Re GP Wealth Management

IN THE MATTER OF:

The Mutual Fund Dealers Association of Canada

and

GP Wealth Management Corporation

2023 CIRO 20

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: February 2, 2023, by electronic hearing in Toronto, Ontario
Decision: February 2, 2023
Reasons for Decision: October 20, 2023

Hearing Panel:
Thomas J. Lockwood, K.C., Chair
Linda Anderson, Industry Representative
Robert Christianson, Industry Representative
Appearances:
Alan Melamud and Brendan Forbes, Enforcement Counsel for the New Self-Regulatory Organization of Canada
Caitlin Sainsbury, Counsel for the Respondent
Paula Sprentz, Respondent's Representative

REASONS FOR DECISION

I. INTRODUCTION

¶ 1 By Notice of Settlement Hearing, dated December 22, 2022, the Mutual Fund Dealers Association of Canada ("MFDA") gave notice that an electronic hearing would be held before a hearing panel of the Central Regional Council of the MFDA ("Hearing Panel") on February 2, 2023, to consider whether, pursuant to Section 24.4 of MFDA By-law No. 1, the Hearing Panel should accept the settlement agreement ("Settlement Agreement") entered into between Staff of the MFDA and GP Wealth Management Corporation ("Respondent").

¶ 2 On December 28, 2022, the MFDA issued a News Release giving public notice of the Settlement Hearing scheduled for February 2, 2023.

¶ 3 The Notice of Settlement Hearing, combined with the News Release, complied with the provisions of Rule 15.2(1) of the MFDA Rules of Procedure.

¶ 4 At the opening of the Settlement Hearing, on February 2, 2023, the Hearing Panel granted the joint request of the parties to move the proceedings "*in camera*" so that the Settlement Agreement could be considered in the absence of the public. This procedure is consistent with Rule 15.2(2) of the MFDA Rules of Procedure.

¶ 5 The Hearing Panel then considered the provisions of the Settlement Agreement. After hearing submissions, both as to the applicable law and as to why this particular Settlement Agreement met the appropriate criteria, the Hearing Panel retired to consider whether we were in a position to accept the

Settlement Agreement on the basis of the material before us.

¶ 6 After carefully considering the Settlement Agreement and the submissions of the parties, the Hearing Panel unanimously accepted the Settlement Agreement. We made an Order to this effect on February 2, 2023. At that time, we advised that written Reasons would follow. These are those Reasons.

II. SETTLEMENT AGREEMENT

¶ 7 The salient portions of the Settlement Agreement are as follows:

"IV. AGREED FACTS

Registration History

¶ 8 The Respondent is registered in Ontario, British Columbia and Saskatchewan as a mutual fund dealer and as an exempt market dealer in Ontario. It has been a Member of the MFDA since April 12, 2002 and its head office is located in Mississauga, Ontario.

Leveraged Client Accounts Transferred Into the Respondent

¶ 9 In May 2013, Approved Person AF[1] transferred his dealing representative registration to the Respondent from another MFDA dealer.

¶ 10 In or about June 2013, AF caused 88 existing leveraged client accounts to be transferred into the Respondent from his previous dealer (the "Transferred Accounts"). Following the transfers, AF continued to be the servicing dealing representative of those 88 transferred accounts.

¶ 11 All 88 of the Transferred Accounts had, at AF's recommendation, implemented a leveraged investment strategy whereby clients obtained investment loans and used some of the proceeds of the investment loans to purchase return of capital ("ROC") mutual funds[2] for their accounts (the "Leveraged Investment Strategy").

¶ 12 The ROC mutual funds were subject to deferred sales charges ("DSC").

¶ 13 AF has stated to Staff that the Leveraged Investment Strategy was based on the premise that the returns generated by the ROC mutual funds each month would be used towards covering the clients' costs of servicing their investment loans.

¶ 14 The Leveraged Investment Strategy was high risk.

