



**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: Laurina Mahendran**

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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, Laurina Mahendran (the “Respondent”).

**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 XI) 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 January 20, 2016 to July 25, 2016, the Respondent was registered in Ontario as a dealing representative and was an Approved Person with TD Investment Services Inc. (“TDISI” or the “Member”), a member of the MFDA.

7. On July 25, 2016, the Member terminated the Respondent’s employment, partly as a result of the conduct of the Respondent that is described below.

8. At all material times, the Respondent conducted business from a branch in Scarborough, Ontario.

9. The Respondent is not currently registered in the securities industry in any capacity.

#### **TDISI’s Policies and Procedures**

10. At all material times, the Member’s Mutual Funds Compliance Manual provided that:

Mutual fund trade orders may be accepted via the following methods:

- **In-Branch:** Customers may visit their local branch to complete and sign the appropriate TDIS form ...
- **Phone Channel:** Customers may place trades through TD Canada Trust EasyLine, where phone lines are taped.
- **Internet:** Customers with access to TD Canada Trust EasyLine Web may conduct mutual fund transactions in their TDIS accounts.
- **By mail ...** Whether purchasing, redeeming or switching, customers must provide signed clear and full instructions and the customer's signature must be verified against their signed account application form on file before the transaction is processed.

...

Mutual fund orders cannot be accepted over the phone unless the call is being recorded.

### **Redemptions Processed From Client RM's RRSP Account**

11. At all material times, client RM was a client of the Member. Client RM is an immigrant to Canada who does not speak English fluently. In July 2016, client RM was 57 years old.

12. Client RM's son, AR, was a colleague of the Respondent who worked at the same branch as the Respondent. AR was not an Approved Person. He was a customer service representative who was able to process banking transactions at the branch.

13. On July 4, 2016, the banking information of client RM that was on record with the Member was updated and changed from a bank account in RM's name to a bank account of his son, AR.

14. On July 4, 2016, AR told the Respondent that he urgently needed to pay his school tuition and that his father client RM had agreed to redeem investments from his registered retirement savings plan ("RRSP") account and to apply the proceeds to the tuition payment that was due.

15. AR led the Respondent to believe that his father had approved the transaction during a telephone conversation with AR and that his father was unable to attend at the branch that day.

16. The Respondent did not speak with client RM directly about the redemption request and she did not obtain any evidence of client authorization of the trade from client RM before

processing trades in client RM's account. However, she believed AR's explanation to her about the reason for the redemption request and the fact that client RM had authorized it.

17. On July 4, 2016, the Respondent processed four (4) redemptions of \$5,000 each, totaling \$20,000, from the RRSP account of client RM. The processing of the redemptions left a nominal balance remaining in client RM's RRSP account.

18. Each of the four redemptions was subject to a withholding tax of \$500, resulting in a total of \$2,000 in withholding tax. The Respondent did not discuss the tax implications of the trades with client RM before processing the redemptions. The Respondent states that she understood from AR that he had explained the tax implications of the trades to his father.

19. The proceeds from the redemptions were deposited into the new bank account on record for client RM which was the bank account of AR.

20. The Respondent provided her colleague AR with trade documentation specifying the details of the trades that she had processed in client RM's account and asked him to confirm his father's authorization of the trades by obtaining his father's signature on the trade documentation and returning the forms to her the next day for the file.

21. On or about July 5, 2016, AR returned to the branch with signed trade documentation. The Respondent accepted the signed trade documentation from AR and believed the documents had been signed by client RM.

22. The Respondent admits that she did not meet with client RM in the branch or elsewhere to obtain his signature on the trade documentation.

23. The Member subsequently questioned whether the signatures on the trade documentation were authentic signatures of client RM as the signatures did not match other signatures among the Member's records. The Respondent accepted AR's representation that the signatures were authentic signatures of his father, client RM.

