 3, 2014, failed to keep adequate and accurate documentation and notes of investment instructions that the Respondent received, contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 5.1(b), 2.5.1, 2.10, and 1.1.2.

**IT IS HEREBY ORDERED THAT** the Settlement Agreement is accepted, as a consequence of which:

1. The Respondent will be prohibited from conducting securities related business in any capacity while in the employ of or associated with a MFDA Member for a period of 6 months from the date the Settlement Agreement is accepted by the Hearing Panel, pursuant to section 24.1.1(c) of MFDA By-law No. 1.
2. The Respondent will pay a fine in the amount of \$15,000 in certified funds upon the acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of MFDA By-law No. 1.
3. The Respondent will pay costs in the amount of \$5,000 in certified funds upon the acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No. 1.
4. The Respondent will in the future comply with MFDA Rules 2.1.1, 2.3.1(a), 5.1(b), 2.5.1, 2.10, and 1.1.2

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[ ].

Per: \_\_\_\_\_  
[Name of Public Representative], Chair

Per: \_\_\_\_\_  
[Name of Industry Representative]

Per: \_\_\_\_\_  
[Name of Industry Representative]

DM 658301