



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

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Pauline Rejeanne Arnold

Heard: September 28, 2021 by electronic hearing in Toronto, Ontario

Decision: September 28, 2021

Reasons for Decision: November 10, 2021

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Paul M. Moore, Q.C.
Melody Potter
Matthew Prew

Chair
Industry Representative
Industry Representative

Appearances:

Audrey Smith)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
)	
Pauline Rejeanne Arnold)	Respondent
)	
)	

Settlement Agreement

1. The Hearing Panel accepted the settlement agreement dated June 28, 2021 (“Settlement Agreement”) between the staff of the MFDA (“Staff”) and Pauline Rejeanne Arnold (“Respondent”) at an electronic settlement hearing held in accordance with MFDA rules for an electronic hearing.
2. A copy of the Settlement Agreement is attached to these Reasons as Schedule “1”. The agreed facts are set out in section III of the Settlement Agreement.

Contraventions

3. The Respondent admitted that between June 15, 2015 and September 17, 2018, she, acting as branch manager, reviewed and approved the use of 29 pre-signed and 2 altered account forms, contrary to MFDA Rules 2.5.5 (f) and 2.1.1.

Agreed penalties

4. Under the terms of the Settlement Agreement, the Respondent:
 - a) will pay a fine of \$5,000;
 - b) will pay costs of \$2,500;
 - c) is prohibited from acting as a branch manager or in a supervisory role with a Member of the MFDA for a period of 6 months; and
 - d) will successfully complete a branch manager’s course before acting again as a branch manager or in a supervisory capacity with an MFDA Member.

Considerations

5. The Hearing Panel determined that it had to be satisfied regarding three considerations before it could accept the Settlement Agreement. First, the agreed penalties had to be within an acceptable range taking into account similar cases. Secondly, the agreed penalties had to be fair and reasonable (i.e. proportional to the seriousness of the contravention taking into consideration relevant circumstances) and should appear to be so to members of the public and industry. Thirdly, the agreed penalties should serve as a deterrent to the Respondent and to industry. To be satisfied on these three considerations required an understanding of the particular facts of the case, the circumstances of the Respondent, and the impact on the Respondent of the agreed penalties.

Misconduct

6. The Hearing Panel determined that the alleged misconduct was in contravention of MFDA Rules 2.5.5 (f) and 2.1.1.

Other considerations in determining acceptability of agreed penalties

7. On January 15, 2020, the Respondent's Member terminated the employment of the Respondent with the Member.

8. There was no evidence that the Respondent received any financial benefit from the conduct set out above beyond the commissions or fees she would ordinarily be entitled to receive had the transactions been carried out in the proper manner.

9. There was no evidence of client complaints, client loss or lack of client authorization.

10. The Respondent has not previously been the subject of MFDA disciplinary proceedings.

11. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a full hearing on the allegations.

12. The agreed penalties are within the recommendations of the MFDA Sanction Guidelines and the reasonable range of appropriateness with regard to MFDA decisions submitted to us by Staff, made by MFDA Hearing Panels in similar circumstances. They are fair and reasonable and will serve as a specific and general deterrent.

Costs

13. The costs award is reasonable.

Conclusion

14. We concluded that the Settlement Agreement was in the public interest and, consequently, we accepted it.

DATED this 10th day of November, 2021.

“Paul M. Moore”

Paul M. Moore, Q.C.
Chair

“Melody Potter”

Melody Potter
Industry Representative

“Matthew Prew”

Matthew Prew
Industry Representative



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Re: Pauline Rejeanne Arnold

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada ("Staff") and the Respondent, Pauline Rejeanne Arnold (the "Respondent"), consent and agree to settlement of this matter by way of this agreement (the "Settlement Agreement").
2. Staff conducted an investigation of the Respondent's activities which disclosed activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No.1.

II. JOINT SETTLEMENT RECOMMENDATION

3. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.
4. The Respondent admits to the following violations of the By-laws, Rules or Policies of the Mutual Fund Dealers Association of Canada ("MFDA"):

Between June 15, 2015 and September 17, 2018, the Respondent, acting in the capacity as branch manager, reviewed and approved the use of 29 pre-signed and 2 altered account forms, contrary to MFDA Rules 2.5.5(f) and 2.1.1.

5. Staff and the Respondent agree and consent to the following terms of settlement:
- a) the Respondent shall pay a fine in the amount of \$5,000 pursuant to s. 24.1.1.(b) of MFDA By-law No. 1;
 - b) the Respondent shall be prohibited from acting as a branch manager or in a supervisory role with a Member of the MFDA for a period of 6 months, pursuant to s. 24.1.1(f) of MFDA By-law No.1;
 - c) prior to acting as a branch manager or in a supervisory role in the future, the Respondent shall successfully complete a branch manager's course offered by the Canadian Securities Institute or the Investment Funds Institute of Canada, pursuant to s. 24.1.1(f) of MFDA By-law No. 1;
 - d) the Respondent shall pay costs in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law No. 1;
 - e) the Respondent shall in the future comply with MFDA Rule 2.1.1 and 2.5.5(f); and
 - f) the Respondent will attend in person or by video conference, 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 Part III herein and consent to the making of an Order in the form attached as Schedule "A".

