



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Leszek Dziadecki

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of the Central Regional Council (“Hearing Panel”) of the Mutual Fund Dealers Association of Canada (“MFDA”) on October 19, 2022 at 11:00 a.m. (Eastern), or as soon thereafter as the appearance can be held, concerning a disciplinary proceeding commenced by the MFDA against Leszek Dziadecki (the “Respondent”). Members of the public who would like to listen to the teleconference should contact hearings@mfd.ca to obtain particulars.

DATED this 3rd day of August, 2022.

“Michelle Pong”

Michelle Pong
Director, Regional Councils

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Telephone: 416-945-5134
Email: corporatesecretary@mfd.ca

NOTICE is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

Allegation #1: Between 2015 and 2016, the Respondent engaged in securities related business that was not carried on for the account of the Member or conducted through its facilities by recommending, selling, or facilitating the sale of syndicated mortgage investments to clients and other individuals, contrary to the Member's policies and procedures and MFDA Rules 1.1.1,¹ 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1).

Allegation #2: Between 2015 and 2017, the Respondent engaged in unapproved outside business activities in relation to syndicated mortgage investments, contrary to the Member's policies and procedures and MFDA Rules 1.2.1(c) (now MFDA Rule 1.3), 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1).

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

Registration History

1. Beginning 1995, the Respondent became registered as a dealing representative.
2. Between May 7, 2004 and October 1, 2018, the Respondent was registered in Ontario as a dealing representative with Global Maxfin Investments Inc. (the "Member"), a Member of the MFDA.
3. Between May 7, 2004 and June 1, 2006, and between July 15, 2008 and October 1, 2018, the Member designated the Respondent as a branch manager.
4. On October 1, 2018, the Respondent resigned from the Member and is not currently registered in the securities industry in any capacity.
5. The Respondent is licensed to sell insurance.

¹ Effective January 21, 2021, MFDA Rule 1.1.1 was amended. As the Respondent engaged in the alleged misconduct addressed in this proceeding prior to January 21, 2021, in this proceeding, Staff is relying on the version of MFDA Rule 1.1.1 that was in effect prior to the January 21, 2021 amendments.

6. At all material times, the Respondent was the owner and President of Advantage Group of Finance Inc. (“Advantage”), a company through which the Respondent sold insurance products and provided financial planning and retained other licensed individuals to provide services in connection with mortgage and income tax return preparation.²

7. At all material times, the Respondent conducted business in the Mississauga, Ontario area.

Allegation #1 – Securities Related Business Outside the Member

8. At all material times, the Member’s policies and procedures required that its Approved Persons conduct all securities related business through the Member.

9. In 2015, the Respondent was advised by a former business associate, ET, that ET had joined the company BioNorth Technology Group (“BioNorth”).

10. ET also informed the Respondent that BioNorth would be raising capital by offering syndicated mortgage investments (“SMIs”) on property owned by BioNorth.³ ET knew that the Respondent was in the securities industry and provided investment advice to clients, and he wanted the Respondent to inform clients or other investors about the opportunity to invest in the SMIs offered by BioNorth.

11. Shortly thereafter, the Respondent invited ET to his office to meet with the Respondent and his associates who offered services through Advantage. During the meeting, ET described the features and terms of the BioNorth SMIs.

12. Thereafter, between 2015 and 2016, the Respondent recommended, sold, or facilitated the sale of BioNorth SMIs totalling at least \$713,300 to at least 6 clients and 1 individual (the “Investors”), in the amounts set out in the table below:

Client/Individual	Amount Invested	Date of Investment
Client HJ	\$25,300	November 2015
Client JD	\$66,500	December 2015
Client JOD	\$41,500	December 2015

² Advantage was approved by the Member as an outside business activity of the Respondent.

³ The borrower on the SMIs and holder of the property mortgaged was BioNorth Technology Real Estate Ltd., a corporation affiliated with BioNorth.

