

# Re Talosi

**IN THE MATTER OF:**

**The Mutual Fund Dealer Rules**

**and**

**Stephen Joseph Talosi**

2024 CIRO 11

Canadian Investment Regulatory Organization  
Hearing Panel (Ontario District)

Heard: August 21, 2023, in Toronto, Ontario (via videoconference)

Decision: August 21, 2023

Reasons for Decision: January 19, 2024

**Hearing Panel:**

The Honourable Robert P. Armstrong, K.C., Chair

Guenther Kleberg, Industry Representative

Eugene Park, Industry Representative

**Appearances:**

Paul Blasiak, Senior Enforcement Counsel for CIRO

Rafal Szymanski, Counsel for the Respondent

Stephen Joseph Talosi, Respondent

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## REASONS FOR DECISION

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### I. INTRODUCTION

¶ 1 From 2006 to March 10, 2020, Stephen Joseph Talosi (the “Respondent”) was registered in Ontario as a dealing representative with FundEX Investments Inc. (“FundEX”), a Member of the Mutual Fund Dealers Association of Canada (“MFDA”). The Respondent carried on business in Welland, Ontario.

¶ 2 On September 6, 2022, the MFDA, now a part of Canadian Investment Regulatory Organization (“CIRO”) commenced a discipline proceeding against the Respondent by way of Notice of Hearing, which alleged the Respondent engaged in the following conduct contrary to the By-laws, Rules and/or Policies of the MFDA as follows:

**Allegation #1:** Between about February 2019 and June 2019, the Respondent sent confidential client information to a third party without ensuring that the clients had provided prior consent, contrary to the Member’s policies and procedures and MFDA Rules 2.1.3, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1).

**Allegation #2:** On or about April 1, 2019, the Respondent accessed the system of another MFDA Member using login credentials that were provided to him by an Approved Person registered with the other Member, and sent confidential client information from the system to a third party, without the other Member’s knowledge or consent, contrary to MFDA Rules 2.1.3 and 2.1.1.

**Allegation #3:** On November 28, 2019, the Respondent misled the Member during its investigation into his conduct, contrary to MFDA Rule 2.1.1.

¶ 3 On July 21, 2023, the Respondent and CIRO entered into a Settlement Agreement in respect of the above allegations.

¶ 4 This matter now comes before this Hearing Panel of CIRO for the purpose of reviewing the Settlement reached by the parties and approving the same if so advised.

¶ 5 For the reasons that follow this Panel approves the proposed Settlement.

## **II. THE FACTS**

¶ 6 The Settlement Agreement in paragraphs 7 to 44 contains the following summary of the facts agreed upon by the parties in respect of this matter:

### **“Registration History**

¶ 7 Commencing in 1987, the Respondent was registered in the securities industry.

¶ 8 From 2006 to March 10, 2020, the Respondent was registered in Ontario as a dealing representative with FundEX Investments Inc. ("FundEX"), a Member of the MFDA.

¶ 9 On March 10, 2020, FundEX terminated the Respondent in part as a result of the conduct described herein, and he is not currently registered in the securities industry in any capacity.

¶ 10 At all material times, the Respondent conducted business in the Welland, Ontario area.

### **Background**

¶ 11 At all material times, the Respondent was a principal of a company (the "Company") through which the Respondent and four other Approved Persons of FundEX (collectively, the "APs") conducted mutual fund business.

¶ 12 In 2019, the APs were in discussions with Wealthsimple Advisor Services Inc. ("WASI"), a Member of the MFDA, regarding the APs transferring their registration and books of business from FundEX to WASI.

¶ 13 At all material times, WASI maintained an onboarding process (the "Onboarding Process") for Approved Persons of other Members who intended to transfer their registration and book of business to WASI.

¶ 14 Pursuant to the Onboarding Process, Approved Persons provided confidential client information regarding the clients whose accounts they serviced at the other Members to Wealthsimple Technologies Inc. ("WSTI"), a company affiliated with WASI, prior to the Approved Persons transferring their registration to WASI.

