Re Panzures

IN THE MATTER OF:

The Rules of the Investment Industry Regulatory Organization of Canada

and

Sam Deones Panzures

2018 IIROC 37

Investment Industry Regulatory Organization of Canada
Hearing Panel (Ontario District)

Heard: October 1, 2018 in Toronto, Ontario
Decision: October 1, 2018
Written Reasons: October 17, 2018

Hearing Panel:
Donna Campbell, Chair, Colleen Wright and Nick Savona
Appearance:
Natalija Popovic, Senior Enforcement Counsel
Michael Donsky, for Sam Deones Panzures
In Attendance:
Sharon Lloyd, Investigator

SETTLEMENT DECISION AND REASONS FOR DECISION

SUMMARY OF DECISION

¶ 1 This is the Decision of the Hearing Panel in respect of an application pursuant to Section 8215 of the Consolidated Enforcement, Examination and Approval Rules of the Investment Industry Organization of Canada (IIROC). The application sought the acceptance of a Settlement Agreement dated September 13, 2018 (the Settlement Agreement) between the staff of IIROC (Staff) and the Respondent Sam Deones Panzures (the Respondent). For the reasons set out below, the Hearing Panel's Decision is to accept the Settlement Agreement.

ISSUE TO BE DECIDED

¶ 2 The issue before the Hearing Panel was whether to accept or reject the Settlement Agreement.

ADMISSION

¶ 3 The Respondent admitted that between June 2014 and July 2016, he accepted non-cash sales incentives from mutual fund representatives in connection with the sale or distribution of mutual fund products contrary to Dealer Member Rules 29.1 and 29.12.

AGREED SANCTIONS

¶ 4 IIROC and the Respondent agreed to the following sanctions and costs:

- a fine in the amount of $60,000; and

- costs in the amount of $5,000.

MATERIALS BEFORE THE HEARING PANEL

¶ 5 An IIROC Settlement Book, which contained the Settlement Agreement, applicable regulations and caselaw, and IIROC Staff Submissions (Submissions), were filed with the Hearing Panel and relied upon by the parties in their submissions.

FACTUAL CONTEXT

¶ 6 The Settlement Agreement is attached to this Decision. Part III of the Settlement Agreement contains the Agreed Statement of Facts (Agreed Facts), upon which this Decision is based.

¶ 7 In addition, in response to questions by the Hearing Panel concerning the first bullet point of paragraph 52 of the Agreed Facts, the parties advised that the personal relationship between the Respondent and the UDP of Sentry (the Sentry UDP) was longstanding as was his relationship with the founder of Sentry Investment Inc. (Sentry).

Key Facts

¶ 8 The Respondent has been a Registered Representative (RR) since 1987. The Respondent has no prior disciplinary history. Since 2012, the Respondent has worked in conjunction with two other RRs under the trade name Panzures Wealth Management (PWM).

¶ 9 Between June 2014 and July 2016 (the Relevant Period), the Respondent requested and accepted 32 tickets to entertainment events (Entertainment Tickets) from Sentry and Dynamic Funds (Dynamic), the combined cost of which was $32,260. During the Relevant Period the Respondent was employed by HollisWealth, which was owned by Scotia Capital Inc.

¶ 10 During the time the Respondent requested and accepted the Entertainment Tickets, PWM had approximately $400 million in assets under management, and approximately 62-69% of the Respondent's client assets were in Sentry or Dynamic mutual funds.

¶ 11 During the Relevant Period, the Respondent was aware that Dealer Member Rule 29.12 and National Instrument 81-105 Mutual Fund Sales Practices (NI 81-105) prohibited the acceptance of the Entertainment Tickets. During the Relevant Period, the Respondent signed annual attestations to HollisWealth indicating compliance with the internal Code of Conduct and Compliance Manuals, which reflected the regulatory prohibitions of Dealer Member Rule 29.12 and NI 81-105, and prohibited the acceptance of the Entertainment Tickets.

