



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: Lubomir Chovancak

Heard: October 30, 2018 in Calgary, Alberta

Decision: October 30, 2018

Reasons for Decision: January 22, 2019

REASONS FOR DECISION

Hearing Panel of the Prairie Regional Council:

Shelley L. Miller, QC
Adam Dudley
Greg Wiebe

Chair
Industry Representative
Industry Representative

Appearances:

Justin Dunphy)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
Michael Byers)	Counsel for the Respondent (by teleconference)
)	
Lubomir Chovancak)	Respondent, in person
)	

Background

1. This matter concerns a Settlement Hearing under Section 24.4 of By-Law No. 1 of the Mutual Fund Dealers Association of Canada (the "MFDA"). The hearing was held on October 30, 2018. The full Settlement Agreement dated August 21, 2018, entered into between the Respondent Lubomir Chovancak ("Chovancak") and MFDA Staff on behalf of MFDA, is attached as Appendix "A" to these Reasons for Decision and its relevant provisions will not be repeated in detail here.

2. Under the Settlement Agreement, the Respondent Chovancak has admitted to the following violations of the By-laws, Rules or Policies of the MFDA:

- a) between November 2016 and January 2017, he obtained, possessed, and in one instance, used to process a transaction, 5 pre-signed account forms in respect of 3 clients, contrary to MFDA Rule 2.1.1; and
- b) in November 2016, he, acting in his capacity as branch manager, reviewed and approved the use of 1 pre-signed account form, contrary to MFDA Rules 2.1.1 and 2.5.5(f).

3. At the conclusion of the October 30, 2018 hearing, this Hearing Panel accepted the proposed Settlement Agreement with reasons to follow, which are now set out below.

Terms of Settlement

4. Under the terms of the Settlement Agreement, the Respondent agreed to penalties which include: a fine of \$8,000.00, costs of \$2,500.00, a branch manager prohibition for a period of 6 months, and a conditional requirement to complete the Branch Managers Course offered by the Canadian Securities Institute prior to holding the position of branch manager in the future.

Agreed Facts

Registration History

5. Since June 1993, the Respondent has been registered in Alberta as a mutual fund salesperson (now known as a dealing representative) with PFSL Investments Canada Ltd. (“PFSL”), a Member of the MFDA.

6. From April 2012 until July 2017, the Respondent was designated as a branch manager with PFSL.

7. At all material times, the Respondent conducted business in the Lethbridge, Alberta area.

Pre-Signed Account Forms

8. At all material times, PFSL’s policies and procedures prohibited its Approved Persons, including the Respondent, from obtaining, holding, or using pre-signed account forms.

9. In January 2016 and November 2016, the Respondent signed PFSL’s 2015 and 2016 annual attestations where he acknowledged that he would not obtain pre-signed account forms.

10. Between November 2016 and January 2017, the Respondent obtained, possessed, and in one instance used to process a transaction, 5 pre-signed account forms in respect of 3 clients.

11. The pre-signed account forms consisted of:

- a) 1 customer service form;
- b) 1 redemption request form;
- c) 1 subsequent contribution form; and
- d) 2 transfer authorization for registered investment forms.

12. The Respondent states that 4 of the 5 pre-signed forms were obtained, but not used, as they were left in the client files despite being only partially complete.

Approval of Pre-Signed Account Forms as Branch Manager

13. In November 2016, the Respondent, acting in his capacity as branch manager, reviewed and approved the use of one of the pre-signed account forms described above in paragraphs 10 - 12.

Prior Use of Pre-signed Account Forms

14. On or about September 17, 2013, PFSL issued a warning letter to the Respondent after it identified that he obtained and used pre-signed forms with respect to 2 clients.

PFSL's Investigation

15. On or about March 14, 2017, as a result of a branch audit, PFSL detected the pre-signed account forms in the client files maintained by the Respondent that are the subject of this Settlement Agreement.

16. PFSL subsequently conducted a review of additional client files maintained by the Respondent, comprising approximately 34 percent of the total client files maintained by the Respondent, to determine if any additional pre-signed account forms or discretionary trading occurred. PFSL did not detect any additional concerns.

17. On or about May 9, 2017, as part of its investigation, PFSL sent letters to all the clients serviced by the Respondent for whom pre-signed account forms were identified, as well as an additional 10 percent of clients, in order to determine if the transactions in the clients' accounts were authorized. No clients reported any concerns.

