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: TeamMax Investment Corporation

Heard: March 3, 2017 in Toronto, Ontario
Decision and Reasons: July 7, 2017

DECISION AND REASONS

Hearing Panel of the Central Regional Council:

Thomas J. Lockwood, Q.C.	Chair
Guenther W. K. Kleberg	Industry Representative
Linda J. Anderson	Industry Representative

Appearances:

Michelle Pong	)	Counsel for the Mutual Fund Dealers Association of Canada
Robert Brush Clarke Tedesco	)	Counsel for the Respondent

SETTLEMENT HEARING

1. By Notice of Settlement Hearing, dated December 16, 2016 the Mutual Fund Dealers Association of Canada ("MFDA") announced that it would hold a hearing on March 3, 2017, to consider whether, pursuant to Section 24.4 of MFDA By-law No. 1, a Hearing Panel of the Central Regional Council ("Hearing Panel") of the MFDA should accept a settlement agreement, entered into between Staff of the MFDA ("Staff") and TeamMax Investment Corporation ("Respondent").

2. At the commencement of the settlement hearing on March 3, 2017, the Hearing Panel granted a joint motion by Staff and the Respondent to move the proceedings *in camera* while we considered the Settlement Agreement, as well as the written and oral submissions of Staff and the oral submissions of Counsel for the Respondent.

3. After a detailed review of the Settlement Agreement, the Hearing Panel had some concerns about the wording of certain of its provisions.

4. We are aware of the provisions of Section 24.4.3 of MFDA By-law No. 1, which stipulates that a Hearing Panel must either accept or reject the Settlement Agreement. It has no power to modify it.

5. We are also aware of Rule 15.3 of the MFDA Rules of Procedure, which provides as follows:

> "***15.3 Additional Facts Only to be Disclosed on Consent***
>
> (1) The Hearing Panel may advise the parties of any additional facts which it considers necessary to assess the settlement but unless the parties consent, any facts which are not contained in the Settlement Agreement shall not be disclosed to the Hearing Panel."

6. At the *in camera* session, we made the parties aware of our concerns and sought clarification of certain of the provisions. We made it clear that we were prepared to act in

accordance with section 24.4.3 of By-law No. 1 and that, if any additional factual information was to be proffered, it could only be done with the consent of the parties.

7. The parties conferred. They then provided certain factual clarification on a consensual basis. The parties requested a further opportunity to amend the Settlement Agreement and, if thought necessary, provide additional written submissions.

8. This request was granted.

9. By letter, dated March 27, 2017, from the MFDA Manager of Hearings Administration, the Hearing Panel was provided with amendments to the Settlement Agreement, along with additional Written Submissions from both Staff and the Respondent.

10. After a detailed review of the amended Settlement Agreement, as well as a consideration of all of the submissions of the parties, both written and oral, we have concluded that it is in the public interest that the amended Settlement Agreement be accepted.

B. THE AMENDED SETTLEMENT AGREEMENT

11. The salient portions of the Amended Settlement Agreement are as follows:

> **"AGREED FACTS**
>
> **Registration History**
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> 6. The Respondent is registered as a mutual fund dealer in the provinces of British Columbia and Ontario.
>
> 7. The Respondent has been a Member of the MFDA since July 5, 2002.
>
> **Corporate Structure**

8. The Respondent's head office is located at 340 Ferrier Street, Suite 201, Markham, Ontario (the "Head Office"). Currently, the Respondent maintains 3 branches and 12 sub-branches.

2013 Compliance Examination

9. Commencing on March 18, 2013, MFDA Compliance Staff conducted a compliance examination of the Respondent in order to assess the Respondent's compliance with MFDA By-laws, Rules and Policies during the period of March 1, 2010 to January 31, 2013 (the "2013 Examination").

10. The results of the 2013 Examination were summarized and delivered to the Respondent in a report dated August 2, 2013 (the "2013 Report").