¶ 15 In order to process the transfer of the Transferred Accounts to the Respondent, between June and August 2013, AF submitted new account documents to the Respondent. These account documents included signed Know-Your-Client ("KYC") forms, new account application forms, leverage approval forms, and leverage disclosure forms.

¶ 16 Between June 10, 2013 and August 14, 2013, the Respondent's compliance personnel reviewed and subsequently approved the account transfers. For the tier 2 review, documents relating to 86 of the 88 Transferred Accounts were reviewed and approved for transfer by the same compliance officer on a nearly daily basis between June 10, 2013 and August 14, 2013, with an average of between 5 and 8 accounts reviewed daily.

¶ 17 At the time the accounts were transferred to the Respondent, the Transferred Accounts had nearly

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[1] AF was registered as a dealing representative with the Respondent from May 29, 2013 to November 1, 2016, when the Respondent terminated him. The Respondent advised the MFDA in its METS filing that AF was terminated for falsifying client documents.

[2] "Return of capital" mutual funds are structured to pay a set monthly amount of proceeds to an investor which may include a return of the capital originally invested by the investor. In the event the value of a ROC mutual fund declines due to deteriorating market conditions, poor investment performance or other factors such that the amount of the promised monthly proceeds exceeds the increase in the value of the fund, there is a real and substantial risk that the fund will be required to reduce, suspend or cancel altogether, the monthly proceeds paid to investors.

identical KYC information, including, among other things:

- all of the accounts had the same investment time horizon of "10 to 20 years";
- all of the accounts had a risk tolerance of "75% to 85% medium-high" and "15% to 20% high"; and
- 79 of the accounts (90%) had investment objectives of "80%" or "85%" growth / "15%" or "20%" speculation".

¶ 18 In addition, the Respondent's compliance staff identified that the market value of some of the Transferred Accounts was less than the outstanding amount of the clients' investment loans obtained to purchase the investments at the time of transfer to the Respondent.

¶ 19 Between August 2013 and November 2016, AF also opened and became the servicing dealing representative for 23 new leverage accounts (the "New Leveraged Accounts") which were approved by the Respondent. The New Leveraged Accounts were also invested in ROC funds, among other mutual funds. During this period, the Respondent also approved loan agreements for 5 existing accounts serviced by AF (the "Loan Re-Writes").

¶ 20 Nearly all of the New Leveraged Accounts had the same KYC information, namely:

- an investment time horizon of "10 to 20 years";
- a risk tolerance of "75% to 85% medium-high" and "15% to 20% high"; and
- an investment objective of "80%" or "85%" growth / "15%" or "20%" speculation".[3]

¶ 21 The Respondent did not adequately supervise the Transferred Accounts, the New Leveraged Accounts, or the Loan Re-Writes to assess whether the KYC information recorded by former Approved Person AF was reasonable in light of its uniformity.

Additional Factors

¶ 22 The Respondent states that after the KYC uniformity identified above was discovered by MFDA compliance staff during a sales compliance examination, the Respondent incorporated changes in its branch and desk review program to review KYC and new account application forms in order to, among other things, identify patterns in client accounts with respect to risk tolerance, investment objectives and investment time horizon. The Respondent further states that, as of late 2019, its back-office operating system is now capable of automatically identifying patterns with KYC uniformity.

¶ 23 The Respondent states that, since November 2016, when it advised Staff that it terminated AF for falsifying client documents used for leverage loan applications:

a. it issued letters to all of the clients whose accounts were serviced by AF informing them that he was no longer registered with the Respondent and assigned a new dealing representative to their accounts;

b. it issued additional letters to clients whose accounts had been serviced by AF in cases where the Respondent flagged such accounts for possible discrepancies in some or all of the accounts' KYC information, and further asked those clients to meet with the Respondent or the newly assigned dealing representative to discuss, correct or confirm such KYC information; and

c. it worked with the newly assigned dealing representatives to review and reassess the relevant KYC information in the accounts of clients who responded to the Respondent's above-noted requests to contact it.

[3] The New Leveraged Accounts and Loan Re-Writes were primarily reviewed and approved by one single compliance officer.

