



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: Lucia Arruda

Heard: July 12, 2021 by electronic hearing in Vancouver, British Columbia

Decision: July 12, 2021

Reasons for Decision: August 24, 2021

REASONS FOR DECISION

Hearing Panel of the Pacific Regional Council:

Ian H. Pitfield
Susan Monk
Tammi Walsh

Chair
Industry Representative
Industry Representative

Appearances:

Zaid Sayeed)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
)	
Laurie Smith)	Counsel for the Respondent
)	
)	
Lucia Arruda)	Respondent
)	
)	

1. At the conclusion of an oral hearing, held by electronic hearing, the Hearing Panel approved a settlement agreement dated March 16, 2021 (“Settlement Agreement”) pursuant to which Lucia Arruda (the “Respondent”), a registered dealing representative, was fined \$12,000 and ordered to pay costs of \$2,500 as a consequence of processing a trade in the account of a client without discussing all the elements of the trade with the client; and altering cheques received from a client for investment by signing the initials of the clients next to alterations made by the Respondent and submitting the cheques to the Member, Investors Group Financial Services Inc., for processing. The Settlement Agreement is annexed as Schedule “A”.

2. In brief, the Respondent is registered as a dealing representative with Investors Group Financial Services Inc. (“Investors Group”), working in Vancouver, British Columbia. She met with a client, AT, who was married to JT, to discuss proposed transactions with respect to AT’s RRSP and JT’s tax free savings account (“TFSA”). JT was not present at the meeting.

3. AT gave the Respondent a cheque for \$30,000 to be deposited to his RRSP and a cheque for \$15,000 signed by JT. The cheques were payable to “IG Wealth Management” and were to be deposited to AT’s RRSP and JT’s TFSA. AT instructed the Respondent to apply the TFSA funds to the purchase of a mutual fund the Respondent recommended. AT told the Respondent that he was acting on behalf of JT. The Respondent did not speak to JT to obtain specific instructions with respect to the purchase. The Respondent applied the funds to the purchase of the mutual fund as directed by AT. The Respondent’s actions contravened the Investors Group prohibition against discretionary trading and MFDA rules 2.3.1(b), 1.1.2, 2.5.1, and 2.1.1.

4. As noted, both cheques were made payable to “IG Wealth Management”. The Respondent understood that cheques were to be payable to “Investors Group”. To avoid any delay in processing the cheques, the Respondent changed the name of the payee to “Investors Group” and signed the initials of AT and JT on their respective cheques, contrary to MFDA Rule 2.1.1.

5. The Respondent admits the contraventions of the rules regarding discretionary trading and the alteration of documents.

6. Enforcement Counsel rightly states that:

The prohibition on discretionary trading advances investor protection in two principal respects. First, it guards against potential abuses by ensuring that a client must first give clear and complete directions to an Approved Person prior to a trade being executed in a client's account. Second, it seeks to prevent clients from being victimized by poor investment decisions being made on their behalf by those who do not possess the necessary

proficiencies, training and experience to exercise discretionary trading authority over a client's investments.

7. In relation to the alteration of the cheques which the Hearing Panel considers to be the more serious of the contraventions, Enforcement Counsel submitted the following:

“The MFDA has been warning Approved Persons against signing client signatures for a number of years.

MFDA Staff Notice #MSN-0035 dated December 10, 2004, SBA, Tab 18

MFDA Staff Notice #MSN-0066 dated October 31, 2007, (updated March 4, 2013 and January 26, 2017), SBA, Tab 19

MFDA Bulletin #0661-E dated October 2, 2015, SBA, Tab 20

Hearing Panels have held that when an Approved Person signs a client signature he or she contravenes the standard of conduct as set out in MFDA Rule 2.1.1.

Markus (Re), [2018] Hearing Panel of the Central Regional Council, MFDA File No. 201774, Panel Decision dated February 7, 2018, SBA, Tab 21, para 15

In its Bulletin #00661-E dated October 2, 2015 (the "Bulletin"), the MFDA provided examples of the negative consequences that can arise when an Approved Person engages in Signature Falsification (a term that includes conduct like pre-signed account forms, altered account forms and the falsification of a client signature):

- a) there is an adverse effect on the integrity and reliability of the documents
- b) the audit trail is destroyed
- c) the Approved Person's ability to produce valid documentation to support transactions that come into question is impacted
- d) the client is prejudiced by making it appear as if the client has executed a particular document when this is not the case
- e) the Member's supervisory personnel are misled as to the circumstances as to how the document was obtained
- f) the Approved Person's credibility is negatively affected
- g) Member complaint handling is negatively affected
- h) The Approved Person uses the forms to facilitate further misconduct like unauthorized trading, fraud and misappropriation of monies

MFDA Bulletin #0661-E dated October 2, 2015, SBA, Tab 20

In summary, the Respondent's conduct adversely affects the integrity and reliability of account documents, leads to the destruction of the audit trail, has a negative impact on Member complaint handling, and has the potential for misuse in the form of unauthorized trading, fraud, and misappropriation.”

8. While the MFDA regards the change in the name of the payee and the Respondent's insertion of a client's initials as signature falsification, the Hearing Panel notes that in other contexts, those actions are regarded as forgery.

9. Enforcement Counsel referred the Hearing Panel to a number of cases that placed the penalty proposed by the Settlement Agreement within a reasonable range. The Respondent did not dispute the reasonableness of the proposed penalty. The Hearing Panel concluded that the combination of penalty and the requirement to pay costs placed the settlement within a reasonable range and approved the Settlement Agreement accordingly.

DATED this 24th day of August, 2021.