¶ 12 The Entertainment Tickets provided by Dynamic were for a music concert and the Indy Toronto race in 2015 and 2016. The Entertainment Tickets provided by Sentry were for the same music concert and the Formula One Grand Prix event in Montreal (F1) in 2015 and 2016.

¶ 13 The Respondent requested and received a total of 16 music concert tickets from Dynamic and Sentry with a total cost of $2,800. The Respondent paid a portion of the cost, resulting in a benefit to the Respondent of approximately $2,330.

¶ 14 The Respondent requested and received Indy Race tickets from Dynamic for the years 2015 and 2016. The total cost of the Indy Race tickets was $1,690. The Respondent did not pay for and has not repaid the tickets.

¶ 15 The Respondent requested and received F1 tickets directly from the Sentry UDP for the years 2015 and 2016. The total cost of the F1 tickets was in excess of $28,000.

¶ 16 In or about July 2016, the matter of the Sentry UDP's provision of the F1 tickets to the Respondent was referred to the Enforcement Branch of the Ontario Securities Commission (OSC or the Commission), among other things.

¶ 17 On September 11, 2016, the Sentry UDP attended at the Respondent's home, gave him an invoice for

the 2015 and 2016 F1 tickets, and requested payment. The Respondent wrote a cheque for $28,430.64, payable to the Sentry UDP personally, and backdated the cheque to August 3, 2016, at the Sentry UDP's request.

¶ 18 In April 2017, the OSC issued an order approving a settlement with Sentry and the Sentry UDP. Among other things, the Sentry UDP admitted that in connection with the F1 tickets, he breached Ontario securities law, failed to comply with NI 81-105, and acted contrary to the public interest.

ROLE OF A HEARING PANEL CONSIDERING A SETTLEMENT AGREEMENT

¶ 19 Under IIROC Rule 8215(5), a hearing panel must accept or reject the settlement agreement. The factual foundation for the hearing panel's decision is the agreed facts. The role of a hearing panel is to satisfy itself that the sanctions proposed fall with a reasonable range of appropriateness given the factual context, and that there is nothing in the agreement which would be contrary to the public interest or bring the administration of the Rules of IIROC into public disrepute: *Re Kirkland*, 2017 IIROC 56, para 11.

¶ 20 Settlements are in the public interest, and should be encouraged. A settlement agreement is the culmination of extensive negotiations between parties at arms length, adverse in position and viewpoint, and should be accepted unless it is clearly outside a reasonable range of appropriateness: *Re Portfolio Strategies*, 2012 IIROC 26, paras. 9-10.

IIROC SANCTION GUIDELINES

The Sanction Guidelines

¶ 21 The IIROC Sanction Guidelines (Sanction Guidelines) are intended to promote consistency, fairness and transparency by providing a framework to guide the exercise of discretion in determining sanctions which meet the general sanctioning objectives. Part I of the Sanction Principles sets out nine sanction principles to provide a framework to be considered in connection with imposition of sanctions. Part II sets out an illustrative and non-exhaustive list of key factors to be considered. The Sanction Guidelines informed the Hearing Panel's consideration and decision.

The Relevant Key Factors

¶ 22 In the Submissions and during their oral submissions, the parties set out the following key factors as being of particular relevance when considering the appropriate sanctions in this case:

- the number, size and character of the transactions at issue (#1).
- whether the respondent engaged in numerous acts and /or a pattern of misconduct (#2).
- whether the respondent engaged in the misconduct over an extended period of time (#3).
- the extent of harm to the market integrity or the reputation of the marketplace, or both (#6).
- the respondent's relevant disciplinary history (#8).

¶ 23 During the hearing, the Hearing Panel advised the parties that they considered additional key factors, listed below, relevant to their considerations:

- whether the misconduct was intentional, willfully blind, or reckless with respect to regulatory requirements (#4).
- in the case of individuals, whether the respondent accepted responsibility for and acknowledged the misconduct to his or her employer or the regulator prior to detection and intervention by the Dealer Member or the regulator (#10).