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

¶ 25 The Respondent has cooperated with Staff during its investigation and during this disciplinary proceeding.

V. CONTRAVENTIONS

¶ 26 The Respondent admits that, between June 2013 and at least May 2016, it failed to adequately detect and query uniformity in the Know Your Client information recorded by former Approved Person AF for 88 leveraged accounts transferred to the Respondent, 23 new leveraged accounts opened at the Respondent, and 5 loan renewals in existing accounts at the Member, contrary to MFDA Rules 2.2.1[4] and 2.5.1 and MFDA Policy No. 2.[5]

VI. TERMS OF SETTLEMENT

¶ 27 Upon acceptance of this Settlement Agreement, the Respondent agrees to the following terms of settlement:

a) the Respondent shall pay a fine in the amount of $20,000, pursuant to section 24.1.2(b) of By-law No. 1, upon the acceptance of this Settlement Agreement;

b) the Respondent shall pay the costs of this proceeding and investigation in the amount of $5,000, pursuant to section 24.2 of By-law No. 1, upon the acceptance of this Settlement Agreement;

c) the Respondent shall in the future comply with MFDA Rules 2.2.1 and 2.5.1 and MFDA Policy No. 2; and

d) a senior officer of the Respondent will attend in person via videoconference, on the date set for the Settlement Hearing."

III. THE LAW

¶ 28 The version of MFDA Rule 2.1.1, that was in effect at the material time, required that Approved Persons and Members exercise due diligence to learn the essential facts relative to each client and ensure that the suitability of the investments held in each client's account was assessed at various times, including whenever client assets were transferred into an account at the Member.

¶ 29 As described in MFDA Rule 2.2.1 (as it existed from February 22, 2013):

> "Each Member and Approved Person should use due diligence: (e) to ensure that the suitability of the investments within each client's account is assessed:
>
> (i) whenever the client transfers assets into an account at the Member;
>
> (ii) whenever the Member or Approved Person becomes aware of a material change in client information, as defined in Rule 2.2.4; or
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> (iii) by the Approved Person where there has been a change in the Approved Person responsible for the client's account at the Member."

¶ 30 Previous MFDA Hearing Panels have recognized that the Know-Your-Client ("KYC") and suitability obligations are a "core responsibility of any advisor or Member that services client accounts in the securities industry." This is particularly important where, as in this case, the clients were engaged in a high-risk strategy

[4] Effective December 31, 2021, MFDA Rule 2.2.1 was amended. As the Respondent engaged in the alleged misconduct addressed in this proceeding prior to December 31, 2021, Staff is relying on the wording in the version of MFDA Rule 2.2.1 that was in effect prior to the amendments.

[5] Effective September 12, 2013 and subsequently thereafter, MFDA Policy No. 2 was amended. As the Respondent engaged in the alleged misconduct addressed in this proceeding beginning June 2013, Staff is relying on the wording in the versions of MFDA Policy No. 2 that was in effect from time to time during the period of the alleged misconduct.

involving the use of borrowed funds to invest.

> *HollisWealth Advisory Services Inc.,* [2017] Hearing Panel of the Central Regional Council, MFDA File No. 2016116, Reasons for Decision dated March 27, 2017 at para. 6. *("HollisWealth")*
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> *Pretty (Re),* [2014], Hearing Panel of the Atlantic Regional Council, MFDA File No. 201128, Decision on Misconduct dated January 30, 2014 at para. 89.

¶ 31 The correct approach to the suitability process requires that an Approved Person collect and accurately record a client's KYC information and apply the documented KYC information to the process of identifying and recommending investment procedures and strategies that are suitable for such a client.