¶ 15 The confidential client information included, among other things, client names, social insurance numbers, dates of birth, addresses, email addresses, phone numbers, account numbers, account types, and types and amounts of investments held (the "Client Information").

¶ 16 Pursuant to the Onboarding Process, the Approved Person provided WSTI with the Client Information to be inputted to a cloud-based portal that WSTI maintained. After the Approved Person provided WSTI with the Client Information, the Approved Person invited the clients to access the portal where the clients could provide their consent to the Approved Person to release their personal information to WASI. If a client accessed the portal and consented to the release of their personal information to WASI, WSTI sent the client's Client Information to WASI. The Client Information was then used to help populate the forms required to open client accounts with WASI. As reflected in a Settlement Agreement between WASI and the MFDA, WASI states that the portal was secure.

### **Sending Confidential Client Information to a Third Party Without Client Consent**

¶ 17 At all material times, FundEX's policies and procedures prohibited its Approved Persons from disclosing client information to a third party without the prior written consent of the client.

¶ 18 In 2019, the APs agreed to participate in WASI's Onboarding Process, and the Company signed an agreement to send Client Information to WSTI with the intention that the APs would subsequently transfer their registrations and books of business from FundEX to WASI.

¶ 19 The Respondent agreed to send to WSTI the Client Information of all the clients whose accounts the APs serviced at FundEX.

¶ 20 Between about February and June 2019, the Respondent sent to WSTI the Client Information of approximately 1,126 clients whose accounts the APs including the Respondent serviced at FundEX.

¶ 21 The Respondent did not ensure that clients consented to provide their Client Information to WSTI, and he did not inform FundEX that the Client Information was being sent to WSTI.

¶ 22 In late 2019, WASI discontinued its Onboarding Process and ceased accepting new Approved Persons.

¶ 23 The Respondent and the other APs did not ultimately become registered with WASI.

¶ 24 By failing to ensure that clients had consented to provide their Client Information to WSTI as described above, the Respondent compromised the confidentiality of the clients' Client Information.

¶ 25 The Respondent thereby failed to maintain the Client Information of clients in confidence and contravened the policies and procedures of FundEX, contrary to MFDA Rules 2.1.3, 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1).

### **Accessing the System of Another Member Without Consent**

¶ 26 At all material times, LH was an Approved Person registered with another MFDA Member (the "Other Member").

¶ 27 The Respondent and LH were acquainted and both intended to transfer their registrations to WASI.

¶ 28 In 2019, LH agreed to participate in WASI's Onboarding Process and signed an agreement to send Client Information to WSTI with the intention that he would transfer his registration to WASI.

¶ 29 During the Onboarding Process, LH experienced technical difficulties when attempting to send Client Information to WSTI, and he requested assistance from the Respondent to send Client Information to WSTI on his behalf.

¶ 30 On or about April 1, 2019, LH provided the Respondent with LH's login credentials including his username and password to the Other Member's customer relationship management system (the "System") so that the Respondent could access the System and send Client Information to WSTI on behalf of LH.

¶ 31 On or about April 1, 2019:

- a) the Respondent, while not in the presence of LH, used LH's username and password to log into the Other Member's System;
- b) while logged into the System, the Respondent shared his screen remotely with WSTI Staff;
- c) during the screen-sharing session, WSTI Staff viewed the contents of the Other Member's System and three reports (the "Reports") were generated from the System which contained Client Information; and
- d) the Respondent saved the Reports on his computer and then emailed them to WSTI Staff on behalf of LH.

¶ 32 The Respondent states that he then deleted the Reports from his computer.

¶ 33 The Other Member was not aware of, and never authorized, any of the activity described above.

¶ 34 LH did not ultimately become registered with WASI.

¶ 35 By using LH's username and password to access the System of the Other Member, by enabling WSTI Staff to view the System of the Other Member, and by sending Client Information from the System of the Other Member to WSTI without the knowledge or consent of the Other Member as described above, the Respondent:

- a) prevented the Other Member from safeguarding the Client Information that was contained in its System; and

b) compromised the confidentiality of the clients' Client Information.