Consideration of the Key Factors

¶ 24 Key factors #1 through #4: The Respondent requested a total of 32 Entertainment Tickets from Sentry and Dynamic with a total value of $32,260 over a period spanning from June 2014 through July 2016. The Entertainment Tickets were not of a nominal value nor were they part of permitted promotional activities.

¶ 25 For each of the years during which the Respondent made his requests of Sentry and Dynamic, the Respondent was aware he was engaging in conduct prohibited by NI 81-105, IIROC Dealer Member Rule 29.12, and his employer's internal Code of Conduct and Compliance Manuals. In so doing, the Respondent acted intentionally or at the very least was reckless with respect to the regulatory requirements governing such requests.

¶ 26 Key factor #6: The Panel notes that at the time of the conduct, the Respondent had been a RR for in excess of 25 years, and was leading an investment group bearing his name. It is incumbent on all RRs to maintain high standards of conduct in the industry and to protect market integrity and the reputation of the marketplace. Those who are senior members of the industry, such as the Respondent, should set an example which promotes a culture of compliance. The Respondent failed to do so, and thus failed to protect market integrity and the reputation of the marketplace.

¶ 27 Key factor #8: The Respondent has no disciplinary history and there have been no client complaints in relation to the events which are the subject of the Settlement Agreement.

¶ 28 Key factor #10: On September 16, 2016 and sometime in April 2017 following the release of the OSC Settlement, the Respondent contacted his supervisor and a HollisWealth administrative staff member about his receipt of the Entertainment Tickets. There is no evidence that he was directed to self-report by HollisWealth and ultimately did not self-report.

Additional Considerations Put Forward by the Respondent

¶ 29 In paragraph 52 of the Settlement Agreement, the Respondent put forward certain facts and statements for the Hearing Panel's consideration. Those facts and statements were taken into account when the Hearing Panel assessed the proposed sanctions.

Summary of Aggravating and Mitigating Factors

¶ 30 In considering the appropriateness of the sanctions, the Hearing Panel considered aggravating and mitigating factors.

¶ 31 The key aggravating factors are:

- the Respondent engaged in a repeated and ongoing pattern of conduct over a number of years when he requested and accepted the Entertainment Tickets;
- the Respondent was aware that his conduct was prohibited and yet continued to engage in such conduct, either intentionally or recklessly;
- the Respondent did not repay the cost of the 2015 and 2016 F1 tickets until the UDP requested he do so, despite his awareness at the time of his receipt of the tickets that he was engaging in prohibited conduct; and
- during the Relevant Period, the Respondent was a senior RR with in excess of 25 years of experience.

¶ 32 The key mitigating factors are:

- the Respondent has no disciplinary history;
- no clients made complaints regarding the events that are the subject of the Hearing;
- the Respondent has initiated a protocol with regard to requests for promotional items from fund companies, such as tickets, to assist in ensuring compliance with regulatory requirements such as NI 81-105;
- the Respondent has repaid the cost of the F1 tickets; and
- the Respondent has admitted his conduct and agreed to the imposition of sanctions.

ANALYSIS OF PROPOSED SANCTIONS

Relevant Decisions Dealing with NI 81-105

¶ 33 While this is the first proceeding before IIROC concerning failures to comply with NI 81-105, the OSC and the Mutual Fund Dealers Association (MFDA) have recent decisions which do so, which were reviewed by the Hearing Panel.

¶ 34 *Re Sentry Investments Inc. and Sean Driscoll,* Approval of Settlement Agreement, April 5, 2017 (*Re Sentry*) is the first Commission proceeding which addressed sales practices involving prohibited payments and gifts made by an investment fund manager, and the systemic supervisory failures that permitted them. It is of particular relevance as the factual basis for the decision includes some of the same conduct that is before this Panel, in particular, the conduct of the Sentry UDP and his provision of F1 tickets to the Respondent. As with the matter before this Hearing Panel, the Sentry decision was based upon a settlement agreement containing an agreed statement of facts.