¶ 32 Members must review and approve KYC information received from Approved Persons for completeness, reasonableness and consistency. The Member's review of KYC information submitted by Approved Persons is an essential component of ensuring that recommendations made to clients and orders accepted from clients are suitable. As stated in *Sterling Mutuals Inc. (Re)*:

> "The obligation to exercise due diligence to ensure that investment orders that are accepted, recommendations that are made and investments that are held in client accounts of a Member are suitable for the clients is a core responsibility of any advisor or dealer that services client accounts in the securities industry.
>
> In order to fulfill this obligation, Members and Approved Persons are required to obtain accurate and complete KYC information for each of their clients which facilitate an effective trade supervision process because the suitability of each client trade and client holding can be evaluated bearing in mind the KYC information on file for the client. In circumstances where a Member or Approved Person fails to accurately record the KYC information of clients, the ability to evaluate suitability is undermined."
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> *Sterling Mutuals Inc.,* [2016] Hearing Panel of the Central Regional Council, MFDA File No. 201619, Reasons for Decision dated June 27, 2016 at paras. 20 and 21. (*"Sterling Mutuals"*)

¶ 33 Members are also required to establish, implement and maintain policies and procedures to ensure that the handling of their business is compliant with regulatory requirements, including policies and procedures to ensure that the Member and its Approved Persons are using due diligence to accurately record KYC information of clients and that investment recommendations made to clients and orders accepted from clients are suitable having regard to their KYC information.

> See MFDA Rules 2.5.1, 2.2.1 and MFDA Policy No. 2.

¶ 34 MFDA Policy No. 2 also requires that Members establish and maintain appropriate policies and procedures to identify trends or patterns that may be of concern and to ensure the suitability of clients to engage in leverage transactions. In addition, the Policy specifically requires that Members "review the suitability of leverage in all cases where the client transfers assets purchased using borrowed funds into an account at the Member." When fulfilling these obligations, Members must be alert to situations in which the uniformity of KYC information among a large number of clients serviced by an Approved Person raises concerns about the reasonableness and accuracy of such KYC information.

> MFDA Policy No. 2 (February 22, 2013).
>
> MFDA Rule 2.5.1.

¶ 35 In April 2008, the MFDA released Member Regulation Notice MR-0069, which was subsequently updated in versions of MFDA Staff Notice MSN-0069 that were published in February 2013 and December 2021. The February 2013 version of the notice was applicable at the time when client accounts of Approved Person AF were transferred to the Respondent. MSN-0069 is designed to "provide guidance to Members on how to establish a suitability framework to comply with their obligation to ensure that each order accepted or

recommendation made is in keeping with the clients' KYC information."

> MSN-0069 dated February 22, 2013, *supra* updating MR-0069 dated April 14, 2008 and subsequently updated again on December 31, 2021.

¶ 36 MSN-0069 stated that Members were required to maintain policies and procedures for both branch and head office staff related to the opening of new accounts and updating of KYC information and that KYC information submitted for approval should be reviewed for completeness, reasonableness and consistency. MSN-0069 also stated that:

> "When approving new accounts, KYC amendments or performing branch examinations, Member supervisory staff should be alert to situations where APs have a significant number of client accounts with the same or very similar KYC information.
>
> MFDA staff has found, in examinations and investigations, APs who use the same KYC information for a number of their clients in order to match their trade recommendations or investment strategies. APs are expected to make suitable recommendations based upon specific client KYC information and should not document KYC information solely to support their recommendation s" [*Emphasis Added*]

¶ 37 Where, as here, a significant number of client accounts serviced by the same Approved Person have nearly identical KYC information, often referred to as "KYC uniformity," it raises a "red flag" that should trigger supervisory steps by the Member to ensure that the Approved Person properly used due diligence to learn the KYC information for each client on an individual basis and is not improperly attributing KYC information to a client that does not accurately reflect the client's personal circumstances in order to match the client's KYC information to the investment or strategy that the Approved Person recommended. A pattern of KYC uniformity should trigger questions about the reasonableness of the KYC information that is documented because it is unlikely that 80 or more clients of different ages and personal circumstances would have the same KYC information. Concerns about the reasonableness of the documented KYC information is heightened further where, as here, a large number of the clients with uniform KYC information are engaged in an investment strategy that exposes them to the increased risk of borrowing to invest.