III. AGREED FACTS

7. Commencing in 2004, the Respondent was registered in the securities industry.
8. Between May 1, 2014 and February 13, 2020, the Respondent was registered in Ontario as a dealing representative with IPC Investment Corporation (the "Member"), a Member of the MFDA.
9. Between May 1, 2014 and December 31, 2018, the Member designated the Respondent as a branch manager.
10. On February 13, 2020, the Member terminated the Respondent, and she is not currently registered in the securities industry in any capacity.
11. At all material times, the Respondent conducted business in the Ottawa, Ontario area.

Approval of Pre-Signed and Altered Account Forms

12. Between June 15, 2015 and September 17, 2018, an Approved Persons who the Respondent had the responsibility to supervise as branch manager submitted to the Respondent for approval 29 pre-signed account forms, and 2 account forms where information had been altered on the forms without having the client initial the alterations.

13. The Respondent, acting in her capacity as a branch manager, reviewed and approved the use of these forms that she knew or ought to have known were pre-signed or altered account forms.

Member's Investigation

14. In July 2019, the Member conducted a branch review and identified the account forms that are described in this Settlement Agreement.

15. In October 2019, the Member sent audit letters to all clients whose accounts were serviced by the Approved Person who submitted to the Respondent the account forms described above. This audit letter included a two-year transaction summary and the clients' Know Your Client ("KYC") information for each of the clients' accounts, and requested that the clients contact the Member if they did not authorize any of the transactions or if they had any concerns regarding their recorded KYC information. The Member did not receive any client responses that indicated there were unauthorized transactions within any client accounts or that incorrect KYC information had been recorded.

16. On January 15, 2020, the Member terminated the Respondent for approving the pre-signed and altered forms described above.

Additional Factors

17. The Respondent has not been the subject of previous MFDA disciplinary proceedings.

18. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above.

19. There is no evidence of client loss, complaints, or lack of authorization.

20. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources and expenses associated with conducting a full hearing of the allegations.

IV. ADDITIONAL TERMS OF SETTLEMENT

21. This settlement is agreed upon in accordance with section 24.4 of MFDA By-law No. 1 and Rules 14 and 15 of the MFDA Rules of Procedure.

22. The Settlement Agreement is subject to acceptance by the Hearing Panel which shall be sought at a hearing (the “Settlement Hearing”). At, or following the conclusion of, the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 and Rule 15.2(2) of the MFDA 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.

23. 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.

24. 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 respecting the Respondent in this matter;
- b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal before the Board of Directors of the MFDA 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) Staff will not initiate any proceeding under the By-laws of the MFDA 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. 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 s. 24.1.2 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1; 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.

25. 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 By-law No. 1, unaffected by the Settlement Agreement or the settlement negotiations.

26. Staff and the Respondent agree that the terms of the Settlement Agreement, including the attached Schedule “A”, will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

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

DATED this 28th day of June, 2021.

“Pauline Rejeanne Arnold”

Pauline Rejeanne Arnold

Witness – Signature

Witness – Print Name

“Charles Toth”

Staff of the MFDA

Per: Charles Toth

Vice-President, Enforcement



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Re: Pauline Rejeanne Arnold

ORDER

WHEREAS on July 15, 2021, the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of MFDA By-law No. 1 in respect of Pauline Rejeanne Arnold (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated June 28, 2021 (the "Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of MFDA By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that the Respondent:

- a) Between June 15, 2015 and September 17, 2018, the Respondent, acting in the capacity as branch manager, reviewed and approved the use of 29 pre-signed and 2 altered account forms, contrary to MFDA Rules 2.5.5(f) and 2.1.1.

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

1. The Respondent shall pay a fine in the amount of \$5,000 pursuant to s. 24.1.1.(b) of MFDA By-law No. 1;
2. The Respondent shall be prohibited from acting as a branch manager or in a supervisory role with a Member of the MFDA for a period of 6 months, pursuant to s. 24.1.1(f) of MFDA By-law No.1;
3. Prior to acting as a branch manager or in a supervisory role in the future, the Respondent shall successfully complete a branch manager’s course offered by the Canadian Securities Institute or the Investment Funds Institute of Canada, pursuant to s. 24.1.1(f) of MFDA By-law No. 1;
4. The Respondent shall pay costs in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law No. 1;
5. The Respondent shall in the future comply with MFDA Rule 2.1.1 and 2.5.5(f); and
6. If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure*.

DATED this [day] day of [month], 20[].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]