

**Fresh as Amended Notice of Hearing**

**File No. 201925**



**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: Mohammad Movassaghi and Kindle Briten Megan Blythe**

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**FRESH AS AMENDED NOTICE OF HEARING**

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**NOTICE** is hereby given that a first appearance will take place by teleconference before a hearing panel of the Pacific Regional Council (“Hearing Panel”) of the Mutual Fund Dealers Association of Canada (“MFDA”) in the hearing room at the MFDA offices, 650 West Georgia Street, Suite 1220, Vancouver, British Columbia on May 28, 2019 at 10:00 a.m. (Pacific), or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Mohammad Movassaghi (“Movassaghi”) and Kindle Briten Megan Blythe (“Blythe”) (or together referred to as the “Respondents”).

**DATED** Originally issued March 12, 2019 – Fresh as Amended December 10, 2019.

“Michelle Pong”

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Michelle Pong  
Director, Regional Councils

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

**Allegation #1:** Between April 2015 and October 2015, Blythe:

- a) falsified client X's signature on 9 account forms; or
- b) knew or ought to have known that 9 signed account forms that she submitted for processing with respect to investment accounts of client X had not been signed by client X; or
- c) failed to exercise due diligence to ensure that 9 signed account forms that she submitted for processing for client X had been signed by client X,

contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 2.10, 2.5.1 and 1.1.2.

**Allegation #2:** Between April 8, 2015 and June 9, 2015, without client X's knowledge or authorization, Blythe submitted 3 Know-Your-Client ("KYC") Update Forms to the Member to update account records of client X and without exercising due diligence to ensure that client X was aware of and had authorized the changes to her KYC information, contrary to the policies and procedures of the Member and MFDA Rules 2.2.1, 2.1.1, 2.5.1, 2.10, and 1.1.2.

**Allegation #3:** Between January 2015 and June 2016, without the knowledge or authorization of client X, Blythe processed or submitted paperwork to process at least 180 trades in the investment accounts of client X and without exercising due diligence to ensure that client X had authorized all elements of the trades that were processed in client X's account, thereby engaging in unauthorized discretionary trading, contrary to the policies and procedures of the Member and MFDA Rules 2.3.1(a) [now MFDA Rule 2.3.1(b)]<sup>1</sup>, 2.1.1, 2.10 and 1.1.2.

**Allegation #4:** Between January 2015 and June 2016, Blythe:

- a) created, or in some cases directed other employees who worked in her office to create records of purported instructions received from client X which had not in fact been received [the "Records of Instructions"]; or

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<sup>1</sup> On January 19, 2017, MFDA Rule 2.3.1 was amended. The prohibition on discretionary trading was moved from MFDA Rule 2.3.1(a) to MFDA Rule 2.3.1(b).

b) failed to exercise due diligence to ensure that the Records of Instructions accurately described instructions that had been received from client X;

contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 5.1(b), 2.10, 2.5.1 and 1.1.2.

**Allegation #5:** Between April 2015 and October 2015, Movassaghi:

a) falsified client X's signature on 9 account forms; or

b) knew or ought to have known that 9 account forms that were submitted for processing with respect to investment accounts of client X had not been signed by client X; or

c) failed to exercise due diligence to ensure that 9 signed account forms that were submitted for processing with respect to investment accounts of client X had been signed by client X;

contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 2.5.1, 2.10 and 1.1.2.

**Allegation #6:** Between April 8, 2015 and June 9, 2015, Movassaghi instructed Blythe to submit 3 KYC Update Forms to update records concerning the investment accounts of client X without the knowledge or authorization of client X, or in the alternative, Movassaghi knew or ought to have known that 3 KYC Update Forms that were submitted to the Member to update account records of client X were submitted without the knowledge or authorization of client X and he failed to exercise due diligence to ensure that client X was aware of and had authorized the changes to her KYC information, contrary to the policies and procedures of the Member and MFDA Rules 2.2.1, 2.1.1, 2.5.1, 2.10, and 1.1.2.

**Allegation #7:** Between January 2015 and June 2016, Movassaghi processed or directed other Approved Persons or employees subject to his authority to process at least 180 trades in the investment accounts of client X without the knowledge or authorization of client X; or in the alternative, he knew or ought to have known that Approved Persons or employees subject to his authority were processing a large number of trades in the accounts of client X and he failed to exercise due diligence to ensure that client X had authorized all elements of the trades that were

processed in client X's accounts, contrary to the policies and procedures of the Member and MFDA Rules 2.3.1(a) [now MFDA Rule 2.3.1(b)]<sup>2</sup>, 2.1.1, 2.10 and 1.1.2.