18. On or about July 24, 2017, PFSL issued the Respondent a warning letter and removed the Respondent's designation as a branch manager effective July 20, 2017, as a result of the conduct that is the subject of this Settlement Agreement.

Additional Factors

19. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above beyond any commissions and fees that he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.
20. The Respondent states that the forms were obtained for the purpose of client convenience.
21. There is no evidence of any client loss or that transactions were unauthorized. No clients have complained with respect to the obtaining and using of pre-signed account forms as described above.
22. The Respondent has not previously been the subject of MFDA disciplinary proceedings.

Analysis

23. This Hearing Panel concluded that the allegations admitted by the Respondent had been proven and constitutes misconduct in contravention of the By-law and MFDA Rules. It then turned to the question of the appropriateness of the proposed penalty as set out in the Settlement Agreement.
24. This Hearing Panel is aware that its responsibility is to either accept the settlement agreement or reject it, as stated by the MFDA Hearing Panel in *Sterling Mutuals Inc. (Re)*, MFDA File No. 200820, Hearing Panel of the Central Regional Council, Decision and Reasons dated September 3, 2008 at para. 37 citing the I.D.A. Ontario District Council in *Milewski (Re)* [1999] IDACD No. 17 at p. 10, Ontario District Council Decision dated July 28, 1999.
25. This Hearing Panel is also mindful of the effectiveness of Settlement Agreements in fulfilling the objective of the regulator as noted in the reasons for decision in *British Columbia Securities Commission v Seifert*, 2007 BCCA 484 at para. 31.

Nature of the Misconduct: Pre-Signed Account Forms

26. The Respondent's misconduct is serious: he obtained, possessed, and in one instance, used to process a transaction, 5 pre-signed account forms in respect of 3 clients.

Enhanced Penalty

27. In this instance Enforcement Counsel is seeking a penalty that exceeds the minimum fine recommended by the Penalty Guidelines for an Approved Person's breach of the standard of conduct.

Aggravating Factors

28. One factor Enforcement Counsel cited in support of an enhanced penalty is MFDA Bulletin #0661-E, dated October 2, 2015, which reminded Members and Approved Persons that "Signature Falsification" is not permissible under MFDA Rules. This term includes conduct like pre-signed account forms, altered account forms and the falsification of a client signature. In the Bulletin, MFDA advised Members and Approved Persons that it would be seeking enhanced penalties at MFDA disciplinary proceedings for conduct that occurred after the publication of the Bulletin on October 2, 2015.

29. The MFDA has made clear to Approved Persons since October 31, 2007, in both MFDA Staff Notices and Bulletins, that possessing and using pre-signed forms is contrary to the obligations of Rule 2.1.1.

Member Staff Notice 0066: Pre-Signed Forms, dated October 31, 2007 (updated March 4, 2013).

MFDA Bulletin #0661-E: Signature Falsification, dated October 2, 2015.

30. The prohibition on the use of pre-signed account forms applies regardless of whether the client was aware, or authorized the use of the pre-signed forms, and whether the forms were actually used by the Approved Person for discretionary trading or other improper purposes.

Wellman (Re), MFDA File No. 201529, Hearing Panel of the Central Regional Council, Decision and Reasons dated December 21, 2015, at para. 10.

31. Another factor in support of an enhanced penalty in the case at hand is that the Respondent committed the misconduct while employed as a branch manager.

32. Hearing panels have held that the review and approval of pre-signed and falsified account forms by a branch manager is a violation of Rules 2.1.1 and 2.5.5(f).

Gocool (Re), MFDA File No. 201628, Hearing Panel of the Central Regional Council, Decision and Reasons dated August 10, 2016.

Hogan (Re), MFDA File No. 201567, Hearing Panel of the Central Regional Council, Decision and Reasons dated July 28, 2016.

33. As stated in *Gocool (Re)*, *supra* at para. 10, “branch managers should act as standard bearers of conduct for the industry.”

34. As noted above, the Respondent was issued a warning letter by PFSL on September 17, 2013, when PFSL identified that the Respondent obtained and used pre-signed account forms in respect of 2 clients. Although this Respondent did not sign an acknowledgement and undertaking upon being warned in September 2013 by PFSL, the discovery of additional pre-signed account forms after he was previously warned by the Member with respect to the same conduct is an aggravating factor which warrants a greater penalty than the normal case.