¶ 35 The Commission imposed sanctions on the Sentry UDP which included prohibiting the Sentry UDP from becoming or acting as a UDP or Chief Compliance Officer of any registrant and acting as an officer and director of Sentry or any of its affiliates, for fixed periods of time and after completion of educational courses. The Commission also approved the Sentry UDP's payment of $100,000 to Sentry, imposed by the Special Committee of Sentry's parent company, prior to the matter coming before the Commission.

¶ 36 *Re Sun Life Financial Services (Canada) Inc.,* 2018 LNCMFDA 3, dealt in part with conduct relating to internal dealer incentives and sales practices in contravention of MFDA Rules and MFDA Policies, and NI 81-105. The decision approved a settlement agreement in which the respondent paid a fine of $1,700,000 and costs of $100,000. The MFDA Panel relied upon *Re Sentry* to assist it in determining whether the proposed settlement was in a reasonable range of appropriateness. After considering *Re Sentry*, the MFDA Panel concluded that it was.

IIROC Decisions

¶ 37 The IIROC cases referenced in paragraphs 25 -33 of the Submissions were provided to assist the Hearing Panel in determining a reasonable range of appropriateness, while recognizing that the specific conduct at issue in this hearing has not previously been before an IIROC panel. The cases provided a general overview of the range of sanctions imposed on individuals for misconduct involving a client or clients. The fines ranged from $20,000 to $100,000 with costs aggregated with the fines, or discrete fines of $5,000.

¶ 38 In its review of other cases in the Settlement Book, the Hearing Panel noted that in *Re Kirkland* 2017 IIROC 56, the hearing panel approved sanctions consisting of a fine of $90,000 inclusive of disgorgement and costs of $10,000 for conduct which included allegations of a conflict of interest and a failure to escalate a client complaint.[1]

The Proposed Sanctions

¶ 39 In its considerations, the Hearing Panel was mindful of the fact that the sanctions were not being imposed following a hearing on the merits but rather were the product of a negotiated settlement. As stated in *Re Sentry:*

> *"*These sanctions, albeit serious, are not necessarily the sanctions that might have been imposed by a panel, had this matter proceeded to a hearing on the merits in which Commission Staff were successful in proving their case. A settlement is based on the facts admitted by the respondents and agreed to by Staff, which may or may not be the facts that a Commission panel would find after a contested hearing on the merits. Even on the same facts, a panel might impose a different sanction, as in a sanctions hearing a panel must impose the sanction it considers to be correct.
>
> "But this is a settlement hearing convened to consider a settlement agreement. A settlement will be

[1] *Re Kirkland*, 2017 IIROC 56. The Panel disagreed with Staff and the Respondent that the conduct of the Respondent was a material conflict of interest under Rules 42.1 and 42.2, but did find that Respondent's advice to his client was influenced by the prospect of personal gain, which was a contravention of the same Rules.

approved if the sanctions agreed to by the parties are within a reasonable range of appropriateness in light of the admitted facts, recognizing and taking into account the settlement process and its benefits. A settlement reached early in a proceeding reduces the costs required to conduct a lengthy hearing and permits the Commission's resources, including Staff time, that would otherwise have been expended to be directed to other matters, increasing the Commission's overall enforcement capabilities.

"The resolution of proceedings through settlements thus benefits the Commission, the regulatory process, investors, and the securities markets generally, as well as respondents who are able to put a matter of this nature behind them and move on with their business." (paras. 5-7).

¶ 40 The Hearing Panel acknowledges the difficulty in establishing a range of sanctions for conduct which has not been the subject of consideration by this regulator, particularly when negotiating a settlement. The efforts of the parties are to be commended and supported as the public interest in collaborative resolution is well established.