**Allegation #8:** Between January 2015 and June 2016, Movassaghi:

- a) created or in some cases directed another Approved Person or other employees who worked in his office to create records of purported instructions received from client X which had not in fact been received [the "Records of Instructions"]; or
- b) failed to exercise due diligence to ensure that the Records of Instructions accurately described instructions that had been received from client X;

contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 5.1(b), 2.10, 2.5.1 and 1.1.2.

**Allegation #9:** Between January 2014 and August 2016, Movassaghi failed to disclose actual or potential conflicts of interest to the Member, contrary to the policies and procedures of the Member and MFDA Rules 1.2.1(c) [now Rule 1.3.2]<sup>3</sup>, 2.1.4, 2.1.1, 2.5.1, 2.10 and 1.1.2.

## **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**

#### **Movassaghi**

1. From May 22, 2013 to July 8, 2016, Movassaghi was registered in British Columbia as a dealing representative (formerly known as a mutual fund salesperson) with Investors Group Financial Services Inc. (the "Member"), a member of the MFDA.

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<sup>2</sup> On January 19, 2017, MFDA Rule 2.3.1 was amended. The prohibition on discretionary trading was moved from MFDA Rule 2.3.1(a) to MFDA Rule 2.3.1(b).

<sup>3</sup> On March 17, 2016, MFDA Rule 1.2.1(c) was amended and renumbered as Rule 1.3.2.

2. From July 25, 2016 to September 2, 2016, Movassaghi was registered in British Columbia as a registered representative with Harbourfront Wealth Management Inc. (“Harbourfront”), a dealer member of the Investment Industry Regulatory Organization of Canada (“IIROC”).
3. Movassaghi is not currently registered in the securities industry.
4. At all material times, Movassaghi carried on business in the Vancouver, British Columbia area.

### **Blythe**

5. From October 6, 2014 to July 8, 2016, Blythe was registered in British Columbia and Alberta as a dealing representative with the Member
6. Since July 22, 2016, Blythe has been registered in British Columbia as a registered representative with Harbourfront.
7. At all material times, Blythe carried on business in the Vancouver, British Columbia area.

### **Background**

#### *The Servicing Of Client X's Accounts At The Member*

8. Between January 21, 2014 and August 2016, client X was a client of the Member.
9. From January 21, 2014 to October 6, 2014, client X's investment accounts were serviced solely by Movassaghi. Between October 6, 2014 (when Blythe became registered with the Member) and July 8, 2016 (when Movassaghi and Blythe ceased to be registered with the Member), client X's investment accounts were serviced jointly by Movassaghi and Blythe and all securities related business processed by the Respondents was processed using the representative code of Movassaghi. The Respondents shared compensation earned from servicing client accounts including the client accounts of client X in accordance with the terms of an agreement between the Respondents. After October 6, 2014, Movassaghi continued to be the primary Approved Person servicing client X's account but as an Approved Person, Blythe had authority to and did in fact participate in servicing the investment accounts of clients including client X.

*Client X*

10. In or about October 2013, client X finished her medical training and moved to Vancouver, British Columbia to work as a medical doctor at a hospital.

11. As specified in more detail below, upon her arrival in Vancouver, client X rented an apartment from Movassaghi. After learning that client X was a doctor who had just arrived in Vancouver, Movassaghi solicited the transfer of her investment accounts to the Member. In January 2014, client X agreed to transfer her investment accounts to the Member and Movassaghi became the Approved Person responsible for servicing her accounts. Movassaghi did not inform the Member that client X was a tenant who was renting an apartment from him.

12. On January 21, 2014, client X opened 2 accounts with the Member: a Registered Retirement Savings Plan (“RRSP”) account and a Tax Free Savings Account (“TFSA”).

13. In January 2014, client X accepted the recommendation of Movassaghi to set up monthly pre-authorized contributions (“PACs”) from her personal bank account to her investment accounts. Specifically, client X agreed to have \$2,000 withdrawn from her personal bank account each month and applied as follows: \$1,000 per month into her TFSA with the Member and \$1,000 per month into her RRSP account with the Member.

14. On September 19, 2014, client X opened a non-registered investment account with the Member.

15. In September 2014, client X accepted the recommendation of Movassaghi to set up monthly PACs to her non-registered investment account with the Member. Specifically, client X agreed to have \$1,000 withdrawn from her personal bank account each month and deposited into her non-registered investment account with the Member.

16. From time to time, the Respondents made changes to the specific mutual funds that were being purchased with the cash that was being deposited into her three investment accounts each month by means of the PACs without informing client X about the changes or obtaining instructions to implement them.