¶ 36 The Respondent thereby undermined the efforts of the Other Member to maintain the Client Information of clients in confidence, failed to observe high standards of ethics and conduct in the transaction of business, and engaged in conduct which was unbecoming and detrimental to the public interest, contrary to MFDA Rules 2.1.3 and 2.1.1.

#### **Misleading the Member**

¶ 37 On November 28, 2019, the Member interviewed the Respondent with regard to the matters described above.

¶ 38 During the interview, the Respondent told the Member that LH did not provide him with LH's username and password to the Other Member's System and he never accessed the Other Member's System.

¶ 39 The Respondent's statement to the Member was false or misleading because the conduct engaged in by the Respondent on or about April 1, 2019 as described above in paragraphs 30 and 31 was not consistent with the representations that he made during his interview with the Member.

¶ 40 By misleading the Member as described above, the Respondent engaged in conduct contrary to MFDA Rule 2.1.1.

#### **Additional Factors**

¶ 41 As reflected in a Settlement Agreement between WASI and the MFDA, WASI states that all Client Information provided to WSTI pursuant to the Onboarding Process has been deleted, other than:

- a) Client Information of clients who accessed WSTI's portal described above in paragraph 16 and consented to release their personal information to WASI; and
- b) Client Information that is relevant to ongoing matters being addressed by the MFDA or its successors, which is being held in a secure location based on the request of Staff of CIRO.

¶ 42 There is no evidence of client financial loss arising from the misconduct described herein.

¶ 43 The Respondent has not previously been the subject of MFDA or CIRO disciplinary proceedings.

¶ 44 By entering into the Settlement Agreement, the Respondent has saved CIRO the time, resources, and expenses associated with conducting a contested hearing of the allegations.”

### **III. SUBMISSIONS OF STAFF COUNSEL**

¶ 45 Counsel for Staff provided detailed and lengthy written submissions in support of the Settlement Agreement. Counsel made reference to the specific breaches of the MFDA Rules in issue in this case.

¶ 46 MFDA Rule 2.1.3 in respect of confidential information provides:

#### **2.1.3 Confidential Information**

- a) All information received by a Member relating to a client or the business and affairs of a client shall be maintained in confidence by the Member and its Approved Persons and other employees and agents. No such information shall be disclosed to any other person or used for the advantage of the Member or its Approved Persons or other employees or agents without the prior written consent of the client or as required or authorized by legal process or statutory authority or where such information is reasonably necessary to provide a product or service that the client has requested.
- b) Each Member shall develop and maintain written policies and procedures relating to confidentiality and the protection of information held by it in respect of clients.

¶ 47 Counsel submitted that Rule 2.1.1 requires that “each Member and Approved Person: deal fairly, honestly, and in good faith with clients; observe high standards of ethics and conduct in the transaction of business; and refrain from engaging in any business conduct or practice, which is unbecoming or detrimental to

the public interest.” Counsel emphasized that previous hearing panels of the MFDA have held that it is not permissible to disclose client information to a third person without receiving prior authority from the client. References were made to the following cases:

*Wealthsimple Advisor Services Inc. (Re)*, [2022] Hearing Panel of the Central Regional Council, MFDA File No. 202238, Panel Decision dated December 22, 2022, at para. 20.;

*Roche (Re)*, [2014] Hearing Panel of the Prairie Regional Council, MFDA File No. 201420, Panel Decision dated November 17, 2014;

*Scott (Re)*, [2017] Hearing Panel of the Central Regional Council, MFDA File No. 201647, Panel Decision dated April 12, 2017; and

*Wighton (Re)*, [2020] Hearing Panel of the Central Regional Council, MFDA File No. 2018123, Panel Decision dated February 19, 2020.

¶ 48 Counsel for the Staff further submitted that accessing the system of another Member without the other Member’s approval is not permitted. See: *Wealthsimple Advisor Services Inc. (supra)*.

¶ 49 Counsel emphasized that in today’s electronic world a Member’s system “is particularly vulnerable to misuse or unauthorized dissemination by an unauthorized party.”