¶ 38 We find that the Respondent did not adequately supervise the KYC information submitted by AF for uniformity, thereby failing to ensure that the KYC information received from AF was reasonable. As stated by the Hearing Panel in *HollisWealth:*

> “Where a Member fails to ensure that Approved Persons are collecting accurate Know Your Client ("KYC") information, in order to permit suitability assessments to be properly undertaken, that Member runs afoul of their supervisory obligations. In the absence of supervisory intervention by a Member who is alert to possible KYC uniformity, or inaccurate KYC information being collected, clients run the risk of being exposed to unsuitable investments because a proper assessment cannot be conducted.”
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> *HollisWealth, supra* at para. 5.
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> MFDA Rule 2.2.1.

¶ 39 Prior Hearing Panels have held that, where a Member fails to conduct proper account supervision, especially related to analysis of the reasonableness of KYC information, the Member has contravened MFDA Rules 2.2.1 and 2.5.l and MFDA Policy No.2.

> *Portfolio Strategies Corporation (Re),* [20l3] Hearing Panel of the Prairie Regional Council, MFDA File No. 201122, Reasons for Decision dated February 13, 2013.
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> *Portfolio Strategies Corporation (Re),* [2020] Hearing Panel of the Prairie Regional Council, MFDA File No. 202032, Reasons for Decision dated November 30, 2020.
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> *M. Hershberg Capital Limited (Re),* [20ll], Hearing Panel of the Central Regional Council, MFDA File No. 201026, Reasons for Decision dated November 8, 2011.

Equity Associates Inc. (Re), [2018] Hearing Panel of the Central Regional Council, MFDA File No. 201716, Reasons for Decision dated August 22, 2018.

Sterling Mutuals, supra.

¶ 40 Prior MFDA Hearing Panels have also determined that where a Member does not conduct adequate account supervision to ensure the suitability of leveraged investment recommendations, the Member contravenes MFDA Rules 2.2.1, 2.5.1 and MFDA Policy No.2.

Partners In Planning Financial Services Ltd. (Re), [2010] Hearing Panel of the Prairie Regional Council, MFDA File No. 201032, Reasons for Decision dated December 10, 2010.

Monarch Wealth Corporation (Re), [2012] Hearing Panel of the Central Regional Council,

MFDA File No. 20l0l9, Reasons for Decision dated February 6, 2012.

¶ 41 The Respondent's failure to adequately detect and query the uniformity in the KYC information submitted by AF, with respect to leveraged accounts that he serviced and transferred to the Respondent, new accounts that he opened for clients of the Respondent, and when loans were renewed for some of those clients, was inconsistent with its supervisory obligation to use due diligence to ensure that the documented KYC information was accurate and that the investments and strategies implemented based upon that KYC information were suitable for clients, contrary to MFDA Rules 2.2.1 and 2.5.l and MFDA Policy No. 2.

IV. PRINCIPLES AND FACTORS REGARDING THE ACCEPTANCE OF SETTLEMENT AGREEMENTS

¶ 42 Investor protection is the primary goal of securities regulation. Settlements play an important and necessary role in meeting this objective.

Pezim v. British Columbia (Superintendent of Brokers), [1994] 2 S.C.R. 557 at paras. 59 and 68.

¶ 43 In our view, the role of a Hearing Panel in a Settlement Hearing is not the same as its role in making a penalty determination after a contested Hearing. In a contested Hearing, the Hearing Panel attempts to determine the correct penalty. In a Settlement Hearing, the Hearing Panel takes into account the settlement process itself and the fact that the parties have agreed to the penalties set out in the Settlement Agreement. In our view, a Hearing Panel should not interfere lightly in a negotiated settlement and should not reject a Settlement Agreement unless it views the penalty as clearly falling outside a reasonable range of appropriateness.