17. In 2015 and in 2016, client X did not attend any in-person meetings with Movassaghi or Blythe. In 2015 and 2016, client X did not provide trading instructions to Movassaghi or Blythe by telephone except to the extent that in approximately June 2015, she told the Respondents that she needed to withdraw money from her TFSA to pay for a car that she had purchased.

#### *The Transfer Out Of Client X's Accounts*

18. In July 2016, Movassaghi and Blythe resigned and ceased to be Approved Persons of the Member and became registered representatives with Harbourfront.

19. On or about August 9, 2016, Movassaghi falsified client X's signature on several Harbourfront forms required to transfer client X's investment accounts from the Member to Harbourfront and to open investment accounts at Harbourfront. Client X's holdings at the Member were sold and transferred to Harbourfront in cash without client X's knowledge or authorization.

20. On June 21, 2017, Movassaghi entered into a settlement agreement with IIROC in which he admitted to falsifying client X's signature on forms to facilitate the transfer of client X's investment accounts from the Member to Harbourfront.

21. When Movassaghi's misconduct at Harbourfront came to light, client X reviewed the records of transactions processed in her investment accounts with the Member prior to the transfer of her accounts to Harbourfront and reported the conduct that gave rise to this Notice of Hearing.

#### *The Member's Conclusions*

22. After client X reported the conduct described in this Notice of Hearing to the Member, the Member conducted a review of the trading in client X's accounts and on February 17, 2017, the Member paid compensation to client X in the amount of \$22,065.59 on the basis of its calculations of financial losses that client X suffered as a consequence of improper servicing of client X's accounts by the Respondents.

### **Allegations #1 and #5 - Falsification Of Client Signatures**

23. At all material times, the policies and procedures of the Member required Approved Persons to maintain high standards of ethical practice, uphold the standard of conduct and prohibited Approved Persons from signing another person's name on a document.

24. Between April 2015 and October 2015, without the knowledge or authorization of client X, 9 account forms were submitted to the Member that contained falsified signatures of client X [collectively referred to as the "9 Signed Account Forms"] in order to update records pertaining to client X's investment accounts with the Member. The 9 Signed Account Forms included:

- a) 3 KYC Update Forms that Blythe submitted for processing to update KYC information on record with the Member for investment accounts of client X;
- b) 3 Pre-Authorized Contribution ("PAC") Agreements authorizing the withdrawal of money from bank accounts of client X and the deposit of those amounts into investment accounts of client X that were serviced by the Respondents; and
- c) 3 client information update forms to update banking information related to PAC Agreements.

25. Client X did not receive copies of any of the 9 Signed Account Forms before they were submitted for processing by the Member or at any time prior to the transfer of her investment accounts from the Member to Harbourfront.

### **Allegation #1 – Blythe – Falsification Of Client Signatures**

26. In 2015, Blythe did not meet with client X in person.

27. Blythe did not notify client X that any of the 9 account forms had to be signed by client X and she did not send the forms to client X to be signed.

28. In 2015, Blythe did not receive the 9 Signed Account Forms from client X.

29. Between April 2015 and October 2015, without the knowledge or authorization of client X, Blythe falsified client X's signature on the 9 Signed Account Forms in order to facilitate the

processing of the 9 account forms that she submitted for processing to update the account records of client X.

30. In the alternative, Blythe knew or ought to have known that the signatures on the 9 Signed Account Forms were not the signatures of client X and she did not contact client X to ensure that client X had signed the 9 Signed Account Forms.

31. In the alternative, Blythe did not exercise due diligence to ensure that client X had signed the 9 Signed Account Forms before she submitted the 9 Signed Account Forms for processing to update the account records of client X.

32. To the extent that Blythe relied on Movassaghi or any other Approved Person to ensure that client X signed the 9 Signed Account Forms that Blythe submitted for processing, she accepted the risk of her reliance in the event that client X had not actually signed the 9 Signed Account Forms that Blythe submitted for processing.

33. Accordingly, Blythe falsified client X's signature on the 9 Signed Account Forms; or in the alternative, she knew or ought to have known that client X had not signed the 9 Signed Account Forms that she submitted for processing; or, in the alternative, she failed to exercise due diligence to ensure that client X had signed the 9 Signed Account Forms that she submitted for processing, contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 2.10, 2.5.1 and 1.1.2.

#### **Allegation #5 – Movassaghi – Falsification of Client Signatures**

34. In 2015, Movassaghi did not meet with client X in person.

35. Movassaghi did not notify client X that the 9 account forms had to be signed by client X and he did not send the forms to client X to be signed.