¶ 41 As noted in the Sanction Guidelines, the purpose of sanctions is to restrain future conduct that may harm the capital markets through the imposition of sanctions which are significant enough to prevent and discourage future misconduct by the respondent (specific deterrence) and to deter others from engaging in similar misconduct (general deterrence). Sanctions are not intended to be punitive but to correct and prevent conduct, and to protect and maintain the integrity of the capital markets.

¶ 42 The Hearing Panel finds that the proposed sanctions fall with a reasonable range of appropriateness, albeit at the low end of the range given the ongoing nature of the conduct, the Respondent's senior position in the industry and his knowledge that the conduct he was engaging in was prohibited. That said, the Hearing Panel finds that in all of the circumstances, the proposed sanctions are fair and reasonable, and will be viewed as such by the public and the industry, and that they will act as deterrents to both the Respondent and other members of the industry.

DECISION

¶ 43 The Hearing Panel accepted the Settlement Agreement.

Dated at Toronto, Ontario this 17th day of October, 2018.

Donna Campbell

Colleen Wright

Nick Savona

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Investment Industry Regulatory Organization of Canada ("IIROC") will issue a Notice of Application to announce that it will hold a settlement hearing to consider whether, pursuant to Section 8215 of the Consolidated Enforcement, Examination and Approval Rules of IIROC, a hearing panel ("Hearing Panel") should accept the settlement agreement ("Settlement Agreement") entered into between the staff of IIROC ("Staff") and Sam Deones Panzures ("Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III

of this Settlement Agreement.

Overview

4. Between June 2014 and July 2016 (the "Relevant Period"), the Respondent requested and accepted tickets to entertainment events from representatives of mutual fund companies whose funds constituted the majority of his clients' holdings. The total cost of the tickets was in excess of $32,000. The Respondent repaid $28,430 of this amount in September 2016.

Registration History

5. The Respondent has been a Registered Representative ("RR") since 1987. During the Relevant Period, the Respondent was employed at HollisWealth, which was operated by Scotia Capital Inc., and was subsequently acquired, in August 2017, by Industrial Alliance Securities Inc., where the Respondent continues to be employed.

6. In 2012, the Respondent began working in conjunction with two other RRs under the trade name "Panzures Wealth Management."

Book of Business held at Sentry and Dynamic Mutual Funds

7. During the Relevant Period, Panzures Wealth Management had a book of business in excess of 850 households and approximately $400 million in assets under management.

8. Further, during the Relevant Period, approximately 62-69% of the Respondent's client assets were in mutual funds of Sentry Investments Inc. ("Sentry"), as well as with Dynamic Funds ("Dynamic"). The Respondent has historically held the majority of client assets, as well as his own assets, in these mutual funds. There have been no client complaints in relation to the events herein.

Summary of Tickets Requested and Accepted

9. As detailed below, the Respondent requested and accepted a total of 32 tickets for entertainment events with a combined cost in excess of $32,000 from representatives of Sentry and Dynamic:

Year	**Event**	**Number of Tickets**	**Cost of Tickets**
2014	Concert	16	$2,230
2015	F1 Montreal	2	$12,400
	Indy Toronto	4	$740
2016	F1 Montreal	4	$15,900
	Indy Toronto	6	$950
Total		**32**	**$32,260**
September 2016	**Partial Repayment**		**($28,340)**

The 2014 Concert

10. In a June 2, 2014 email, the Respondent requested eight tickets to an Enrique Iglesias and Pitbull concert (the "Concert") from a Sentry representative.

11. The Respondent indicated to the Sentry representative that certain individuals who would be attending the Concert with him were "huge Sentry holders . . . One is my largest account."

12. On June 3, 2014, the Sentry representative responded, "I put in a request to purchase tickets for this concert for you and your clients… My compliance department said we cannot purchase tickets for retail clients under the guidelines of the national instrument. I could send you a gift certificate to Ticket Master for $750 and you could do with it as you wish."