11. The 2013 Report identified a number of compliance deficiencies including but not limited to the failure to respond to Staff's request for information; the failure to effectively discharge its supervisory obligations; the failure to conduct a historical leveraging review; and the failure to update its policies and procedures.

Inadequate Responses to Staff's Request for Information

12. During the 2013 Examination, MFDA Compliance Staff identified that the Respondent had repeatedly failed to respond at all, or had provided untimely, incomplete or inadequate responses, to numerous requests by Staff for documents, information and clarification during the course of the Third and Fourth Round Compliance Examinations of the Respondent conducted by Staff.

Supervisory Obligations

13. During the 2013 Examination, MFDA Compliance Staff identified that the Respondent had failed to implement a supervisory structure for the Respondent, compliant with the requirements set out in MFDA Policies No. 2 and 5, and had failed to effectively discharge the supervisory obligations prescribed by MFDA Rule 2.5.

14. Among other things, Staff was concerned that:

i. there was or had only been one tier of trade supervision in relation to the approximately 40 Approved Persons reporting directly to the Respondent's head office;

ii. there was or had only been one tier of trade supervision for all leveraged trades made by Approved Persons, notwithstanding the Respondent's large proportion of leveraged assets under administration ("AUA") to total AUA[1], the higher level of risk associated with leveraged trades, and the fact that MFDA Policy No. 2 required all leveraged trades to be reviewed at both the branch office and head office level;

iii. the two designated branch managers ("BMs") registered with the Respondent's British Columbia branch did not have complete access to client portfolio information or access to client documents and information pre-dating September 2012 (the date the branch was established) when performing supervisory responsibilities, including trade supervision;

iv. LT, one of the two BMs in the British Columbia branch did not have the requisite BM experience requirements prescribed by MFDA Rule 2.5.5(c);

v. until at least November 2013, the Respondent's monthly and quarterly trend analysis reporting and review was inadequate or non-existent, contrary to the requirements of section 6 of MFDA Policy No. 2;

vi. the Respondent's Branch Review Program was performed exclusively by Antony Chau ("Chau"), who was the Respondent's majority owner and controlling mind, and the Respondent's Chief Compliance Officer ("CCO") and the designated BM for all of the sub-branch reviews, such that the sub-branch reviews were not conducted by an individual independent of the locations, as required by MFDA Policy No. 5;

vii. the Respondent's supervisory staff failed to identify patterns in the Know-Your-Client ("KYC") information collected from clients by three Approved Persons: EYCQ, MF and HHYZ. Despite these clients varying widely in age and employment, the clients had very similar, or identical, investment knowledge, investment objectives, risk tolerance and investment time horizon;

viii. until May 2014, the Respondent had multiple branch and sub-branch registration issues, including the following:

    i. 2 sub-branch locations were not registered on the National Registration Database ("NRD");
    ii. 3 sub-branch locations were incorrectly registered on NRD;
    iii. 1 branch was registered on NRD as a sub-branch and there was not a designated on-site branch manager for this location; and
    iv. the correct on-site branch manager was not designated for the British Columbia branch.

[1] As at July 2014, approximately 60% of the Respondent's AUA consisted of leveraged assets.

15. During the 2013 Examination, MFDA Compliance Staff identified that the Respondent had failed to establish, implement and maintain adequate policies and procedures to supervise leveraging recommendations and ensure the suitability of leveraging recommendations made by Approved Persons to clients.

Historical Leveraging Review

16. During the 2013 Examination, MFDA Compliance Staff identified that the Respondent had failed to conduct a historical leveraging review of its leveraged client accounts to identify and correct deficiencies identified by Staff relating to those leveraged client accounts.

17. The Respondent represented to MFDA Compliance Staff that it would complete the historical leveraging review by October 1, 2013.

Updates to Policies and Procedures

18. During the 2013 Examination, MFDA Compliance Staff identified that the Respondent had failed to regularly update the Member's policies and procedures manual.