36. In 2015, Movassaghi did not receive the 9 Signed Account Forms from client X.

37. Between April 2015 and October 2015, without the knowledge or authorization of client X, Movassaghi falsified client X's signature on the 9 Signed Account Forms in order to facilitate the processing of the 9 account forms.

38. In the alternative, Movassaghi knew or ought to have known that client X had not signed the signatures that appeared on the 9 Signed Account Forms that were submitted for processing to update the account records of client X.

39. In the alternative, Movassaghi did not exercise due diligence to ensure that client X had signed the 9 Signed Account Forms before the 9 Signed Account Forms were submitted for processing to update the account records of client X.

40. As the principal Approved Person responsible for servicing client X's investment accounts with the Member, to the extent that Movassaghi delegated tasks associated with the servicing of the accounts of client X to Blythe or other Approved Persons or employees who worked in his office, he continued to have responsibility for ensuring that account forms that were submitted for processing with a client signature had in fact been signed by the client.

41. Accordingly, Movassaghi falsified client X's signature on the 9 Signed Account Forms; or he knew or ought to have known that client X had not signed the 9 Signed Account Forms that were submitted for processing to update the account records of client X; or in the alternative, the Respondent failed to exercise due diligence to ensure that client X had signed the 9 Signed Account Forms that were submitted for processing to update the account records of client X, contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 2.10, 2.5.1 and 1.1.2.

#### **Allegations #2 and #6 - Unauthorized Changes To KYC Information**

42. At all material times, the Member's policies and procedures required Approved Persons to obtain:

- a) information concerning recorded KYC information from the client; and
- b) a client signature on KYC information update forms in order to affirm the client's approval of the changes.

43. Between April 8, 2015 and June 9, 2015, without the knowledge or authorization of client X, Blythe submitted to the Member 3 KYC Update Forms and thereby changed KYC information on file with the Member for investment accounts of client X.

44. Between April 8, 2015 and June 9, 2015, the 3 KYC Update Forms that Blythe submitted to the Member for processing to record changes to information on file with respect to accounts of client X had the effect of:

- a) increasing the risk tolerance of client X from “medium” to “very high”; and
- b) changing the Investment Profile of client X from “moderate conservative/moderate” to “very aggressive”.

45. There had been no actual changes to client X’s risk tolerance or her investment profile.

**Allegation #2 - Blythe – Unauthorized Changes To KYC Information**

46. Between April 8, 2015 and June 9, 2015, prior to submitting the 3 KYC Update Forms to change information on record with the Member concerning client X’s investment accounts with the Member, Blythe did not communicate with client X in-person, by telephone, by e-mail or by other means to inform client X about the changes to KYC information on file for client X that would result from the processing of the KYC Update Forms and to ensure that client X was aware of the changes, understood the significance and implications of the changes and authorized the changes that would be made to client X’s account records.

47. Between April 8, 2015 and June 9, 2015, Blythe did not obtain an authentic signature of client X on the 3 KYC Update Forms that she submitted to update account records of client X.

48. Blythe knew or ought to have known that client X had not authorized the changes to the account records of client X that would be made when the 3 KYC Update Forms were submitted for processing.

49. In the alternative, Blythe failed to exercise due diligence to ensure that client X had authorized the changes to account records that were made when the 3 KYC Update Forms were submitted to the Member for processing.

50. To the extent that Blythe relied on Movassaghi or any other Approved Person to obtain authorization from client X for KYC updates that Blythe submitted for processing, Blythe accepted the risk of her reliance in the event that client X had not actually authorized the changes that Blythe submitted for processing.

51. By engaging in the conduct described above, between April 8, 2015 and June 9, 2015, without the knowledge or authorization of client X, Blythe submitted 3 KYC Update Forms to change KYC information on record for client X's investment accounts and failed to exercise due diligence to ensure that client X had authorized the KYC information updates that would be made to account records of client X when Blythe submitted the 3 KYC Update Forms for processing, contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 2.2.1, 2.10, 2.5.1 and 1.1.2.

**Allegation #6 - Movassaghi – Unauthorized Changes To KYC Information**

52. Between April 8, 2015 and June 9, 2015, Movassaghi did not meet with client X or communicate with client X about any changes to the KYC information of client X.

53. Between April 8, 2015 and June 9, 2015, Movassaghi did not obtain client X's authorization to submit 3 KYC Update Forms to change KYC information on file with respect to client X's investment accounts with the Member.

54. Between April 8, 2015 and June 9, 2015, Movassaghi did not obtain client X's signature on any of the 3 KYC Update Forms that were submitted to the Member in respect of client X's investment accounts with the Member.

