



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: Megha Arora

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing (the “Settlement Hearing”) to consider whether, pursuant to section 24.4 of MFDA By-law No. 1, a hearing panel of the Prairie Regional Council (the “Hearing Panel”) of the MFDA should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and Megha Arora (the “Respondent”).

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

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

II. CONTRAVENTIONS

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

Between November 2018 and July 2020, the Respondent altered client contact information on the Member's system without the knowledge or authorization of the client, which had the effect of avoiding the Member's supervisory and training controls and impacted its ability to communicate with clients, contrary to MFDA Rules 2.1.1, and 2.1.4¹.

III. TERMS OF SETTLEMENT

5. Staff and the Respondent agree and consent to the following terms of settlement:
 - (a) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 18 months commencing from the date the Settlement Agreement is accepted by the Hearing Panel, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
 - (b) the Respondent shall pay a fine in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
 - (c) the Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.2 of MFDA By-law No. 1;
 - (d) the Respondent shall complete an ethics or professional conduct course or another course acceptable to Staff prior to becoming re-registered as an Approved Person, pursuant to s. 24.1.1(f) of MFDA By-law No. 1;
 - (e) the Respondent shall in the future comply with MFDA Rules 2.1.1 and 2.1.4; and
 - (f) the Respondent shall attend by videoconference on the date set for the Settlement Hearing.
6. Staff and the Respondent agree to the settlement on the basis of the facts set out in this Settlement Agreement herein and consent to the making of an Order in the form attached as Schedule "A".

¹ On June 30, 2021, amendments to MFDA Rule 2.1.4 came into effect. As the conduct addressed in this proceeding pre-dated the amendment to the Rule, the contravention of MFDA Rule 2.1.4 that is addressed in this proceeding is of the version of MFDA Rule 2.1.4 that was in effect between February 27, 2006 and June 30, 2021.

IV. AGREED FACTS

Registration History

7. From June 15, 2015 to July 23, 2020, the Respondent was registered in Manitoba² with Royal Mutual Funds Inc. (“RMFI”), a Member of the MFDA. On July 23, 2020, the Respondent resigned from RMFI after the events described below became known.
8. At all material times, the Respondent was also employed with Royal Bank of Canada (the “Bank”), which is affiliated with RMFI.
9. From May 2021 to August 2021, the Respondent was registered with another Member of the MFDA. The Respondent is not currently registered in the securities industry.
10. At all material times, the Respondent conducted business in the Winnipeg, Manitoba area.

Background

The Variable Compensation Program

11. At all material times, a portion of the Respondent’s compensation consisted of variable compensation (the “Variable Compensation Program”) which was based upon a client loyalty metric (the “Client Loyalty Metric”) derived from satisfaction surveys completed by clients (the “Surveys”).
12. The Surveys were a supervisory and training control implemented by RMFI.
13. The Surveys were sent to a random sample of clients by email using the client’s email address stored on the Client Contact Information System (described below) used by RMFI.
14. The Surveys were emailed to clients after, among other things, an Approved Person had processed transactions or account changes on behalf of the client.

² At all material times, the Respondent was also registered as an Approved Person in all other provinces and territories of Canada.

15. RMFI collected client feedback information through the Surveys in order to, among other things, evaluate the performance of Approved Persons and assess the variable compensation payable to Approved Persons.

16. The Surveys posed questions to clients related to the services offered by Approved Persons and asked the clients to score their responses. Survey results of a certain value reduced the Client Loyalty Metric for the Respondent's business location and may have required an Approved Person to attend additional training.

17. The Survey results from all clients who were serviced by Approved Persons who worked at the Respondent's office location were factored into calculating the Client Loyalty Metric for the Respondent's business location.

Misconduct

18. At all material times, Approved Persons registered with RMFI had access to a system used by RMFI to collect client information (the "Client Contact Information System").

19. Between November 2018 and July 2020, the Respondent made 1161 unauthorized changes to contact information contained in the Client Contact Information System through the following methods:

- (a) editing or deleting a client's email address contained within the Client Contact Information System in 153 instances;
- (b) marking a client's email address as "invalid" in 773 instances;³ and
- (c) selecting "Do Not Survey" for the client in 235 instances.⁴

20. RMFI prohibited Approved Persons from taking any of the actions described above without the consent of the client.

³ An Approved Person could mark the client email address as "invalid" where the Approved Person determined that the client no longer had a valid email address.

⁴ An Approved Person could select the "Do Not Survey" option for clients who indicated that they did not wish to receive a survey.