2014 Notice of Application and Order

19. On July 7, 2014, Staff brought an application for interim relief against the Respondent pursuant to section 24.3 of MFDA By-law No. 1.

20. On July 8, 2014, the Hearing Panel imposed the following terms on the Respondent (the "2014 Order"):

a) The Respondent shall perform, to the satisfaction of Staff, the following duties and responsibilities (the "Duties and Responsibilities"):

i. The Respondent shall resolve any and all Deficiencies identified by Staff in regards to the operation of the Respondent;
ii. The Respondent shall:

(1) no later than July 15, 2014, provide Staff a list of all its non-registered leveraged accounts (the "Accounts");
(2) no later than December 31, 2014, complete a historical leverage review of the Accounts as directed by Staff (the "Historical Leverage Review");

(3) commencing July 31, 2014, and on the last business day of every subsequent month until the Historical Leverage Review is completed, submit to Staff monthly reports concerning the status of the Historical Leverage Review in a format acceptable to Staff;

(4) no later than December 31, 2014,or within such other length of time agreed to by Staff, take remedial measures required , if any, to address the concerns raised by the Historical Leverage Review of the Accounts (the "Leverage Remedial Measures"); and

iii. the Respondent shall respond to all existing and future requests from Staff for information, documents and clarifications within the reasonable time periods specified in such requests;

b) Until such time the Respondent has, to the satisfaction of Staff, resolved the Deficiencies, completed the Historical Leverage Review and taken the necessary Leverage Remedial Measures, the Respondent shall not do the following things (the "Leveraging Restrictions") without the prior written consent of Staff:

i. open any new non-registered leveraged client accounts; and
ii. make any new leveraged trade recommendations or process any leveraged trades in any existing non-registered client accounts;

c) Until such time the Respondent has, to the satisfaction of Staff, resolved the Deficiencies, the Respondent shall not do the following things (the "Growth Restrictions") without the prior written consent of Staff:

i. hire or retain any new dealing representatives; and
ii. open any new branch or sub-branch locations;

d) Chau shall not become registered as the Respondent's CCO unless Chau provides Staff with at least 60 days' notice of his intention to seek registration as the Respondent's CCO in order to allow Staff the opportunity to attend before a hearing panel of the MFDA to seek any orders or terms and conditions on Chau's ability to conduct securities related business;

e) In the event the CCO appointed and retained by the Respondent in April 2014 is no longer willing or able to perform the CCO Responsibilities, the

Respondent shall, at its own expense and within 30 days of the CCO resignation or termination, or within such other length of time agreed to by Staff, appoint another individual as its new CCO, other than Chau, to perform all necessary and ongoing duties and functions of a CCO, as such duties and functions are prescribed by MFDA By-laws, Rules and Policies, including but not limited to MFDA Rule 2.5.3;

f) Chau, as the Respondent's ultimate designated person ("UDP"), is responsible for ensuring that the Respondent complies with the terms of this Order. In the event that the Respondent breaches any of the Leveraging and Growth Restrictions, the Respondent does not perform the Duties and Responsibilities to the satisfaction of Staff, or the Respondent and Chau do not otherwise comply with the terms set out in a. to e. above, Staff may re-attend before the Hearing Panel to seek such further orders and directions as may be reasonably necessary to give effect to the terms of this Order, including an order suspending the rights and privileges of Membership of the Respondent in the MFDA, and the existing procedures for applications made under section 24.3 of MFDA By-law No. 1 shall continue to apply, including Staff's ability to seek to have such re-attendances made with or without notice to the Respondent in-person, in writing or by way of electronic hearing, as time or circumstances reasonably require and the Hearing Panel permits.

2015 Compliance Examination

21. From March 23, 2015 to April 24, 2015, MFDA Compliance Staff conducted a further compliance examination of the Respondent in order to assess the Respondent's compliance with MFDA By-laws, Rules and Policies during the period of February 1, 2013 to January 31, 2015 (the "2015 Examination").