55. Between April 8, 2015 and June 9, 2015, without the knowledge or authorization of client X, Movassaghi directed Blythe to submit 3 KYC Update Forms for processing to update account records of investment accounts of client X.

56. As the principal Approved Person responsible for servicing client X's investment accounts with the Member, Movassaghi knew or ought to have known that KYC updates had been made to account records of client X and he had an obligation to use due diligence to ensure that:

- a) client X was aware of and had authorized the KYC information updates that were made to the account records of investment accounts of client X; and
- b) client X had signed the KYC Update Forms that were submitted for processing to update account records of client X.

57. To the extent that Movassaghi delegated tasks associated with the servicing of the accounts of client X to Blythe or other individuals who worked in his office, he continued to have responsibility for ensuring that client X had authorized any changes that were made to KYC information on file with the Member for client X's investment accounts and that client X had signed KYC Update Forms that were submitted to update client X's investment account records.

58. Between April 8, 2015 and June 9, 2015, by engaging in the conduct described above, Movassaghi contravened the policies and procedures of the Member and MFDA Rules 2.2.1, 2.1.1, 2.10, 2.5.1 and 1.1.2.

### **Allegations #3 and #7 - Unauthorized Discretionary Trading**

59. At all material times, the policies and procedures of the Member prohibited the execution of trades in client accounts on a discretionary basis and required Approved Persons to obtain client authorization for all trades processed in client accounts.

60. Between January 2015 and June 2016, without the knowledge or authorization of client X, approximately 180 trades were processed in the investments accounts of client X [the "Unauthorized Trades"].

61. Specifically, between January 2015 and June 2016, client X did not provide instructions concerning all elements of the Unauthorized Trades which include:

- a) the specific type of transaction to be processed (e.g.; buy, sell, switch, etc.);
- b) the specific securities to be traded;
- c) the amount; and
- d) the timing of the trade.

#### *The Trades Were Not Authorized By Client X*

62. As stated in paragraph 17 above, during 2015 and 2016, client X did not attend any in-person meetings with Movassaghi or Blythe.

63. As stated in paragraph 17 above, during 2015 and 2016, client X did not provide trading instructions to Movassaghi or Blythe by telephone, by e-mail or by any other means with respect

to any of the Unauthorized Trades except to the extent that in approximately June 2015, client X informed the Respondents that she needed to withdraw money from her TFSA to pay for a car that she had purchased.

64. In order to process many of the Unauthorized Trades, false trade documentation and other records including Client Trade Instruction Documentation, Trade Tickets and notes on the Member's client management system as described below were fabricated to make it appear as though client X had been consulted about and provided instructions with respect to the Unauthorized Trades even though this had not in fact occurred.

#### *Client Trade Instruction Documentation*

65. At all material times, Approved Persons of the Member prepared client trade instruction documentation to maintain records in the client's file of the source, timing and content of instructions received from clients in respect of transactions that were processed in their accounts.

66. Between January 2015 and June 2016, client trade instruction documentation was prepared for many transactions that were processed in investment accounts of client X (the "Client Trade Instruction Documentation").

67. Between January 2015 and June 2016, Client Trade Instruction Documentation pertaining to many of the Unauthorized Trades was prepared in handwriting by either:

- a) Blythe;
- b) Movassaghi; or
- c) employees who were hired and trained by Movassaghi and Blythe and took instructions from Movassaghi and Blythe.

68. Between January 2015 and June 2016, most of the Client Trade Instruction Documentation falsely represented that unsolicited trade instructions were received from client X, usually by telephone, to instruct Approved Persons to process the Unauthorized Trades.

69. Between January 2015 and June 2016, the date and time recorded on the Client Trade Instruction Documentation did not correspond to the date and time when trade instructions were actually received from client X.

70. Between January 2015 and June 2016, client X had not in fact provided telephone instructions corresponding to the information that was recorded on most of the Client Trade Instruction Documentation that was prepared with respect to trades in investment accounts of client X.

71. Client X was out-of-province and sometimes overseas in locations where she could not be reached by telephone on many occasions when Client Trade Instruction Documentation falsely indicated that client X had provided unsolicited telephone instructions authorizing Approved Persons of the Member to process trades in the investment accounts of client X.

#### *Trade Tickets*

72. In addition to preparing Client Trade Instruction Documentation in respect of the Unauthorized Trades, between January 2015 and June 2016, investment instructions forms (“Trade Tickets”) were prepared and submitted to trade processing staff of the Member in order to facilitate the processing of many of the Unauthorized Trades.