"Ian H. Pitfield"

Ian H. Pitfield
Chair

"Susan Monk"

Susan Monk
Industry Representative

"Tammi Walsh"

Tammi Walsh
Industry Representative



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PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Lucia Arruda

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada ("Staff") and the Respondent, Lucia Arruda (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"):

- a) On or about May 29, 2019, the Respondent processed a trade in the account of a client without discussing all the elements of the trade with the client, contrary to the Member's policies and procedures and MFDA Rules 2.3.1(b), 1.1.2, 2.5.1, and 2.1.1; and

- b) On May 29, 2019, the Respondent altered cheques received from a client for investment, signed the initials of two clients next to the alterations, and submitted the cheques to the Member for processing, contrary to MFDA Rule 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 \$12,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
 - b) The Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.2 of MFDA By-law No. 1;
 - c) The Respondent shall attend in person on the date set for the Settlement Hearing; and
 - d) The Respondent shall in the future comply with Rules 1.1.2, 2.1.1, 2.2.1, 2.3.1(b), and 2.5.1.
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

Registration History

7. Since November 18, 2009 in British Columbia, and since September 5, 2013 in Ontario, the Respondent has been registered as a dealing representative with Investors Group Financial Services Inc. (the “Member”), a Member of the MFDA.

8. At all material times, the Respondent carried on business in the Vancouver, British Columbia area.

Discretionary Trading

9. At all material times, the Member’s policies and procedures prohibited the execution of any transactions or trades in any client accounts on a discretionary basis, whether or not such clients had requested that Approved Persons make investment decisions on their behalf.

10. In May 2019, the Respondent purchased the book of business of MM, another Approved Person with the Member. A number of MM's client accounts were transferred to the Respondent, including those of client AT and his spouse, client JT.

11. On May 27, 2019, the Respondent attended a meeting during which MM introduced client AT to the Respondent. Client JT was not present at this meeting.

12. During the meeting, client AT informed the Respondent that both he and client JT wished to make contributions to their existing investment accounts with the Member. Client AT provided the Respondent with two previously prepared and executed cheques (collectively, the "Cheques") from a joint bank account belonging to him and his spouse JT, as follows:

- a) a cheque in the amount of \$30,000, signed by client AT and made payable to "IG Wealth Management", for contribution into client AT's existing RRSP account; and
- b) a cheque in the amount of \$15,000, signed by client JT and made payable to "IG Wealth Management", for contribution into client JT's existing TFSA account.

13. During the meeting, the Respondent recommended to client AT that he and client JT purchase a certain mutual fund.

14. Client AT instructed the Respondent to deposit the \$15,000 Cheque into client JT's TFSA account for investment into the mutual fund the Respondent recommended to client AT. The Respondent states that client AT told the Respondent he was providing the \$15,000 Cheque and investment instructions on behalf of client JT.

15. On or about May 29, 2019, the Respondent deposited the \$15,000 Cheque and submitted for processing a trade for the purchase of the mutual fund on behalf of client JT without speaking with client JT and obtaining specific instructions with respect to the mutual fund to be purchased in client JT's account.

Signing the Initials of Clients and Altering Payee Information on Cheques

16. At all material times, the Member's policies and procedures prohibited the falsification of client signatures on any document, even if requested by a client or done without fraudulent intentions.

17. On May 29, 2019, prior to submitting the Cheques for processing to the Member, the Respondent identified that the payee name written on the Cheques that she had received from client AT was “IG Wealth Management”.

18. The Respondent states that it was her understanding that cheques received for investment were required to be made payable to “Investors Group”, and that the processing of the trades would be delayed if she attempted to deposit Cheques made payable to “IG Wealth Management”.

19. Without speaking with the clients, the Respondent altered the payee name on the Cheques to read “Investors Group dba IG Wealth Management” [emphasis added], and signed the initials of clients AT and JT so it appeared as though the clients had authorized the alterations to the Cheques.

Member’s Investigation

20. By in or about June 2019, client AT complained to the Member in respect of the Respondent signing the initials on the Cheques as described above.

21. On July 30, 2019, the Member commenced an investigation of the conduct of the Respondent and placed her under close supervision.

22. During the course of the Member’s investigation, it conducted a full review of the client files maintained by the Respondent, and did not identify any instances of unauthorized trading through this review.

23. The Member imposed a \$3,000 fine on the Respondent and issued a warning letter to her in respect of the conduct described herein.

Additional Factors

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

25. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above beyond any commissions and fees that she would ordinarily be entitled to receive had the transactions been carried out in the proper manner.

26. There is no evidence of client loss resulting from the Respondent's conduct.

27. 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

28. 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.

29. 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.

30. 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.

31. 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 contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any 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.

32. 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.

33. 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.

34. 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 16th day of March, 2021.

“Lucia Arruda”

Lucia Arruda

“DE”

Witness – Signature

DE

Witness – Print Name

“Charles Toth”

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



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Re: Lucia Arruda

ORDER

WHEREAS on [date], 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 Lucia Arruda (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 the Hearing Panel is of the opinion that:

- a) On or about May 29, 2019, the Respondent processed a trade in the account of a client without discussing all the elements of the trade with the client, contrary to the Member's policies and procedures and MFDA Rules 2.3.1(b), 1.1.2, 2.5.1, and 2.1.1; and
- b) On May 29, 2019, the Respondent altered cheques received from a client for investment, signed the initials of two clients next to the alterations, and submitted the cheques to the Member for processing, contrary to MFDA Rule 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 \$12,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
2. The Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.2 of MFDA By-law No. 1; and
3. The Respondent shall in the future comply with Rules 1.1.2, 2.1.1, 2.2.1, 2.3.1, and 2.5.1.
4. 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]

DM 835242