¶ 50 Staff Counsel cited the following statement of the Court of Appeal for Ontario in *Jones v. Tsinge*, 2012 ONCA 32, at para. 67:

The Internet and digital technology have brought an enormous change in the way we communicate and in our capacity to capture, store and retrieve information. As the facts of this case indicate, routinely kept electronic databases render our most personal financial information vulnerable.

#### **IV. SUBMISSIONS OF COUNSEL FOR THE RESPONDENT**

¶ 51 As already indicated, the Respondent is a party to the Settlement Agreement and his counsel confirmed his acceptance of the terms of the Agreement. His counsel also stated that the Respondent has not been registered since his termination in March 2020. He further noted that with the 12 month prohibition from re-registering, the Respondent will in fact be out of the industry for more than four years.

#### **V. CONCLUSION**

¶ 52 This Panel agrees that the Respondent has engaged in serious misconduct as set forth in Allegations 1, 2 and 3 (*supra*).

¶ 53 We note that the Respondent has not previously been the subject of discipline proceedings. We also agree that the Respondent has accepted the responsibility for his misconduct.

¶ 54 In our view, the proposed penalties will act as a deterrent for any such misconduct on the part of the Respondent in the future and will send a clear message to others who may be inclined to engage in such conduct.

¶ 55 One of the primary principles that emerges from the case law in these kinds of matters is that the proposed resolution should fall within a reasonable range of appropriateness with regard to similar decisions made by prior hearing panels. Counsel provided us with a number of cases generally similar to the present case for our consideration.

See:

*Wealthsimple Advisor Services Inc. (Re)*, (*supra*);

*Clairmont (Re)*, [2019] Hearing Panel of the Central Regional Council, MFDA File No. 2018109, Panel Decision dated February 11, 2019;

*Hogg (Re)*, Hearing Panel of the Ontario District Hearing Committee, MFDA File No. 202240, Order dated May 16, 2023;

*Pender (Re)*, [2019] Hearing Panel of the Central Regional Council, MFDA File No. 2018108, Panel Decision dated February 11, 2019;

*Wang (Re)*, [2021] Hearing Panel of the Prairie Regional Council, MFDA File No. 202114, Panel Decision dated February 7, 2022;

*Mitha (Re)*, [2021] Hearing Panel of the Central Regional Council, MFDA File No. 202073, Panel Decision dated May 14, 2021;

*Pu (Re)*, [2022] Hearing Panel of the Central Regional Council, MFDA File No. 202216, Panel Decision dated August 23, 2022; and

*Wong (Re)*, [2007] Hearing Panel of the Central Regional Council, MFDA File No. 200709, Panel Decision dated June 20, 2007.

¶ 56 We are in agreement that the proposed resolution in this case satisfies the principle that it falls within a reasonable range of appropriateness with regard to similar decisions made by prior hearing panels.

¶ 57 This Panel approves the Settlement Agreement. The Respondent shall be subject to the following Order:

- a) A twelve-month prohibition from conducting securities related business;
- b) A fine of \$40,000;
- c) A requirement to pay costs of \$5,000; and
- d) A requirement to complete successfully an ethics course before becoming re-registered.

**DATED** at Toronto, Ontario this 19 day of January 2024.

“Robert Armstrong”

The Honourable Robert P. Armstrong, K.C.

Chair

“Guenther Kleberg”

Guenther Kleberg

Industry Representative

“Eugene Park”

Eugene Park

Industry Representative

**Settlement Agreement**

**File No. 202239**

**IN THE MATTER OF:**

**The Mutual Fund Dealer Rules<sup>i</sup>**

**and**

**Stephen Joseph Talosi**

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## SETTLEMENT AGREEMENT

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### I. INTRODUCTION

¶ 1 The Canadian Investment Regulatory Organization, a consolidation of IIROC and the MFDA (“CIRO”) will announce that it proposes to hold a hearing (the “Settlement Hearing”) to consider whether, pursuant to section 24.4 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.4), a hearing panel (the “Hearing Panel”) should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of CIRO (“Staff”) and Stephen Joseph Talosi (the “Respondent”).