73. Between January 2015 and June 2016, Blythe or employees acting pursuant to her directions submitted Trade Tickets to processing staff of the Member to facilitate the processing of many of the Unauthorized Trades.

74. The Trade Tickets falsely represented to the Member that client X had provided trade instructions authorizing the processing of the Unauthorized Trades.

75. Between January 2015 and June 2016, the Trade Tickets that were submitted to facilitate the processing of the Unauthorized Trades:

- a) were usually signed by Blythe on the Approved Person signature line;
- b) identified Movassaghi as the responsible Approved Person by printing Movassaghi’s name on the Consultant name line; and

- c) attributed the Unauthorized Trades to the joint representative code that was used by Movassaghi and Blythe.

### **Allegation #3 - Blythe – Unauthorized Discretionary Trading**

76. Between January 2015 and June 2016, Blythe did not communicate with client X about any of the Unauthorized Trades except to the extent that in approximately June 2015, client X informed Blythe that she needed to withdraw money from her TFSA to pay for a car that she had purchased as noted in paragraphs 17 and 63 above.

77. Between January 2015 and June 2016, Blythe knew or ought to have known that when she or any employee acting pursuant to her directions prepared, signed and submitted Trade Tickets to facilitate the processing of the Unauthorized Trades, Blythe was engaging in unauthorized discretionary trading.

78. In the alternative, between January 2015 and June 2016, to the extent that Blythe relied on Movassaghi or any other Approved Person to obtain instructions from client X in respect of transactions for which she or any employee acting pursuant to her directions prepared, signed or submitted Trade Tickets, she accepted the risk of her reliance in the event that client X had not actually authorized those transactions.

79. In the alternative, between January 2015 and June 2016, Blythe failed to exercise due diligence to ensure that client X had authorized all elements of the transactions for which Blythe or any employee acting pursuant to her directions prepared, signed or submitted Trade Tickets for processing.

80. On the basis of the facts set out in paragraphs 59-79 above, Blythe engaged in unauthorized discretionary trading, contrary to the policies and procedures of the Member and MFDA Rules 2.3.1(a) [now MFDA Rule 2.3.1(b)] or 2.1.1 or 2.10 and 1.1.2.

### **Allegation #7 - Movassaghi – Unauthorized Discretionary Trading**

81. Between January 2015 and June 2016, Movassaghi did not communicate with client X about any of the Unauthorized Trades except to the extent that in approximately June 2015, client

X informed Movassaghi that she needed to withdraw money from her TFSA to pay for a car that she had purchased as noted in paragraphs 17 and 63 above.

82. Between January 2015 and June 2016, Movassaghi processed or directed other Approved Persons or employees subject to his authority to process the Unauthorized Trades.

83. Between January 2015 and June 2016, Movassaghi knew or ought to have known that client X had not communicated trade instructions concerning all elements of the Unauthorized Trades.

84. In the alternative, as the principal Approved Person responsible for servicing client X's investment accounts with the Member, Movassaghi knew or ought to have known that a large number of trades had been processed in client X's accounts and he had an obligation to ensure that client X had provided instructions with respect to all elements of the trades that were processed in client X's investment accounts.

85. Movassaghi failed to exercise due diligence to ensure that client X had authorized the transactions that were processed in client X's accounts with the Member.

86. To the extent that Movassaghi delegated tasks associated with the servicing of the investment accounts of client X, he continued to have responsibility for ensuring that client X had authorized all elements of all transactions that were processed in client X's accounts with the Member.

87. On the basis of the facts set out in paragraphs 59-75 and in paragraphs 81-86 above, Movassaghi engaged in unauthorized discretionary trading, contrary to the policies and procedures of the Member and MFDA Rules 2.3.1(a) [now MFDA Rule 2.3.1(b)], 2.1.1, 2.10 and 1.1.2.

#### **Allegation #4 and #8 – The Creation Of False Records Of Instructions**

88. Between January 2015 and June 2016, false Records of Instructions were created in Client Trade Instruction Documentation and on the electronic client management system of the Member.

#### **Allegation #4 - Blythe Created False Or Misleading Records of Instructions**

89. Between January 2015 and June 2016, Blythe or employees acting pursuant to her directions created false or misleading notes on Client Trade Instruction Documentation and in the Member's client management system that purported to document Records of Instructions received from client X that neither Blythe nor any other Approved Person had in fact received from client X, contrary to MFDA Rule 2.1.1, 5.1(b), 2.5.1, 2.10 and 1.1.2.

90. Between January 2015 and June 2016, Blythe knew or ought to have known that many of the Records of Instructions described in paragraph 89 above were false or misleading.