13. The cost of these eight Concert tickets was approximately $1280. The Sentry representative covered the

cost up to $750 by way of the gift certificate.

14. The Respondent paid for a portion of the cost of the eight tickets to the Concert for which his credit card was charged $573.75 and referenced as "Enrique & Pitbull." The Respondent did not pay for the balance of the cost of the Concert tickets.

15. Via email on June 2, 2014, the Respondent also asked about tickets to the Concert from a Dynamic representative. The Respondent indicated to the Dynamic representative that, "I know these Dynamic shareholders one being my largest account would love this."

16. Via a June 10, 2014 email, the Dynamic representative confirmed he had "…received approval from [his] national sales manager to get [the Respondent] 8 tickets…" to the Concert. In a September 2, 2014 email, the Respondent asked, "Who is paying for these?" The Dynamic representative confirmed, "I'm paying from my budget. I'm happy to spend it."

17. These eight tickets had a cost of approximately $1520. The Respondent did not pay for these tickets.

18. The total cost of the 16 Concert tickets was approximately $2800, resulting in a benefit to the Respondent of approximately $2330 given that he paid a portion of the cost via credit card.

19. No representatives of Sentry or Dynamic attended the Concert with the Respondent.

The 2015 F1 Tickets

20. In April 2015, the Respondent made requests to the UDP of Sentry for assistance in securing two tickets for the June 2015 Formula One Grand Prix ("F1") event in Montreal.

21. In May 2015, the Respondent received two tickets for the F1 event from the UDP.

22. The Respondent told the UDP that he was taking a client to the event. In fact, the individual who attended was the Respondent's family member, not a client.

23. Following the event, the Respondent thanked the UDP in an email on June 8, 2015 and commented, "My client was unbelievably happy."

24. The cost of the 2015 F1 tickets totaled in excess of $12,400. The Respondent did not pay for the tickets at the time. In September 2016, as further described below, the Respondent paid the UDP for the cost of the 2015 F1 tickets.

25. Neither the UDP nor any Sentry representative attended the 2015 F1 event with the Respondent.

The 2015 Indy Tickets

26. In April 2015, the Respondent also requested F1 tickets from a Dynamic representative.

27. The Respondent indicated to the Dynamic representative in an April 14, 2015 email that he had "a large client referral who I'm in the process of taking on. I want to bring him to Montreal for the F1 weekend. I have already booked hotel rooms. Is there anyone you know who can help me secure 2 tickets for the race weekend. I would like to get top of the line seats, including paddock passes etc…this has to be special."

28. The Dynamic representative told the Respondent that he would be happy to purchase the FI tickets for him. The Respondent ultimately declined that offer stating he had already bought tickets but asked the Dynamic representative about tickets to an Indy event in Toronto in July of that year.

29. In or about late April 2015 the Respondent accepted four Indy tickets for a total cost, including parking passes, of $740 from the Dynamic representative. The Respondent did not pay for the 2015 Indy tickets and passes.

30. No Dynamic representatives attended this event with the Respondent. The Respondent attended this event with three guests who were not his clients.

2016 F1 Tickets

31. In April 2016, the Respondent again requested and accepted F1 tickets from the Sentry UDP who obtained four tickets to the June 2016 event for him.

32. The cost of the 2016 F1 tickets totaled in excess of $15,900. The Respondent emailed the UDP on June 3, 2016, writing, "Let me know if I can pay for anything". However, he did not pay for, and there is no evidence of a written request for an invoice or offer to pay for the tickets until, as further described below, the Respondent paid the UDP for the cost of the 2016 F1 tickets in September 2016.

2016 Indy Tickets

33. On May 30, 2016, the Respondent requested six tickets for the Indy event in Toronto from a Dynamic representative.

34. On July 11, 2016, the Respondent accepted six Indy tickets from the Dynamic representative.

35. The total cost of the Indy tickets for the July 2016 event was approximately $950. The Respondent did not pay for the 2016 Indy tickets.