¶ 2 Staff and the Respondent, consent and agree to the terms of this Settlement Agreement.

¶ 3 Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

### II. CONTRAVENTIONS

¶ 4 The Respondent admits to the following violations of the By-laws, Rules or Policies of the MFDA:

- a) Between about February 2019 and June 2019, the Respondent sent confidential client information to a third party without ensuring that the clients had provided prior consent, contrary to the Member’s policies and procedures and MFDA Rules 2.1.3, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1) (now Mutual Fund Dealer Rules 2.1.3, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1));
- b) On or about April 1, 2019, the Respondent accessed the system of another MFDA Member using login credentials that were provided to him by an Approved Person registered with the other Member, and sent confidential client information from the system to a third party, without the other Member’s knowledge or consent, contrary to MFDA Rules 2.1.3 and 2.1.1 (now Mutual Fund Dealer Rules 2.1.3 and 2.1.1); and
- c) On November 28, 2019, the Respondent misled the Member during its investigation into his conduct, contrary to MFDA Rule 2.1.1 (now Mutual Fund Dealer Rule 2.1.1).

### III. TERMS OF SETTLEMENT

¶ 5 Staff and the Respondent agree and consent 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 Dealer Member of CIRO registered as a mutual fund dealer for a period of 12 months, commencing on the date that this Settlement Agreement is accepted by a Hearing Panel, pursuant to s. 24.1.1(e) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(e));
- b) The Respondent shall pay a fine in the amount of \$40,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(b)), which shall be payable in certified funds on the date that this Settlement Agreement is accepted by a Hearing Panel;
- c) The Respondent shall pay costs in the amount of \$5,000, pursuant to s. 24.2 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.2), which shall be payable in certified funds on the date that this Settlement Agreement is accepted by a Hearing Panel;
- d) The Respondent shall successfully complete the Ethics and Professional Conduct Course offered by the IFSE Institute, or an ethics course acceptable to Staff of CIRO, prior to becoming re-registered as a dealing representative with a Dealer Member of CIRO registered as a mutual fund dealer, pursuant to s. 24.1.1(f) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(f));
- e) The Respondent shall in the future comply with Mutual Fund Dealer Rules 2.1.3, 2.1.1 and

1.1.2 (as it relates to Rule 2.5.1) (formerly MFDA Rules 2.1.3, 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1)); and

f) The Respondent shall attend on the date set for the Settlement Hearing.

¶ 6 Staff and the Respondent agree to the settlement on the basis of the facts set out in this Settlement Agreement herein and consent to the making of an Order in the form attached as Schedule “A”.

#### **IV. AGREED FACTS**

##### **Registration History**

¶ 7 Commencing in 1987, the Respondent was registered in the securities industry.

¶ 8 From 2006 to March 10, 2020, the Respondent was registered in Ontario as a dealing representative with FundEX Investments Inc. (“FundEX”), a Member of the MFDA.

¶ 9 On March 10, 2020, FundEX terminated the Respondent in part as a result of the conduct described herein, and he is not currently registered in the securities industry in any capacity.

¶ 10 At all material times, the Respondent conducted business in the Welland, Ontario area.

##### **Background**

¶ 11 At all material times, the Respondent was a principal of a company (the “Company”) through which the Respondent and four other Approved Persons of FundEX (collectively, the “APs”) conducted mutual fund business.

¶ 12 In 2019, the APs were in discussions with Wealthsimple Advisor Services Inc. (“WASI”), a Member of the MFDA, regarding the APs transferring their registration and books of business from FundEX to WASI.

¶ 13 At all material times, WASI maintained an onboarding process (the “Onboarding Process”) for Approved Persons of other Members who intended to transfer their registration and book of business to WASI.

¶ 14 Pursuant to the Onboarding Process, Approved Persons provided confidential client information regarding the clients whose accounts they serviced at the other Members to Wealthsimple Technologies Inc. (“WSTI”), a company affiliated with WASI, prior to the Approved Persons transferring their registration to WASI.

¶ 15 The confidential client information included, among other things, client names, social insurance numbers, dates of birth, addresses, email addresses, phone numbers, account numbers, account types, and types and amounts of investments held (the “Client Information”).