91. Between January 2015 and June 2016, Blythe knew or ought to have known that some of the Records of Instructions described in paragraph 89 were entered on the Member's client management system using the login code of an employee who no longer worked in the office of Movassaghi and Blythe at the time when the Records of Instructions were created on the Member's client management system.

92. Blythe had not been privy to direct communications with client X concerning the facts that were documented in the Records of Instructions described in paragraph 89 above and failed to exercise due diligence to ensure that the Records of Instructions accurately described instructions that were received from client X.

93. In the alternative, between January 2015 and June 2016, Blythe failed to exercise due diligence to ensure that the Records of Instructions that she created or that were created by other employees acting pursuant to her directions were recorded under the login code of the Approved Persons or employees who actually created them and accurately instructions and communications that had been received from client X, contrary to Rules 2.1.1, 5.1(b), 2.5.1, 2.10 and 1.1.2.

94. To the extent that Blythe relied on Movassaghi or any other Approved Person to obtain information that Blythe subsequently recorded herself or directed other individuals subject to her authority to record on the Member's client management system, Blythe accepted the risk of her reliance in the event that the information that she recorded or that was recorded based upon her directions did not accurately describe instructions that were received from client X.

95. By failing to use due diligence to ensure that the Records of Instructions described in paragraph 89 accurately described instructions and communications obtained from client X, Blythe:

- a) misled the Member;
- b) impaired the integrity of the audit trail;
- c) interfered with the Member's ability to supervise the Respondents; and
- d) undermined the Member's ability to comply with its obligation to maintain adequate records required by MFDA Rule 5.1(b);

contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 5.1(b), 2.5.1, 2.10 and 1.1.2.

#### **Allegation #8 - Movassaghi Created False Or Misleading Records Of Instructions**

96. Between January 2015 and June 2016, Movassaghi or other Approved Persons or employees acting pursuant to his directions created false or misleading notes on Client Trade Instruction Documentation and on the Member's client management system that purported to document Records of Instructions received from client X that neither Movassaghi nor any other Approved Person had not in fact received from client X, contrary to MFDA Rule 2.1.1, 5.1(b), 2.5.1, 2.10 and 1.1.2.

97. Between January 2015 and June 2016, Movassaghi completed portions of Client Trade Instruction Documentation for accounts of client X that he knew or ought to have known did not accurately record details of instructions that he or other Approved Person received from client X.

98. Between January 2015 and June 2016, Movassaghi knew or ought to have known that many of the Records of Instructions that were recorded in Client Trade Documentation and in the Member's client management system were false or misleading.

99. Movassaghi had not been privy to direct communications with client X concerning the facts that were documented in the Records of Instructions described in paragraph 96 above and failed to exercise due diligence to ensure that the Records of Instructions accurately described the servicing of the investment accounts of client X.

100. Between January 2015 and June 2016, Movassaghi knew or ought to have known that some of the Records of Instructions described in paragraph 96 had been entered on to the Member's client management system using the login code of an employee who no longer worked in the office of Movassaghi and Blythe at the time when the Records of Instructions were created on the Member's client management system.

101. As the principal Approved Person responsible for servicing client X's investment accounts with the Member, Movassaghi had an obligation to ensure that the Records of Instructions recorded in Client Trade Instruction Documentation and accurately described the servicing of investment accounts of client X.

102. To the extent that Movassaghi delegated tasks associated with the creation of the Records of Instructions, he continued to have responsibility for ensuring that the Records of Instructions were entered on to the Member's client management system using the login name of Approved Persons or employees who created them and accurately described the instructions that had been received from client X.

103. In the alternative, between January 2015 and June 2016, Movassaghi failed to exercise due diligence to ensure that the Records of Instructions were attributed to the Approved Persons or employees who created them and accurately described instructions that had been received from client X, contrary to Rules 2.1.1, 5.1(b) or 2.5.1, 2.10 and 1.1.2.

104. By failing to ensure that notes concerning communication with client X that were recorded on the Member's client management system were true, Movassaghi:

- a) misled the Member;
- b) impaired the integrity of the audit trail;
- c) interfered with the Member's ability to supervise the Respondents; and
- d) undermined the Member's ability to comply with its obligation to maintain adequate records required by MFDA Rule 5.1(b);

contrary to the policies and procedures of the Member and MFDA Rules 2.1.1, 5.1(b), 2.5.1, 2.10 and 1.1.2.

## **Principles Of Joint Liability Applicable To Allegations #1-8**

105. Between October 6, 2014 and July 8, 2016 when Blythe was registered with the Member, all securities related business processed by the Respondents was processed using a joint representative code.