22. The Respondent's Head Office and the following five of the Respondent's branches and sub-branches were examined during the 2015 Examination: (1) Branch: 750 – 5900 No. 3 Road, Richmond, British Columbia; (2) Branch: 201 – South Tower 5811 Cooney Road, Richmond, British Columbia; (3) Sub-branch: 205 – 9140 Leslie Street, Richmond Hill, Ontario; (4) Sub-branch: 50 Acadia Avenue, Unit 102, Markham, Ontario; (5) Sub-branch: 670 Highway 7 E, Unit 33, Richmond Hill, Ontario.

23. The results of the 2015 Examination were summarized and delivered to the Respondent in a report dated July 20, 2015 (the "2015 Report").

24. The 2015 Report identified a number of compliance deficiencies including but not limited to some of the same ongoing issues and concerns previously identified in the 2013 Examination and the 2014 Order.

Two Tier Supervision Structure

25. MFDA Compliance Staff were advised that in May 2014, a two-tier daily trade supervisory structure in accordance with MFDA Policy No. 2 had been implemented. During the 2015 Examination, MFDA Compliance Staff identified that the Respondent did not have an adequate two-tier supervision structure as the UDP did not conduct a suitability of investment analysis when reviewing the daily trade blotter as KYC and portfolio information was not readily available on the daily trade blotter. The CCO confirmed that she was aware of this. The CCO and UDP further advised that suitability of investments was only assessed for the Ontario head office branch and the Ontario sub-branches during the daily trade supervision process by the CCO (i.e., there was only one-tier of supervision). However, during this same period the Respondent conducted pre-trade approval, whereby all trades for all branches were reviewed by the branch manager or the CCO for suitability before being processed. These same trades were reviewed again the following day by the CCO and, in some cases, also by the branch managers. The Respondent acknowledges that while all trades were subject to two (and sometimes three) reviews, in the case of the Ontario sub-branches, all the reviews were done by the CCO.

26. MFDA Compliance Staff were further advised by the UDP that he did not maintain a query log and could not recall issuing any inquiries since the addition of a new CCO on or about May 15, 2014. As of July 7, 2015, the Respondent had not yet implemented a trade inquiry log. However, the UDP was only performing Tier 2 reviews for the Ontario head office branch and the Ontario sub-branches. By the time the trades were reviewed by the UDP, the CCO had already reviewed each trade at least twice and reported any queries to the UDP, who made notes directly on the blotter. During this period, the UDP had not identified any queries that had not already been identified by the CCO, and therefore had made no entries and had no trade inquiry log.

Branch and Sub-branch Reviews

27. During the 2015 Examination, MFDA Compliance Staff identified that only one branch location of the Respondent's 11 locations had been reviewed since the 2013 Examination and dates for the remaining reviews had not yet been fixed.

28. In July 2014, the Respondent committed, in response to the 2013 Examination, to hiring an independent reviewer to perform MFDA Policy No. 5 reviews for locations where the CCO was also the designated BM. During the 2015 Examination, MFDA Compliance Staff identified that the Respondent did not have an independent reviewer to perform these reviews. As of July 7, 2015, the UDP and CCO advised MFDA Compliance Staff that instead of hiring an independent reviewer, as the Respondent had committed to in July 2014, Chau would perform the MFDA Policy No. 5 reviews for all sub-branches.

Detection and Querying of KYC Patterns

29. During the 2013 Examination, Staff identified patterns in the KYC information for clients EYCQ, MF and HHYZ.

30. On December 4, 2014, Staff was advised by the Respondent that as of January 2015, new procedures were to take effect in which a quarterly report showing the KYC information of each client account of each Approved Person will be produced from Viefund and reviewed, and any patterns identified will be queried.

31. On April 30, 2015, Staff was informed by the Respondent that a KYC report had been produced but the CCO had not had time to perform the review.