36. No Dynamic representative attended this event with the Respondent. The Respondent attended the 2016 Indy event with three guests who were not his clients.

Repayment of the Cost of the 2015 and 2016 FI Tickets

37. On September 11, 2016, the UDP attended at the Respondent's home, gave him an invoice for the 2015 and 2016 F1 tickets, and requested payment. On the same day, the Respondent wrote a cheque payable to the UDP personally for $28,430.64 backdated, at the UDP's request, to August 3, 2016. The cheque was cashed on September 14, 2016.

38. On September 15, 2016, the Respondent was contacted by and met with counsel for Sentry in relation to his receipt of the 2015 and 2016 F1 tickets. At the meeting, counsel for Sentry asked the Respondent several questions about the tickets including how they were sourced and paid for; as well as about the UDP's request for payment for the tickets.

39. On September 16, 2016, the Respondent contacted an administrative staff member at HollisWealth compliance as well as his supervisor, and advised the staff member that he had paid for the F1 tickets but wanted to check with the compliance department that he was following protocol and the rules.

The Sentry Settlement with OSC

40. In or about July of 2016, as a result of an Ontario Securities Commission ("OSC") compliance review, the matter of the F1 tickets provided to the Respondent by the Sentry UDP was referred to the Enforcement Branch.

41. In April 2017, the OSC issued an order approving a settlement ("OSC Settlement") with the UDP and Sentry. The OSC Settlement refers, in part, to an unnamed Dealer Representative ("DR") considered by Sentry as one of its top ranking DRs based on the amount of Sentry assets held by the DR's clients. That DR is the Respondent.

42. In the OSC Settlement the UDP admitted and acknowledged that, in connection with the F1 tickets, he breached Ontario securities law, failed to comply with OSC National Instrument 81-105 ("NI 81-105"), and that he acted contrary to the public interest.

43. Following the release of the OSC Settlement in April 2017, the Respondent contacted the same HollisWealth administrative staff member and his supervisor about his receipt of the F1 tickets and inquired whether he should self-report. There is no evidence that he was directed to self-report and ultimately did not self-report.

Dealer Member Rule 29.12 and OSC National Instrument 81-105

44. Dealer Member Rule 29.12 and NI 81-105 are both aimed at governing mutual fund sales incentives and practices. Both prohibit the acceptance of non-cash or non-monetary incentives or benefits from a mutual

fund or a mutual fund representative.

45. The regulatory prohibitions allow an exception for promotional activities undertaken in the normal course and/or of minimal or reasonable value. The Respondent accepted incentives or benefits that far exceeded a minimal or reasonable value and that were not for normal course business promotion activities.

The HollisWealth Compliance Manual

46. During the Relevant Period, the Respondent was subject to both a Code of Conduct and various iterations of the HollisWealth Compliance Manual.

47. The 2013 Compliance Manual provided that:

> Representatives of HOLLISWEALTH, including members of their immediate families, may not, directly or indirectly, take, accept or receive bonuses, fees, commissions, gifts, gratuities, excessive entertainment or any other similar form of consideration of other than nominal value from any person, business or association with which HOLLISWEALTH does or seeks to do business…. Even a nominal gift should not be accepted if, to a reasonable person, it might appear that the gift would influence your business decision.
>
> If you receive Promotional Items or are invited to Business Promotion Activities on a regular basis or where the cost is not of minimal value, you are required to contact the Compliance Department immediately to ensure the compliance with the provisions of [National Instrument] 81-105.
>
> A fund company can directly provide an Advisor with non-monetary benefits of a promotional nature and of minimal value, and a mutual fund company can engage in business promotion activities that result in an Advisor receiving a non-monetary benefit if:
>
> > i) the provision of the benefits and activities is neither so extensive nor so frequent as to cause a reasonable person to question whether the provision of the benefits or activities improperly influence the investment advice given by the representative to his or her clients; and
> >
> > ii) in the case of business promotion activities, no mutual fund company pays the travel, accommodation or personal incidental expenses associated with the attendance of an Advisor at the activities.

