



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: Tyler Weldon Davidson

SETTLEMENT AGREEMENT

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 Prairie 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, Tyler Weldon Davidson.

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 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. Commencing in September 2011, the Respondent was registered in the securities industry.

7. From September 2011 to May 2015, the Respondent was registered as a dealing representative in Alberta and Saskatchewan with Investors Group Financial Services Inc., a Member of the MFDA (the “Member”).

8. From May 2015 to December 2017, the Respondent was registered as a dealing representative with another mutual fund dealer.

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

10. The Respondent is currently licensed in the insurance industry.

11. At all material times, the Respondent carried on business in the Medicine Hat, Alberta area.

The Respondent recommended a trade in a mutual fund that unnecessarily subjected a client to a deferred sales charges schedule and generated commissions

12. At all material times, the Member’s policies and procedures required its dealing representatives to, among other things:

- a) ensure that the acceptance of any order for any account is within the bounds of good business practice; and

- b) not become involved in any situation that could give rise to a conflict of interest.
13. At all material times, client PD was a client of the Member whose accounts were serviced by the Respondent.
14. Commencing in July 2014, client PD opened three accounts at the Member consisting of a non-registered account, a Registered Retirement Savings Plan (“RRSP”) account, and a Tax Free Savings Plan (“TFSA”) account.
15. On or about July 3, 2014, prior to the opening of client PD’s new investment accounts at the Member, client PD signed a “Withdrawal Fee Information Form” which referenced a Deferred Sales Charge (“DSC”) schedule that would be applicable if she purchased mutual fund purchases in the future that were subject to DSC fees.
16. Client PD completed transfer authorization forms to transfer her investments held at another financial institution to the Member in-kind.
17. In August 2014, client PD redeemed her investments held with the Member into a cash position.
18. Client PD was eligible to access a pool of no-load mutual funds offered by the Member through its I-Profile program, as client PD had investable non-registered assets greater than \$250,000. The mutual funds offered through I-Profile had lower management fees of approximately 20-35 basis points in comparison to the DSC fee mutual fund she actually purchased, as set out in paragraph 21, below.
19. In or around August 2014, the Respondent recommended that client PD purchase mutual funds offered through the I-Profile program for her non-registered account with the Member.
20. The Respondent states that he explained to the client that the 7 year DSC schedule would be applicable to the mutual fund purchases that were processed in client PD’s non-registered account on September 5, 2014. Client PD disputes the Respondent’s assertion that he provided her with an explanation of DSC fees or any DSC schedule applicable to that purchase.
21. Rather than creating a non-registered I-Profile account in order to access the no-load mutual funds offered through that program as previously recommended, on or about September 5, 2014, the Respondent facilitated the purchase by client PD of a mutual fund in the amount of

approximately \$403,800 that was subject to a 7 year DSC fee schedule which client PD held in her non-registered account.

22. As a result of this purchase by client PD, the Respondent received commissions of approximately \$15,346.

23. On or about September 9, 2014, after the purchase of the DSC load mutual fund as described above, the Respondent facilitated the opening by client PD of a non-registered I-Profile account with the Member and arranged for the switch of client PD's recently purchased DSC load mutual fund to a portfolio of new mutual funds offered through the I-Profile program.

24. A feature of the I-Profile program was that because client PD was switching into her I-Profile account a mutual fund that was already subject to an unexpired DSC fee schedule in her non-registered account, the new mutual funds held in the I-Profile account would remain subject to the unexpired portion of the DSC fee schedule that was applicable to the previously held mutual fund.

25. Between October 2014 and October 2018, client PD redeemed some of the mutual funds from her non-registered I-Profile account, and incurred DSC fees of approximately \$17,200 for doing so. In some cases the proceeds redeemed from the sale of mutual funds subject to DSC were transferred to client PD's RRSP account, and applied towards the purchase of additional DSC load mutual funds, which were subsequently redeemed by client PD and resulted in additional DSC fees.

26. In or around January 2015, client PD required monies for the purchase of a house, and she wished to redeem her non-registered mutual fund investments and apply the proceeds to the purchase of the house.

27. Because the mutual funds in client PD's I-Profile account were subject to an unexpired DSC fee schedule as described above at paragraph 24, client PD would have incurred substantial DSC fees if she redeemed her recently purchased mutual fund investments.