Supervision of Outside Business Activities

32. During the 2015 Examination, Staff identified concerns regarding the outside business activities ("OBAs") of Approved Persons at the Respondent and the Respondent's supervision of the OBAs.

33. Staff found websites and social media links for OBA's of Approved Persons at the Respondent which the Respondent had not been advised of. The Respondent had not conducted any internet searches for OBAs.

34. The Respondent had not reviewed all of its Approved Persons' OBAs and/or the related websites and social media sites after the Respondent became aware of the OBAs and/or related activities.

35. Staff identified discrepancies between how the OBAs of at least 6 Approved Persons were recorded on NRD, the Respondent's 2015 annual renewal forms and the Respondent's master OBA list. The Respondent informed Staff that it had not reviewed

and updated NRD and the master OBA list to reflect the OBAs stated in the 2015 annual renewal forms submitted by the Approved Persons on December 31, 2014.

Correcting Deficiencies

36. The Respondent has represented that it has corrected the deficiencies identified during the 2015 Examination. The MFDA will be conducting follow-up examinations of the Respondent to determine whether its compliance deficiencies have been corrected.

Mitigating Factors

37. TeamMax has no prior record of regulatory discipline.

38. TeamMax has recognized the seriousness of its conduct and the importance of implementing and maintaining compliance procedures that meet the standards set by the MFDA's Rules.

39. TeamMax has cooperated at all times throughout the Enforcement investigation which commenced following the issuance of the 2014 Order. In particular, in 2014 TeamMax consented to the imposition of terms and conditions on its registration while changes to its compliance structures could be developed and implemented. Since the terms and conditions were originally imposed in 2014, TeamMax has spent approximately $425,000 implementing compliance improvements. In particular:

a) It has increased compliance supervisory staff from one person to seven people;
b) It now employs two full-time compliance officers and one full-time Branch Manager;
c) It implemented a new electronic back-office system;
d) It implemented automated compliance suitability reviews (from manual reviews);
e) It implemented a 2-tier compliance structure across the firm (with trained Branch Managers);
f) It re-wrote its Policies and Procedures Manual;
g) It voluntarily implemented restrictions on leveraging and adding new registered representatives in February 2014, five months before the formal order was implemented in July 2014;
h) It completed a historical leverage review to ensure that all existing leverage loans were in compliance with MFDA rules. There have been no client complaints relating to leverage;

i) It is up-to-date with new MFDA policies, and is implementing changes in advance of requirements coming into effect; and

j) It is represented at and participates in industry associations, such as the Association of Canadian Compliance Professionals, and in other training events.

40. There is no evidence of client harm resulting from the contraventions.

CONTRAVENTIONS

41. The Respondent admits that, between August 2010 and April 2014, the Respondent failed to respond, or provided untimely, incomplete or inadequate responses, to requests for information and documents requested by Staff during the course of compliance examinations, contrary to MFDA Rules 1.2.5(a)(iii)[2] and 2.1.1.

42. The Respondent admits that, between September 2009 and April 2014, the Respondent failed to establish, implement and maintain adequate policies and procedures to supervise leveraging recommendations and ensure the suitability of leveraging recommendations made by Approved Persons to clients, contrary to MFDA Rules 2.2.1, 2.5 and 2.10 and MFDA Policy No. 2.

43. The Respondent admits that, commencing October 2011, the Respondent failed to conduct a historical leveraging review of the Respondent's leveraged client accounts to identify and correct deficiencies identified by Staff relating to those leveraged client accounts, contrary to MFDA Rules 1.2.5(a)(iii)[3], 2.2.1 and 2.1.1.

44. The Respondent admits that between September 2009 and July 2015, the Respondent failed to implement a supervisory structure for the Respondent compliant with the requirements set out in MFDA Policies No. 2 and 5, and failed to effectively discharge the supervisory obligations prescribed by MFDA Rule 2.5, contrary to MFDA Rules 2.5 and MFDA Policies No. 2 and 5, and the 2014 Order.