21. The Respondent's conduct impacted 52 clients who held investment accounts with RMFI, in addition to other individuals who held bank accounts at the Bank.

22. RMFI and the Bank used the information contained within the Client Contact Information System to: (1) notify clients that investment or bank account statements, or trade confirmations, were available for viewing; (2) verify the client's identity when the client contacted RMFI or the Bank by telephone; and (3) send advertisements for financial services products.

23. None of the changes to the Client Contact Information System described above restricted the client's ability to access their investment accounts or bank accounts online.

24. The Respondent engaged in the misconduct set out above in order to prevent the clients from receiving a Survey. The Respondent states that she did not engage in the misconduct in order to increase her variable compensation resulting from the Client Loyalty Metric. The Respondent states that she engaged in this misconduct in order to avoid receiving scores on the Surveys that would negatively reflect on her job performance. The Respondent acknowledges that her conduct could have potentially increased the Client Loyalty Metric for the Respondent's business location. The precise impact on the Respondent's compensation is not known.

25. As a consequence of the Respondent's misconduct, she:

- (a) prevented clients from receiving the Survey which may have affected the Client Loyalty Metric and consequently the variable compensation the Respondent and the Approved Persons in her business location would receive;
- (b) avoided the risk that the Respondent could be selected for additional training as a consequence of receiving negative Survey responses;
- (c) interfered with RMFI's ability to verify the client's identity when providing services to the client virtually;
- (d) prevented clients from receiving notifications that their investment account statements, bank account statements, and/or confirmations of trades within their investment accounts were available;

- (e) prevented clients from receiving information from RMFI relating to the benefits, features or other information about products or services the client maintained with RMFI; and
- (f) may have misdirected RMFI correspondence to an email address of someone other than the client in cases where the Respondent changed a client's email address.

Additional Factors

26. The Respondent states that she is the sole earner for her family, and also supports her parents who are financially dependent on the Respondent due to the Respondent's mother having a serious medical illness and being unable to work. The Respondent's income is less than the expenses she pays for her family and parents. As a result, the Respondent limited in her ability to contribute additional amounts towards a fine and costs in this matter. MFDA Staff has received evidence which corroborates the Respondent's information set out above.

27. As a result of these unique circumstances, Staff has agreed to the penalty that is reflected in this Settlement Agreement.

28. RMFI has contacted all affected clients in order obtain their correct contact information.

29. There is no evidence of financial losses to clients arising from the misconduct described in this Settlement Agreement.

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

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

V. ADDITIONAL TERMS OF SETTLEMENT

32. 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.

33. The Settlement Agreement is subject to acceptance by the Hearing Panel. At or following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. 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.

34. 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.

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

- a) the Settlement Agreement will constitute the entirety of the evidence to be submitted at the settlement hearing, subject to rule 15.3 of the MFDA Rules of Procedure;
- b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal before the Board of Directors of 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) except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement, 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, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations;

- d) the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to section 24.1.1 of MFDA By-law No. 1 for the purpose of giving notice to the public thereof in accordance with section 24.5 of MFDA 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.

36. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against the Respondent based on, but not limited to, the facts set out in this Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

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

38. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law. The terms of the Settlement Agreement, including the attached Schedule "A", will be released to the public if and when the Settlement Agreement is accepted by the Hearing Panel.

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

DATED this 6th day of December, 2022.

“Megha Arora”

Megha Arora

“KM”

Witness – Signature

KM

Witness – Print name

“Charles Toth”

Staff of the MFDA
Per: Charles Toth
Vice-President, Enforcement



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**IN THE MATTER OF A SETTLEMENT HEARING
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THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Megha Arora

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") provided notice to the public of a Settlement Hearing in respect of Megha Arora (the "Respondent");

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

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

Between November 2018 and July 2020, the Respondent altered client contact information on the Member's system without the knowledge or authorization of the client, which had the effect of avoiding the Member's supervisory and training controls and impacted its ability to communicate with clients, contrary to MFDA Rules 2.1.1, and 2.1.4.

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

1. The Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 18 months commencing from the date the Settlement Agreement is accepted by the Hearing Panel, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
2. The Respondent shall pay a fine in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
3. The Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.2 of MFDA By-law No. 1;
4. The Respondent shall complete an ethics or professional conduct course or another course acceptable to Staff prior to becoming re-registered as an Approved Person, pursuant to s. 24.1.1(f) of MFDA By-law No. 1;
5. The Respondent shall in the future comply with MFDA Rules 2.1.1 and 2.1.4; 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], 2022.

Name,
Chair

Name,
Industry Representative

Name,
Industry Representative

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