35. In previous MFDA decisions, hearing panels have viewed repeat conduct with respect to pre-signed forms, including an approved person’s signing of an acknowledgment and undertaking to stop using pre-signed account forms, justified the heightened penalty sought in that decision.

Gilchrist, Leslie (Re), MFDA File No. 2016100, Hearing Panel of the Pacific Regional Council, Decision and Reasons dated May 29, 2017, at para. 14.

Ackerman (Re), MFDA File No. 201734, Hearing Panel of the Prairie Regional Council, Decision and Reasons dated September 13, 2017 at para. 34.

36. In the case at hand, all 5 account forms were obtained after the MFDA issued MFDA Bulletin #0661-E on October 2, 2015, which previously has been treated as an aggravating factor.

Lo (Re), MFDA File No. 201776, Hearing Panel of the Central Regional Council, Decision and Reasons dated February 7, 2018, at paras. 16, 18.

37. A further aggravating factor is that the Respondent also signed 2015 and 2016 annual attestations from the Member where he acknowledged that he would not obtain pre-signed account forms.

Mitigating Factors

38. By entering into the Settlement Agreement, the Respondent has accepted responsibility for his misconduct and avoided the necessity of the MFDA incurring the additional time and expense of a full contested hearing.

39. There is no evidence of unauthorized trades or client losses.

40. There is no evidence to suggest that the Respondent received a financial or other benefit through his conduct, and there were no client complaints.

41. The Respondent stated that the forms were obtained for the purpose of client convenience.

Relevant Case Authority

42. Enforcement Counsel cited the following cases in support of acceptance of the Settlement Agreement:

- a) *Gocool (Re), supra,*
- b) *Hogan (Re), supra,*
- c) *Ackerman (Re), supra,*
- d) *Tantalo (Re)*, MFDA File No. 201708, Hearing Panel of the Central Regional Council, Decision and Reasons dated September 18, 2017
- e) *Cheung (Re)*, MFDA File No. 201502, Hearing Panel of the Pacific Regional Council, Decision and Reasons dated May 26, 2016
- f) *Blake (Re)*, MFDA File No. 201873, Hearing Panel of the Central Regional Council, Decision and Reasons pending.

43. In *Gocool (Re) (supra)*, the Respondent:

- a) obtained, possessed, and in some instances, used to process transactions, 52 pre-signed account forms in respect of ten (10) clients;
- b) altered and used five (5) client account forms in respect of five (5) clients by using liquid correction fluid to change information on the account forms to reflect client instructions, without having the clients initial the changes; and
- c) acting in the capacity of branch manager, reviewed and approved the use of 54 account forms.

The Respondent there agreed to pay a fine of \$15,000.00 and costs of \$2,500.00.

44. In *Hogan (Re)*, *supra*, the Respondent admitted that he obtained and used 4 pre-signed account forms in respect of one client and, acting in his capacity as Branch Manager, reviewed and approved 28 pre-signed account forms in respect of 9 clients. The approved settlement agreement provided for a fine of \$10,000.00 and costs of \$2,500.00.

45. In *Ackerman (Re)*, *supra*, the Respondent obtained 2 pre-signed account forms in respect of one client and had been previously warned by the Member with respect to pre-signed account forms. The Hearing Panel approved the settlement agreement imposing a fine of \$6,000 and costs of \$2,500.00.

46. In *Tantalo, (Re) (supra)* the Respondent who was a Branch Manager, obtained, maintained, and in some cases, used, 14 pre-signed forms in respect of 13 clients. He altered 5 account forms in respect of 5 clients and on 6 occasions failed to accurately respond to the Member's annual compliance questionnaires by incorrectly affirming that he did not maintain any pre-signed forms. Under the Settlement Agreement, he agreed to a fine of \$12,000.00 and costs of \$2500.00.