Client/Individual	Amount Invested	Date of Investment
Client AF and Individual PA	\$500,000	March 2016
Client IJ	\$40,000	July 2016
Client JJ	\$40,000	July 2016
	Total: \$713,300	

13. The Respondent engaged in one or more of the following activities in relation to the purchase of the BioNorth SMIs by each of the Investors:

- a) introduced the Investors to the opportunity to invest in the BioNorth SMIs;
- b) discussed with the Investors the terms and features of investing in the BioNorth SMIs, including that investors would be paid interest on their investment at a rate of 9% per year;
- c) provided the Investors with promotional material about the BioNorth SMIs;
- d) recommended the BioNorth SMIs to the Investors;
- e) provided assurances about the BioNorth SMIs to the Investors, including describing the investment as “very secure” and more secure than other SMIs on the market; or
- f) recommended that Investors who were clients of the Member redeem mutual funds from their accounts with the Member in order to invest the proceeds in BioNorth SMIs and, with respect to at least 3 of the clients described above, processed redemptions of mutual funds held with the Member so that those clients could apply the proceeds towards the purchase of investments in the BioNorth SMIs.

14. The Respondent did not disclose to the Member that he was engaging in any activities with respect to the recommendation, sale, or facilitation of the sale of BioNorth SMIs as described above, and the Member did not authorize the Respondent or any other Approved Persons of the Member to recommend, sell, or facilitate the sale of BioNorth SMIs to its clients.

15. None of the purchases of the BioNorth SMIs described above were carried on for the account of the Member or processed through its facilities.

16. By September 2017, BioNorth ceased making interest payments to the Investors.

17. In June 2018, when the BioNorth SMIs were to mature, BioNorth did not repay the principal amounts invested in the SMIs to the Investors. On November 17, 2020, the local municipality where the BioNorth mortgaged property was situated sold the property pursuant to a tax sale. There were insufficient proceeds from the sale to make any payment to the Investors, and the syndicated mortgage against the property was discharged.

18. The Investors lost the entirety of their principal investments totaling \$713,300.

19. By recommending, selling, or otherwise facilitating the sale of syndicated mortgage investments offered by BioNorth to the Investors as described above, the Respondent engaged in securities related business that was not carried on for the account of the Member or conducted through its facilities, contrary to the Member's policies and procedures and MFDA Rules 1.1.1, 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1).

Allegation #2 – Unapproved Outside Business Activity

20. At all material times, the Member's policies and procedures prohibited its Approved Persons from engaging in an outside business activity without approval from the Member.

21. As described above, the Respondent engaged in the recommendation, sale, or facilitation of the sale of BioNorth SMIs.

22. In addition, in December 2016, the Respondent facilitated a loan totaling approximately \$60,000 from a third party to BioNorth to assist it with financing interest payments owed to investors in the BioNorth SMI.

23. The Respondent did not obtain approval from the Member prior to engaging in any outside business activity in connection with BioNorth.

24. The Respondent benefited or expected to benefit in respect of his activities with BioNorth.

25. By virtue of the foregoing, the Respondent engaged in unapproved outside activities contrary to the Member's policies and procedures and MFDA Rules 1.2.1(c) (now MFDA Rule 1.3), 2.1.1, and 1.1.2 (as it relates to MFDA Rule 2.5.1).

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with the MFDA;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- a) a reprimand;
- b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and
 - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- d) revocation of the authority of such person to conduct securities related business;
- e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time; and
- f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel.

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary within twenty days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Alan Melamud
Email: amelamud@mfd.ca

A **Reply** shall be **filed** by:

- a) providing four copies of the **Reply** to the Office of the Corporate Secretary by personal delivery, mail or courier to:

The Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Office of the Corporate Secretary; or

- b) transmitting one electronic copy of the **Reply** to the Office of the Corporate Secretary by e-mail at corporatesecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- a) to **serve** and **file** a **Reply**; or
- b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-laws.

END.

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