¶ 44 Previous MFDA Hearing Panels have determined the factors which should be considered in determining whether a Settlement Agreement should be accepted. These include the following:

(i) Whether acceptance of the Settlement Agreement would be in the public interest and whether the penalty imposed will protect investors;

(ii) Whether the Settlement Agreement is reasonable and proportionate, having regard to the conduct of the Respondent as set out in the Settlement Agreement;

(iii) Whether the Settlement Agreement addresses the issues of both specific and general deterrence;

(iv) Whether the proposed settlement will prevent the type of conduct described in the Settlement Agreement from occurring again in the future;

(v) Whether the Settlement Agreement will foster confidence in the integrity of the Canadian capital markets;

(vi) Whether the Settlement Agreement will foster confidence in the integrity of the MFDA;

(vii) Whether the Settlement Agreement will foster confidence in the regulatory process itself.

Jacobson (Re), [2007], Hearing Panel of the Prairie Regional Council, MFDA File No. 200712, Reasons for Decision, dated July 13, 2007, at para. 68.

¶ 45 Previous Hearing Panels have also identified a number of additional factors which should be considered when determining whether the penalty sought to be imposed is appropriate. These include:

a) The seriousness of the allegations proved against the Respondent;

b) The Respondent's past conduct, including prior sanctions;

c) The Respondent's experience in the capital markets;

d) The level of the Respondent's activity in the capital markets;

e) Whether the Respondent recognizes the seriousness of the improper activity;

f) The harm suffered by investors as a result of the Respondent's activities;

g) The benefits received by the Respondent as a result of the improper activity;

h) The risk to investors and the capital markets in the jurisdiction, were the Respondent to continue to operate in capital markets in the jurisdiction;

i) The damage caused to the integrity of the capital markets in the jurisdiction by the Respondent's improper activities;

j) The need to deter not only those involved in the case being considered, but also any others who participate in the capital markets, from engaging in similar improper activity;

k) The need to alert others to the consequences of inappropriate activities to those who are permitted to participate in capital markets; and

l) Previous decisions made in similar circumstances.

Headley [Re], 2006, Hearing Panel of the Central Regional Council, MFDA File No. 200509, Reasons for Decision dated February 21, 2006 at para. 85.

¶ 46 When determining whether a penalty agreed upon by the parties is appropriate, the Hearing Panel may also consider the MFDA's Sanction Guidelines ("Guidelines") which came in to effect on November 15, 2018. The Guidelines are not mandatory or binding on the Hearing Panel, but provide a summary of the key factors upon which discretion can be exercised consistently and fairly. Many of the same factors that are listed above, which have been considered in previous decisions of MFDA Hearing Panels, are also reflected and described in the Guidelines.

V. CONSIDERATIONS IN THE PRESENT CASE

¶ 47 Staff made very detailed written and oral submissions as to how these principles and factors applied to the case before us. These included the following:

Nature of the Misconduct

¶ 48 We agree with the submission of Staff that the contraventions in this matter are serious.

¶ 49 The Respondent failed to detect and question KYC uniformity among a large number of leveraged accounts. This failure impaired the ability of the Respondent to ensure the suitability of the investments held in the leveraged accounts or that the strategy recommended to the client was suitable for those clients, thereby subjecting the clients to the risk of financial harm that might result if unsuitable investments or strategies were recommended to them.

¶ 50 This situation is exacerbated by the fact that the clients in question were engaged in a high risk strategy.

The Respondent's Past Conduct Including Prior Sanctions

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

The Respondent's Recognition of the Seriousness of the Misconduct

¶ 52 Staff advised the Hearing Panel that the Respondent fully co-operated with the MFDA's investigation of its misconduct.

¶ 53 By entering into the Settlement Agreement, and by implementing corrective measures, the Respondent has demonstrated that it fully understands the seriousness of the misconduct, has accepted responsibility for same and demonstrated a commitment to ensuring that it will not be repeated.

Harm Suffered by Investors

¶ 54 The failure by the Respondent to provide its clients with the fundamental protection which it is required to provide is harmful regardless of whether or not financial losses occur as a consequence.