47. In *Cheung (Re)*, *supra*, the Respondent admitted that he obtained and used to process transactions 74 blank or partially complete pre-signed account forms (or photocopies thereof) in respect of 22 client accounts, contrary to MFDA rule 2.1.1; and, as branch manager, he reviewed and approved 21 blank or partially completed pre-signed forms (or photocopies thereof) submitted by other Approved Persons. Under the approved settlement agreement the Respondent agreed to be prohibited from acting in a compliance or supervisory capacity with a Member for a period of

three months from the day of the acceptance of the Settlement Agreement by the Hearing Panel, to pay a fine of \$12,500.00 and costs of \$2,500.00.

48. In *Blake (Re)*, supra, although written reasons are pending, it is submitted by Enforcement Counsel that the facts there were that the Respondent obtained, possessed, and in some cases used, 36 pre-signed account forms, in his capacity as branch manager, reviewed and approved the use of 36 pre-signed account forms. Some of the forms were post-bulletin and the Member terminated the Respondent's branch manager designation. The Hearing Panel approved the settlement agreement providing for a fine of \$12,500, a 6-month branch manager prohibition and costs of \$2,500.00.

49. As will be seen from the above-cited decisions, penalties tend to be customized to fit the circumstances of individual cases.

50. Considering all the foregoing, this Hearing Panel concluded that the misconduct of the Respondent was very serious and was aggravated by the facts that it involved post bulletin misconduct, he had been previously warned by the Member about the conduct, he had signed annual attestations that he would not commit such misconduct and certain of his conduct occurred while he was a branch manager. As branch manager, he should be held to a higher standard than a standard Approved Person.

51. However, there were mitigating factors which included the facts that there were no client complaints as to the Respondent's actions, even after the dealer member solicited responses from a select group of clients during their investigation, no clients were harmed as a result of the Respondent's misconduct, there was no evidence that the Respondent received any financial benefit from engaging in the misconduct at issue in this proceeding, he had not previously been the subject of MFDA disciplinary proceedings and by entering into the Settlement Agreement, he accepted responsibility for his misconduct and avoided the necessity of the MFDA incurring the time and expense of conducting a full disciplinary proceeding.

52. This Hearing Panel also concluded that the instant case included special circumstances to demonstrate that the suspension will have more than a nominal specific deterrent impact on the

Respondent, and will likely also have a persuasive general deterrent impact on the other participants in the securities industry.

53. Accordingly, this Hearing Panel is satisfied that the Settlement Agreement is in the public interest, is reasonable and proportionate, and will foster public confidence in the integrity of the Canadian capital markets and the industry and, accordingly, approves its terms.

DATED this 22nd day of January, 2019.

“Shelley L. Miller”

Shelley L. Miller, QC
Chair

“Adam Dudley”

Adam Dudley
Industry Representative

“Greg Wiebe”

Greg Wiebe
Industry Representative

DM 647611



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: Lubomir Chovancak

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada ("Staff") and the Respondent, Lubomir Chovancak (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 MFDA:

- a) between November 2016 and January 2017, the Respondent obtained, possessed, and in 1 instance, used to process a transaction, 5 pre-signed account forms in respect of 3 clients, contrary to MFDA Rule 2.1.1; and
- b) in November 2016, the Respondent, acting in his capacity as branch manager, reviewed and approved the use of 1 pre-signed account form, contrary to MFDA Rule 2.1.1 and 2.5.5(f).

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 \$8,000 in certified funds 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 pursuant to s. 24.2 of MFDA By-law No. 1;
- c) The Respondent shall be prohibited from acting as a branch manager or in any supervisory capacity for a Member of the MFDA for a period of 6 months commencing upon the date the Settlement Agreement is accepted by the Hearing Panel, pursuant to s. 24.1.1. of By Law No. 1;
- d) The Respondent shall be required to successfully complete the Branch Managers Course offered by the Canadian Securities Institute prior to holding the position of Branch Manager in the future;
- e) The payment of the fine and costs shall be made to and received by MFDA Staff as follows:
 - i. \$2,500 (fine) and \$2,500 (costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - ii. \$2,500 (fine) on or before the last business day of the 3rd month following the date of the acceptance of the Settlement Agreement by the Hearing Panel;
 - iii. \$3,000 (fine) on or before the last business day of the 6th month following the date of the acceptance of the Settlement Agreement by the Hearing Panel;
- f) the Respondent shall in the future comply with MFDA Rule 2.1.1 and 2.5.5(f); and
- g) the Respondent will attend in person, 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

Registration History

7. Since June 1993, the Respondent has been registered in Alberta as a mutual fund salesperson (now known as a dealing representative) with PFSL Investments Canada Ltd. (“PFSL”), a Member of the MFDA.