28. Client PD decided not to redeem mutual funds from her non-registered investment account due to the DSC fees that she would have incurred, and instead borrowed monies from a line of credit in order to pay the down payment on her house purchase. As a result, client PD incurred interest charges of approximately \$2,267 on the monies that she borrowed from her line of credit to finance the down payment for the purchase of her new home.

29. The Respondent knew that client PD was eligible to participate in the I-Profile program and purchase no-load mutual funds offered through the program, prior to facilitating the purchase of the mutual fund subject to a DSC schedule on September 5, 2014, as described above at paragraph 21.

30. Rather than facilitating the purchase of no-load mutual funds in the I-Profile program, the Respondent opened a non-registered account and facilitated the purchase of mutual funds by the client that were subject to a DSC schedule that resulted in the Respondent earning commissions. Approximately 4 days later the Respondent facilitated the switch of client PD's investments that were subject to a DSC schedule held in her non-registered account to the portfolio of mutual funds offered through the I-Profile program that the Respondent had initially recommended.

31. The Respondent facilitated the purchase on September 5, 2014 of a mutual fund as described above in order to, among other things, increase his compensation. Had client PD opened an I-Profile non-registered account upon becoming a client of the Member, she would have been able to purchase no-load mutual funds with lower service fees as described in paragraph 18, above, compared to her DSC load mutual fund holdings, and would not have been subject to a DSC fee schedule after making the investment.

32. As a result of purchasing the DSC load mutual fund, the Respondent received commissions, which he would not have been entitled to receive had client PD's monies had been invested in the I-Profile portfolio directly.

The Member's Investigation

33. In or around April 2018, client PD filed a complaint with the Member concerning her purchase of the DSC load mutual fund on September 5, 2014. The Member subsequently commenced an investigation, and reimbursed client PD for the DSC fees she incurred from the redemption of mutual funds, as well as interest incurred on the money that she borrowed from her line of credit to finance her house purchase.

Additional Factors

34. The Respondent has not previously been the subject of MFDA disciplinary proceedings.

35. The Respondent has co-operated with MFDA Staff during its investigation of his conduct.

36. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a contested hearing of the allegations.

V. CONTRAVENTIONS

37. In or around September 2014, the Respondent recommended a trade in a mutual fund that unnecessarily subjected a client to a deferred sales charge schedule and generated commissions to himself, contrary to MFDA Rules 2.1.1, 2.1.4, and 2.2.1.

VI. TERMS OF SETTLEMENT

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

- a) The Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 1 month pursuant to s. 24.1.1(e) of MFDA By-Law No. 1;
- b) the Respondent shall pay a fine of \$22,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to Section 24.1.1(b) of MFDA Bylaw No. 1;
- c) the Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of Bylaw No. 1;
- d) the Respondent shall in the future comply with MFDA Rules 2.1.1, 2.1.4, and 2.2.1; and
- e) the Respondent will attend in person or via videoconference, on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

39. 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 VII of this Settlement Agreement, subject to the provisions of Part XI 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 VII 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 VII, 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

40. Acceptance of this Settlement Agreement shall be sought at a hearing of the Prairie 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.

41. 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.

42. 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 MFDA By-law No. 1.

43. 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.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

44. 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

45. 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.

46. 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.

XI. DISCLOSURE OF AGREEMENT

47. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 5th day of July, 2021.

“Tyler Weldon Davidson”

Tyler Weldon Davidson

“LD”

Witness – Signature

LD

Witness – Print Name

“Charles Toth”

Staff of the MFDA

Per: Charles Toth

Vice-President, Enforcement



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Re: Tyler Weldon Davidson

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 Tyler Weldon Davidson (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 based upon the admissions of the Respondent, the Hearing Panel is of the opinion that the Respondent, in or around September 2014, recommended a trade in a mutual fund that unnecessarily subjected a client to a deferred sales charge schedule and generated commissions to himself, contrary to MFDA Rules 2.1.1, 2.1.4, and 2.2.1;

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

1. The Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 1 month pursuant to s. 24.1.1(e) of MFDA By-Law No. 1;
2. The Respondent shall pay a fine of \$22,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to Section 24.1.1(b) of MFDA Bylaw No. 1;
3. The Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA Bylaw No. 1; and
4. 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 829816