24. During the investigation of this matter, AR admitted to Staff that unbeknownst to the Respondent, the money that he instructed the Respondent to redeem from client RM's (his father's) account was actually required to pay AR's personal debts and not to make tuition payments.

25. Client RM did not request a reversal of the transaction.

26. By processing redemption transactions in client RM's account based upon instructions that she received from AR without obtaining signed trade documentation from client RM at the branch before processing the trades, the Respondent engaged in unauthorized trading and contravened the policies and procedures of the Member, contrary to MFDA Rules 2.1.1, 2.5.1, 2.10 and 1.1.2.

27. Following an investigation, on July 25, 2016, the Member terminated the Respondent, in part, as a result of her contravention of the Member's policies and procedures with respect to the processing of the trades described in this Settlement Agreement.

### **Additional Factors**

28. At the time that she processed the transactions described above, the Respondent was 22 years old and had no prior disciplinary history.

29. There is no evidence that the Respondent personally benefited from the unauthorized trades processed in client RM's account.

30. The Respondent is no longer registered in the industry and has not conducted securities related business since July 2016.

31. As a result of her relatively young age and limited work experience, the Respondent's financial resources to pay a fine are limited.

32. By entering into this Settlement Agreement, the Respondent has accepted responsibility for her misconduct and avoided the need for a prolonged hearing on the merits.

### **V. CONTRAVENTIONS**

33. The Respondent admits that on July 4, 2016, she processed four (4) redemptions in client RM's RRSP account without first obtaining the client's authorization for the transactions and without meeting with the client at the branch office to obtain his signature on documentation authorizing the transaction, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 2.5.1, 2.10 and 1.1.2.

## **VI. TERMS OF SETTLEMENT**

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

(1) The Respondent shall pay a fine in the amount of \$10,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:

- (a) \$400 payable on the date that this Settlement Agreement is accepted by a Hearing Panel; and
- (b) \$800 payable on the first day of each month from July 1, 2019 to June 1, 2020; and

(2) The Respondent shall pay costs to the MFDA in the amount of \$2,500, pursuant to s. 24.2 of MFDA By-law No. 1 on the date that this Settlement Agreement is accepted by a Hearing Panel.

## **VII. STAFF COMMITMENT**

35. 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.

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

36. Acceptance of this Settlement Agreement shall be sought at a hearing of the (Pacific/Prairie/Central/Atlantic) 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).

37. 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.

38. 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 By-law No. 1.

39. 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.

#### **IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT**

40. 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**

41. 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 MFDA By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

42. 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.

#### **XI. DISCLOSURE OF AGREEMENT**

43. 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.

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

#### **XII. EXECUTION OF SETTLEMENT AGREEMENT**

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

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



**DATED** this 21<sup>st</sup> day of February, 2019.

“Laurina Mahendran”

Laurina Mahendran

“AH”

Witness – Signature

AH

Witness – Print Name

“Shaun Devlin”

Shaun Devlin

Staff of the MFDA

Per: Shaun Devlin

Senior Vice-President,

Member Regulation – Enforcement

DM 680578

**Schedule “A”**

**Order**

**File No. 201911**



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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 Laurina Mahendran (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** on the basis of the admissions made by the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that on July 4, 2016, she processed four (4) redemptions in client RM’s RRSP account without first obtaining the client’s authorization for the transactions and without meeting with the client at the branch office to obtain his signature on documentation authorizing the transaction, contrary to the Member’s policies and procedures and MFDA Rules 2.1.1, 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 shall pay a fine in the amount of \$10,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:
  - (a) \$400 payable on the date of this Order; and
  - (b) \$800 payable on the first day of each month from July 1, 2019 to June 1, 2020;
2. The Respondent shall pay costs to the MFDA in the amount of \$2,500, pursuant to s. 24.2 of MFDA By-law No. 1 on the date of this Order.
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[ ].

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Name,  
Chair

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Name,  
Industry Representative

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Name,  
Industry Representative