45. The Respondent admits that between, August 2010 and April 2014, the Respondent failed to regularly update the Respondent's policies and procedures manual, contrary to MFDA Rule 2.10 and MFDA Policy No. 2;

[2] Now MFDA Rule 1.4(a)(iii).
[3] Now MFDA Rule 1.4(a)(iii).

46. The Respondent admits that between March 2010 and July 2015, the Respondent failed to implement a Branch Review Program compliant with the requirements set out in MFDA Policy No. 5.

47. The Respondent admits that between March 2010 and July 2015, the Respondent failed to adequately detect and query patterns in the KYC information collected from clients by three Approved Persons: EYCQ, MF and HHYZ, contrary to MFDA Rule 2.2.1 and MFDA Policy No. 2.

48. The Respondent admits that between March 2010 and July 2015, the Respondent failed to conduct sufficient supervisory activities of its Approved Persons' OBAs, contrary to MFDA Rule 1.2.1(c)[4].

TERMS OF SETTLEMENT

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

a) The Respondent shall pay a fine in the amount of $60,000, with $10,000 payable upon the acceptance of the Settlement Agreement and the balance being paid in 5 monthly instalments of $10,000 each;
b) The Respondent shall pay costs in the amount of $10,000 upon the acceptance of the Settlement Agreement;
c) The Respondent acknowledges that, having regard to the size of its business, its UDP shall not be appointed as the CCO, perform the day-to-day compliance duties and functions of the CCO, or perform other day-to-day compliance functions and duties (beyond fulfilling his duties and functions as UDP), without the prior written consent of Staff;
d) The Respondent shall in the future comply with all MFDA By-laws, Rules and Policies, and all applicable securities legislation and regulations made thereunder, including MFDA Rules 1.2.1(c)[5], 1.2.5(a)(iii)[6], 2.1.1, 2.1.2, 2.2.1, 2.5, 2.10, and MFDA Policies No. 2, 3 and 5;
e) The terms and conditions imposed by the 2014 Order shall be removed; and
f) A senior officer of the Respondent will attend in person, on the date set for the Settlement Hearing."

[4] Now MFDA Rule 1.3.
[5] Now MFDA Rule 1.3.
[6] Now MFDA Rule 1.4(a)(iii).

C. THE LAW RELATING TO SETTLEMENT AGREEMENTS

12. Past MFDA Hearing Panels have set out a number of considerations which should be taken into account when determining whether a proposed settlement should be accepted. These include:

a) whether acceptance of the settlement agreement would be in the public interest and whether the penalty imposed will protect investors;
b) whether the settlement agreement is reasonable and proportionate, having regard to the conduct of the Respondent as set out in the settlement agreement;
c) whether the settlement agreement addresses the issues of both specific and general deterrence;
d) whether the proposed settlement will prevent the type of conduct described in the settlement agreement from occurring again in the future;
e) whether the settlement agreement will foster confidence in the integrity of the Canadian capital markets;
f) whether the settlement agreement will foster confidence in the integrity of the MFDA; and
g) whether the settlement agreement will foster confidence in the regulatory process itself.

Re: *Snyder (Re),* 2015 LNCMFDA 15, Decision of the Atlantic Regional Council, dated March 13, 2015, at para. 20.

13. Past MFDA Hearing Panels have also delineated a number of factors which should be considered when determining whether a proposed penalty 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 and level of activity in the capital markets;
d) whether the respondent recognizes the seriousness of the improper activity;

e) the harm suffered by investors as a result of the respondent's activities;

f) the benefits received by the respondent as a result of the improper activity;

g) the risk to investors and the capital markets in the jurisdiction, were the respondent to continue to operate in capital markets in the jurisdiction;

h) the damage caused to the integrity of the capital markets in the jurisdiction by the respondent's improper activities;

i) 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;

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

k) previous decisions made in similar circumstances.