48. The 2015 Compliance Manual had a similar directive: "With the exception of pre-approved corporate referral or incentive programs implemented by the firm, no Representative or immediate family member of these individuals is permitted to pay to or accept a referral fee, gift or other compensation (e.g. entertainment, travel) from any individual (including another Scotiabank employee) or organization.

49. Similarly, the 2016 Compliance Manual, provided: "In addition to compensation for referrals, the Code of Conduct establish [sic] standards for the giving and receiving of gifts, gratuities and entertainment. Gifts to clients must only be of a nominal value (i.e. less than $100). The Guidelines apply both to activities between employees of Scotiabank and to activities involving outside persons.

50. The Respondent completed annual attestations with HollisWealth, acknowledging that he was familiar with both the Code of Conduct and the relevant Compliance Manuals. The Respondent also admits that he was aware of, and familiar with, applicable regulatory requirements, including NI 81-105.

51. The Respondent has no prior disciplinary history.

The Respondent's Position

52. It is the Respondent's position that:

- in addition to a professional relationship he had a personal friendship with the UDP;
- he always intended on repaying the UDP for the F1 tickets;
- he believed and was advised by Sentry and Dynamic that they were compliant with their internal rules and as a result believed he was compliant with his own internal obligations;
- subsequent to the above events, his holdings of Sentry and Dynamic decreased as a percentage of his assets under management; and
- he initiated a protocol requiring RRs at his firm to complete a form prior to approaching a fund company for promotional items, such as tickets, in an effort to ensure compliance including with NI 81-105.

PART IV – CONTRAVENTIONS

53. By engaging in the conduct described above, the Respondent committed the following contraventions of IIROC's Rules:

Between June 2014 and July 2016, the Respondent accepted non-cash sales incentives from mutual fund representatives in connection with the sale or distribution of mutual fund products contrary to Dealer Member Rules 29.1 and 29.12.

PART V – TERMS OF SETTLEMENT

54. The Respondent agrees to the following sanctions and costs:

a) A fine in the amount of $60,000; and

b) Costs in the amount of $5,000.

55. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Staff and the Respondent.

PART VI – STAFF COMMITMENT

56. If the Hearing Panel accepts this Settlement Agreement, Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.

57. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

58. This Settlement Agreement is conditional on acceptance by the Hearing Panel.

59. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing in accordance with the procedures described in Sections 8215 and 8428, in addition to any other procedures that may be agreed upon between the parties.

60. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.

61. If the Hearing Panel accepts the Settlement Agreement, the Respondent agrees to waive all rights under the IIROC Rules and any applicable legislation to any further hearing, appeal and review.

62. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another

settlement agreement or Staff may proceed to a disciplinary hearing based on the same or related allegations.

63. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.

64. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IIROC will post a full of copy of this Settlement Agreement on the IIROC website. IIROC will also publish a summary of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement.

65. If this Settlement Agreement is accepted, the Respondent agrees that neither he nor anyone on his behalf, will make a public statement inconsistent with this Settlement Agreement.

66. The Settlement Agreement is effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

67. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

68. A fax or electronic copy of any signature will be treated as an original signature.

DATED this "11th" day of "September", 2018.

"Witness"
Witness

"Sam Deones Panzures"
Sam Deones Panzures

"Sharon Lloyd"
Witness

"April Engelberg"
April Engelberg

Enforcement Counsel on behalf of Enforcement Staff of the Investment Industry Regulatory Organization of Canada

The Settlement Agreement is hereby accepted this "1st" day of "October", 2018 by the following Hearing Panel:

Per: "Donna Campbell"
Panel Chair

Per: "Nick Savona"
Panel Member

Per: "Colleen Wright"
Panel Member