¶ 16 Pursuant to the Onboarding Process, the Approved Person provided WSTI with the Client Information to be inputted to a cloud-based portal that WSTI maintained. After the Approved Person provided WSTI with the Client Information, the Approved Person invited the clients to access the portal where the clients could provide their consent to the Approved Person to release their personal information to WASI. If a client accessed the portal and consented to the release of their personal information to WASI, WSTI sent the client’s Client Information to WASI. The Client Information was then used to help populate the forms required to open client accounts with WASI. As reflected in a Settlement Agreement between WASI and the MFDA, WASI states that the portal was secure.

##### **Sending Confidential Client Information to a Third Party Without Client Consent**

¶ 17 At all material times, FundEX’s policies and procedures prohibited its Approved Persons from disclosing client information to a third party without the prior written consent of the client.

¶ 18 In 2019, the APs agreed to participate in WASI’s Onboarding Process, and the Company signed an agreement to send Client Information to WSTI with the intention that the APs would subsequently transfer their registrations and books of business from FundEX to WASI.

¶ 19 The Respondent agreed to send to WSTI the Client Information of all the clients whose accounts the APs serviced at FundEX.



¶ 20 Between about February and June 2019, the Respondent sent to WSTI the Client Information of approximately 1,126 clients whose accounts the APs including the Respondent serviced at FundEX.

¶ 21 The Respondent did not ensure that clients consented to provide their Client Information to WSTI, and he did not inform FundEX that the Client Information was being sent to WSTI.

¶ 22 In late 2019, WASI discontinued its Onboarding Process and ceased accepting new Approved Persons.

¶ 23 The Respondent and the other APs did not ultimately become registered with WASI.

¶ 24 By failing to ensure that clients had consented to provide their Client Information to WSTI as described above, the Respondent compromised the confidentiality of the clients' Client Information.

¶ 25 The Respondent thereby failed to maintain the Client Information of clients in confidence and contravened the policies and procedures of FundEX, contrary to MFDA Rules 2.1.3, 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1).

### **Accessing the System of Another Member Without Consent**

¶ 26 At all material times, LH was an Approved Person registered with another MFDA Member (the "Other Member").

¶ 27 The Respondent and LH were acquainted and both intended to transfer their registration to WASI.

¶ 28 In 2019, LH agreed to participate in WASI's Onboarding Process and signed an agreement to send Client Information to WSTI with the intention that he would transfer his registration to WASI.

¶ 29 During the Onboarding Process, LH experienced technical difficulties when attempting to send Client Information to WSTI, and he requested assistance from the Respondent to send Client Information to WSTI on his behalf.

¶ 30 On or about April 1, 2019, LH provided the Respondent with LH's login credentials including his username and password to the Other Member's customer relationship management system (the "System") so that the Respondent could access the System and send Client Information to WSTI on behalf of LH.

¶ 31 On or about April 1, 2019:

- a) the Respondent, while not in the presence of LH, used LH's username and password to log into the Other Member's System;
- b) while logged into the System, the Respondent shared his screen remotely with WSTI Staff;
- c) during the screen-sharing session, WSTI Staff viewed the contents of the Other Member's System and three reports (the "Reports") were generated from the System which contained Client Information; and
- d) the Respondent saved the Reports on his computer and then emailed them to WSTI Staff on behalf of LH.

¶ 32 The Respondent states that he then deleted the Reports from his computer.

¶ 33 The Other Member was not aware of, and never authorized, any of the activity described above.

¶ 34 LH did not ultimately become registered with WASI.

¶ 35 By using LH's username and password to access the System of the Other Member, by enabling WSTI Staff to view the System of the Other Member, and by sending Client Information from the System of the Other Member to WSTI without the knowledge or consent of the Other Member as described above, the Respondent:

- a) prevented the Other Member from safeguarding the Client Information that was contained in its System; and
- b) compromised the confidentiality of the clients' Client Information.