106. The use of a joint representative code by the Respondents indicated their agreement to share responsibility for servicing client accounts and to share compensation earned for servicing client accounts in accordance with terms of an agreement between them.

107. Between October 6, 2014 and July 8, 2016, Movassaghi and Blythe both actively participated in the servicing of the investment accounts of client X.

108. Accordingly, the two Respondents were engaged in a common enterprise with respect to the servicing of the investment accounts of client X using the joint code and may be held jointly liable for misconduct associated with the servicing of the client accounts of client X that they serviced together.

109. To the extent that the Respondents relied upon one another or upon other employees who worked in their office with respect to the servicing of the investment accounts of client X, they accepted the risk of their reliance and remained responsible for the negative implications of their actions if the Approved Person or employee upon whom they relied failed to ensure that the accounts of client X were serviced in compliance with the policies and procedures of the Member and regulatory requirements including the MFDA Rules.

110. In addition, the Respondents both failed to maintain records:

- a) that accurately documented the source, timing and content of instructions that they received directly from client X with respect to authorization to process trades in and account changes (including changes to KYC information and banking information) on record for the investment accounts of client X; or
- b) of instructions or information that they received from each other or from other individuals explaining the basis for their belief that the trades and account changes that they processed were authorized by client X;

and accordingly, they both failed to exercise due diligence to ensure that the investment accounts of client X were serviced with the knowledge and authorization of the client and in compliance with the policies and procedures of the Member and the MFDA Rules.

111. The Respondents also both failed to use due diligence to ensure that the Client Trade Instruction Documentation that was prepared and stored in the account file of client X and the Records of Instructions entered into the Member's client management system accurately described the servicing of the investment accounts of client X.

112. Furthermore, Movassaghi was the Approved Person:

- a) with the principal relationship with client X;
- b) entitled to receive a greater share of the compensation earned from servicing the investment accounts of client X; and
- c) with more extensive experience working in the securities industry than Blythe;

and accordingly to the extent that he delegated tasks to Blythe with respect to the servicing of the investment accounts of client X, he, in addition to Blythe, continued to bear responsibility for ensuring that the investment accounts of client X were serviced in a manner that was compliant with the policies and procedures of the Member and with regulatory requirements including MFDA Rules.

#### **Allegation #9 - Conflict of Interest**

113. At all material times, the Member had policies and procedures that required its Approved Persons to disclose to the Member any potential conflicts of interest with clients.

114. Prior to October 2013, Movassaghi obtained approval from the Member to operate a real estate rental business subject to the condition that Movassaghi was required to disclose to the Member if he intended to rent to a client of the Member.

115. Between October 2013 and August 2016, client X rented an apartment that Movassaghi owned.

116. On January 21, 2014, client X became a client of the Member and Movassaghi was the Approved Person responsible for servicing her account.

117. Movassaghi failed to disclose to the Member's compliance department that he was renting an apartment to client X.

118. The acceptance of responsibility for servicing the investment accounts of client X when client X was a tenant renting an apartment from Movassaghi gave rise to a conflict of interest that Movassaghi was required to disclose to the Member and together with the Member to address by the exercise of responsible business judgment influenced only by the best interests of the client.

119. Between June 2010 and July 2016, Movassaghi was a director of a fashion company which he properly disclosed to the Member. However, Movassaghi failed to disclose to the Member that his business partner who was also a director of the company was also a client of the Member.

120. The acceptance of responsibility for servicing the investment accounts of a business partner and co-director of a fashion company that Movassaghi served as a director for gave rise to a potential conflict of interest that Movassaghi was required to disclose to the Member and together with the Member to address by the exercise of responsible business judgment influenced only by the best interests of the client.

121. By failing to disclose to the Member that the actual or potential conflicts of interest described above had arisen, Movassaghi contravened MFDA Rule 2.1.4(a) and deprived the Member of the opportunity to consider whether any action was necessary to disclose the conflicts of interest to the clients and to ensure that the actual or potential conflicts of interest were resolved by the exercise of responsible business judgment influenced only by the best interests of the clients in accordance with MFDA Rule 2.1.4(b) and (c).

122. By engaging in the conduct described above, Movassaghi failed to disclose two actual or potential conflicts of interest to the Member, contrary to the policies and procedures of the Member and MFDA Rules 2.1.4, 2.1.1, 2.5.1 and 1.1.2.

**NOTICE** is further given that the Respondents 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 Respondents:

- 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 Respondents 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 Respondents 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: Shelly Feld  
Email: sfeld@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 Respondents, and the conclusions drawn by the Respondents 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 Respondents fail:

- 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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