¶ 55 Normally, in a Settlement Hearing, the Hearing Panel is provided with details of both client complaints and client losses, if any. In this case we were not, despite the fact that the evidence showed that some client accounts came to the Respondent showing market values less than the outstanding investment loans. Upon questioning this lacunae, the Hearing Panel was advised that this case was about having inadequate policies and procedures in place to detect and query uniformity in the KYC information recorded by the former Approved Person of the Respondent, as well as the steps it took to remedy the situation once discovered. Information about client complaints and losses, if any, would have been helpful to the Hearing Panel to assist it in ensuring that the proposed penalty was within the range of reasonableness. In the end we were, however, able to come to an unanimous conclusion.

Corrective Measures Implemented by the Respondent

¶ 56 As outlined in paragraphs 20 and 21 of the Settlement Agreement, the Respondent has instituted changes to the branch and desk review program to review KYC and new account application forms to, *inter alia*, identify patterns in client accounts with respect to risk tolerance, investment objectives and investment time horizons. Through changes to the back-office operating system, the Respondent is now capable of identifying patterns with KYC uniformity.

¶ 57 The Respondent also took steps to contact the affected clients, assign them a new dealing representative and to ensure that accurate KYC information was recorded for those clients where the Respondent believed there may have been a discrepancy.

Deterrence

¶ 58 Deterrence is intended to capture both specific deterrence of the wrongdoer, as well as general deterrence of other participants in the capital markets, in order to protect investors.

¶ 59 In our view, the proposed penalty will specifically deter the Respondent from engaging in similar activity by imposing a meaningful sanction upon it which reflects the seriousness of the misconduct in question.

¶ 60 The proposed penalty will also act as a general deterrent by reinforcing the importance of ensuring that a robust suitability review is conducted when a large number of high risk new accounts are accepted by the Member. It will serve to remind Members that they should be constantly aware of their obligation to supervise the KYC information submitted by Approved Persons to ensure that this information is accurately recorded and that the investments and strategies recommended to and implemented for all clients are suitable.

Previous Decisions Made in Similar Circumstances

¶ 61 Staff provided the Hearing Panel with a detailed chart seeking to show that the proposed resolution is within the reasonable range of appropriateness with regard to other decisions made by MFDA Hearing Panels in similar circumstances.

¶ 62 The following cases were discussed:

a) *M. Hershberg Capital Limited (Re)*, [2011] Hearing Panel of the Central Regional Council, MFDA File No. 201026, *supra*.

b) *Sterling Mutuals Inc.*, [2016] Hearing Panel of the Central Regional Council, MFDA File No. 201619, *supra*.

c) *Portfolio Strategies Corporation (Re)*, [2020] Hearing Panel of the Prairie Regional Council, MFDA File No. 202032, *supra*.

d) *Equity Associates Inc. (Re)*, [2018] Hearing Panel of the Central Regional Council, MFDA File No. 201716, *supra*.

e) *HollisWealth Advisory Services Inc.*, [2017] Hearing Panel of the Central Regional Council, MFDA File No. 2016116, *supra*.

f) *Partners in Planning Financial Services Ltd. (Re)*, [2010] Hearing Panel of the Prairie Regional Council, MFDA File No. 201032, *supra*.

VI. DECISION

¶ 63 After a thorough review of the factors by which we should be guided, and the facts of this case, as reflected in the Settlement Agreement, we were, unanimously, of the view that this Settlement Agreement was reasonable and in the public interest and should be accepted by the Hearing Panel. We so informed the parties at the conclusion of the Settlement Hearing.

VII. ORDER

¶ 64 After accepting the Settlement Agreement, we made the following Order:

a) The Respondent shall pay a fine in the amount of $20,000, pursuant to section 24.1.2(b) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.2(b)) on the date of this Order;

b) The Respondent shall pay costs in the amount of $5,000, pursuant to section 24.2 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.2) on the date of this Order; and

c) If at any time a non-party to this proceeding, with the exception of the bodies set out in Mutual Fund Dealer Rule 6.3 (formerly 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 Corporate Secretary's Office, Mutual Fund Dealer Division, of the Corporation 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 20 day of October, 2023.

Thomas J. Lockwood, K.C.

Linda Anderson

Robert Christianson