¶ 36 The Respondent thereby undermined the efforts of the Other Member to maintain the Client Information

of clients in confidence, failed to observe high standards of ethics and conduct in the transaction of business, and engaged in conduct which was unbecoming and detrimental to the public interest, contrary to MFDA Rules 2.1.3 and 2.1.1.

### **Misleading the Member**

¶ 37 On November 28, 2019, the Member interviewed the Respondent with regard to the matters described above.

¶ 38 During the interview, the Respondent told the Member that LH did not provide him with LH's username and password to the Other Member's System and he never accessed the Other Member's System.

¶ 39 The Respondent's statement to the Member was false or misleading because the conduct engaged in by the Respondent on or about April 1, 2019 as described above in paragraphs 30 and 31 was not consistent with the representations that he made during his interview with the Member.

¶ 40 By misleading the Member as described above, the Respondent engaged in conduct contrary to MFDA Rule 2.1.1.

### **Additional Factors**

¶ 41 As reflected in a Settlement Agreement between WASI and the MFDA, WASI states that all Client Information provided to WSTI pursuant to the Onboarding Process has been deleted, other than:

- a) Client Information of clients who accessed WSTI's portal described above in paragraph 16 and consented to release their personal information to WASI; and
- b) Client Information that is relevant to ongoing matters being addressed by the MFDA or its successors, which is being held in a secure location based on the request of Staff of CIRO.

¶ 42 There is no evidence of client financial loss arising from the misconduct described herein.

¶ 43 The Respondent has not previously been the subject of MFDA or CIRO disciplinary proceedings.

¶ 44 By entering into the Settlement Agreement, the Respondent has saved CIRO the time, resources, and expenses associated with conducting a contested hearing of the allegations.

### **V. ADDITIONAL TERMS OF SETTLEMENT**

¶ 45 This settlement is agreed upon in accordance with section 24.4 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.4) and Rules 14 and 15 of the Mutual Fund Dealer Rules of Procedure.

¶ 46 The Settlement Agreement is subject to acceptance by the Hearing Panel. At or following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.3.5) and Rule 15.2(2) of the Mutual Fund Dealer Rules of Procedure. If the Hearing Panel accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at [www.mfda.ca](http://www.mfda.ca).

¶ 47 The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately, and any suspensions, revocations, prohibitions, conditions or other terms of the Settlement Agreement shall commence, upon the effective date of the Settlement Agreement.

¶ 48 Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel:

- a) the Settlement Agreement will constitute the entirety of the evidence to be submitted at the settlement hearing, subject to Rule 15.3 of the Mutual Fund Dealer Rules of Procedure;
- b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal before the Board of Directors of CIRO 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;

- c) except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement, Staff will not initiate any proceeding under the Mutual Fund Dealer Rules against the Respondent in respect of the facts and contraventions described in this Settlement Agreement. 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 this Settlement Agreement, 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;
- d) the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to section 24.1.1 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1) for the purpose of giving notice to the public thereof in accordance with section 24.5 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.5); and
- e) 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 the Respondent.

¶ 49 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 Mutual Fund Dealer Rule 7.4.3 against the Respondent based on, but not limited to, the facts set out in this 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.

¶ 50 If, for any reason, this Settlement Agreement is not accepted by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of MFDA By-law No. 1 (now Mutual Fund Dealer Rules 7.3 and 7.4), unaffected by the Settlement Agreement or the settlement negotiations.

¶ 51 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. The terms of the Settlement Agreement, including the attached Schedule “A”, will be released to the public if and when the Settlement Agreement is accepted by the Hearing Panel.

¶ 52 The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement. A facsimile or electronic copy of any signature shall be as effective as an original signature.