Re: *Headley (Re)*, 2006 LNCMFDA 3, at para. 85.

14. We agree with the submission of Staff that a hearing panel should not lightly interfere in a negotiated settlement so long as the penalties agreed upon are within the reasonable range of appropriateness, given the conduct of the Respondent.

D. THE PRESENT CASE

15. Our initial concern with the Settlement Agreement arose not from the relevant law or the applicable principles but rather from the conduct of the Respondent, as delineated in paragraphs 41 to 48 of the Settlement Agreement. This conduct is of a very serious nature.

16. On July 8, 2014, this Hearing Panel made an Order, imposing a series of very specific terms on the Respondent. This Order was issued as a result of an application for interim relief brought by Staff against the Respondent on July 7, 2014.

17. These terms are set out in detail in paragraph 20 of the Settlement Agreement.

18. Our main concern arose from the fact that, in the Settlement Agreement (paragraph 44), the Respondent admitted that it had acted contrary to the provisions of this Order.

19. This led the Hearing Panel to seek clarification with respect to certain provisions in the Settlement Agreement so that we could have an appropriate level of comfort that the public interest would be protected should the Settlement Agreement be accepted.

20. As indicated above, this led Staff to provide certain additional factual information on a consensual basis and for the parties to subsequently amend certain provisions of the Settlement Agreement such that our concerns have been assuaged.

21. For example, in paragraph 36 of the amended Settlement Agreement, Staff has now taken on a positive duty to determine whether the compliance deficiencies have, in fact, been corrected.

22. We thank the parties for their assistance and co-operation.

23. We are impressed with the steps, outlined in detail in paragraph 39 of the Settlement Agreement, which have been taken by the Respondent since the imposition of our Order in July of 2014.

24. We believe that the Respondent has recognized the seriousness of its conduct and the importance of both implementing and maintaining compliance procedures that meet the standards set by the MFDA's Rules.

E. DECISION

25. After a detailed review of the Settlement Agreement, as amended, the applicable law, the factors specific to the Respondent, as well as the written and oral submissions of the parties, we have concluded that it is in the public interest that this amended Settlement Agreement be accepted.

F. PENALTIES IMPOSED

26. As a result of the acceptance of the amended Settlement Agreement, the following penalties will be imposed upon the Respondent:

a) The Respondent shall pay a fine in the amount of $60,000, with $10,000 payable upon the acceptance of the Settlement Agreement and the balance being paid in 5 monthly instalments of $10,000 each;

b) The Respondent shall pay costs in the amount of $10,000 upon the acceptance of the Settlement Agreement;

c) The Respondent acknowledges that, having regard to the size of its business, its ultimate designated person ("UDP") shall not be appointed as the Chief Compliance Officer ("CCO"), perform the day-to-day compliance duties and functions of the CCO, or perform other day-to-day compliance functions and duties (beyond fulfilling his duties and functions as UDP), without the prior written consent of Staff;

d) The Respondent shall in the future comply with all MFDA By-laws, Rules and Policies, and all applicable securities legislation and regulations made thereunder, including MFDA Rules 1.2.1(c)[7], 1.2.5(a)(iii)[8], 2.1.1, 2.1.2, 2.2.1, 2.5, 2.10, and MFDA Policies No. 2, 3 and 5;

e) The terms and conditions imposed by the 2014 Order shall be removed;

f) The proceeding commenced on July 7, 2014 is concluded; and

g) 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

[7] Now MFDA Rule 1.3.
[8] Now MFDA Rule 1.4(a)(iii).

redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure.*

DATED this 7th day of July, 2017.

"Thomas J. Lockwood"

Thomas J. Lockwood, Q.C.
Chair

"Linda J. Anderson"

Linda J. Anderson
Industry Representative

"Guenther W.K. Kleberg

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