**DATED** this 21st day of July, 2023.

“Stephen Joseph Talosi”

Stephen Joseph Talosi

“Witness”

Witness – Signature

Witness

Witness – Print name

“Charles Toth”

Per: Charles Toth

New Self-Regulatory Organization of Canada,  
Vice-President, Enforcement (Mutual Fund Dealers)

## Schedule “A” Order

### IN THE MATTER OF:

**The Mutual Fund Dealer Rules**

**and**

**Stephen Joseph Talosi**

## ORDER

**WHEREAS** on September 6, 2022, the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Hearing pursuant to sections 20 and 24 of MFDA By-law No. 1 (now Mutual Fund Dealer Rules 7.3 and 7.4) in respect of a disciplinary proceeding commenced against Stephen Joseph Talosi (the “Respondent”);

**AND WHEREAS** an appearance was held electronically by videoconference before a Hearing Panel of the Central Regional Council of the MFDA in this matter on November 21, 2022;

**AND WHEREAS** on January 1, 2023, the MFDA and the Investment Industry Regulatory Organization of Canada (“IIROC”) consolidated to form the New Self-Regulatory Organization of Canada, now called the Canadian Investment Regulatory Organization (“CIRO”);

**AND WHEREAS** the Respondent entered into a settlement agreement with Staff of CIRO, a consolidation of IIROC and 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 sections 20 and 24.1 of MFDA By-law No. 1 (now Mutual Fund Dealer Rules 7.3 and 7.4.1);

**AND WHEREAS** on [date], CIRO provided notice to the public of a Settlement Hearing in respect of the Respondent;

**AND WHEREAS** based upon the admissions of the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that the Respondent:

- a) between about February 2019 and June 2019, sent confidential client information to a third party without ensuring that the clients had provided prior consent, contrary to the Member’s policies and procedures and MFDA Rules 2.1.3, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1) (now Mutual Fund Dealer Rules 2.1.3, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1));
- b) on or about April 1, 2019, accessed the system of another MFDA Member using login credentials that were provided to him by an Approved Person registered with the other Member, and sent confidential client information from the system to a third party, without the other Member’s knowledge or consent, contrary to MFDA Rules 2.1.3 and 2.1.1 (now Mutual Fund Dealer Rules 2.1.3 and 2.1.1); and

- c) on November 28, 2019, misled the Member during its investigation into his conduct, contrary to MFDA Rule 2.1.1 (now Mutual Fund Dealer Rule 2.1.1).

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

- ¶ 1 The Respondent is prohibited from conducting securities related business in any capacity while in the employ of or associated with any Dealer Member of CIRO registered as a mutual fund dealer for a period of 12 months commencing on the date of this Order pursuant to s. 24.1.1(e) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(e));
- ¶ 2 The Respondent shall pay a fine in the amount of \$40,000 in certified funds on the date of this Order, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(b));
- ¶ 3 The Respondent shall pay costs in the amount of \$5,000 in certified funds on the date of this Order, pursuant to s. 24.2 of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.2);
- ¶ 4 The Respondent shall successfully complete the Ethics and Professional Conduct Course offered by the IFSE Institute, or an ethics course acceptable to Staff of CIRO, prior to becoming re-registered as a dealing representative with a Dealer Member of CIRO registered as a mutual fund dealer, pursuant to s. 24.1.1(f) of MFDA By-law No. 1 (now Mutual Fund Dealer Rule 7.4.1.1(f));
- ¶ 5 The Respondent shall in the future comply with Mutual Fund Dealer Rules 2.1.3, 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1) (formerly MFDA Rules 2.1.3, 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1)); and
- ¶ 6 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 CIRO's Privacy Policy, then the Corporate Secretary's Office, Mutual Fund Dealer Division of CIRO 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 Mutual Fund Dealer Rules of Procedure.

**DATED** this [day] day of [month], 202[ ].

Per: Name,

Chair

Per: Name,

Industry Representative

Per: Name,

Industry Representative

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<sup>i</sup> On January 1, 2023, the Investment Industry Regulatory Organization of Canada ("IIROC") and the Mutual Fund Dealers Association of Canada (the "MFDA") were consolidated into a single self-regulatory organization that is called the

Canadian Investment Regulatory Organization (referred to herein as “CIRO”) and is recognized under applicable securities legislation. CIRO adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Pursuant to Mutual Fund Dealer Rule 1A and s. 14.6 of By-law No. 1 of CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO. Pursuant to Mutual Fund Dealer Rule 1A, MFDA By-law No. 1 continues to be applicable to this proceeding.