8. From April 2012 until July 2017, the Respondent was designated as a branch manager with PFSL.

9. At all material times, the Respondent conducted business in the Lethbridge, Alberta area.

Pre-Signed Account Forms

10. At all material times, PFSL’s policies and procedures prohibited its Approved Persons, including the Respondent, from obtaining, holding, or using pre-signed account forms.

11. In January 2016 and November 2016, the Respondent signed PFSL’s 2015 and 2016 annual attestations where he acknowledged that he would not obtain pre-signed account forms.

12. Between November 2016 and January 2017, the Respondent obtained, possessed, and in 1 instance used to process a transaction, 5 pre-signed account forms in respect of 3 clients.

13. The pre-signed account forms consisted of:

- a) 1 customer service form;
- b) 1 redemption request forms;
- c) 1 subsequent contribution form; and
- d) 2 transfer authorization for registered investment forms.

14. The Respondent states that 4 of the 5 pre-signed forms were obtained, but not used, as they were left in the client files despite being only partially complete.

Approval of Pre-Signed Account Forms as Branch Manager

15. In November 2016, the Respondent, acting in his capacity as branch manager, reviewed and approved the use of 1 of the pre-signed account forms described above in paragraphs 12 -13.

Prior Use of Pre-signed Account Forms

16. On or about September 17, 2013, PFSL issued a warning letter to the Respondent after it identified that he obtained and used pre-signed forms with respect to 2 clients.

PFSL's Investigation

17. On or about March 14, 2017, as a result of a branch audit, PFSL detected the pre-signed account forms in the client files maintained by the Respondent that are the subject of this Settlement Agreement.

18. PFSL subsequently conducted a review of additional client files maintained by the Respondent, comprising approximately 34 percent of the total client files maintained by the Respondent, to determine if any additional pre-signed account forms or discretionary trading occurred. PFSL did not detect any additional concerns.

19. On or about May 9, 2017, as part of its investigation, PFSL sent letters to all the clients serviced by the Respondent for whom pre-signed account forms were identified, as well as an additional 10 percent of clients, in order to determine if the transactions in the clients' accounts were authorized. No clients reported any concerns.

20. On or about July 24, 2017, PFSL issued the Respondent a warning letter and removed the Respondent's designation as a branch manager effective July 20, 2017, as a result of the conduct that is the subject of this Settlement Agreement.

Additional Factors

21. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above beyond any commissions and fees that he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.
22. The Respondent states that the forms were obtained for the purpose of client convenience.
23. There is no evidence of any client loss or that transactions were unauthorized. No clients have complained with respect to the obtaining and using of pre-signed account forms as described above.
24. The Respondent has not previously been the subject of MFDA disciplinary proceedings.
25. 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

26. 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.
27. 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.
28. 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.
29. 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 waives any rights to a full hearing, a review hearing 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.

30. 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.

31. 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.

32. 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 21st day of August, 2018.

“Lubomir Chovancak”

Lubomir Chovancak

“TO”

Witness – Signature

TO

Witness – Print Name

“Shaun Devlin”

Shaun Devlin
Staff of the MFDA
Per: Shaun Devlin
Senior Vice-President,
Member Regulation – Enforcement

Schedule “A”

**Order
File No.**



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: Lubomir Chovancak

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 By-law No. 1 in respect of Lubomir Chovancak (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 By-law No. 1;

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

- a) between November 2016 and January 2017, obtained, possessed, and in some instances, used to process transactions, 5 pre-signed account forms in respect of 3 clients, contrary to MFDA Rule 2.1.1; and

- b) in November 2016, acting in his capacity as branch manager, reviewed and approved the use of 1 pre-signed account form, contrary to MFDA Rule 2.1.1 and 2.5.5(f).

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 \$8,000 in certified funds 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 pursuant to s. 24.2 of MFDA By-law No. 1;
3. The Respondent shall be prohibited from acting as a branch manager or in any supervisory capacity for a Member of the MFDA for a period of 6 months commencing upon the date the Settlement Agreement is accepted by the Hearing Panel, pursuant to s. 24.1.1. of By Law No. 1;
4. The Respondent shall be required to successfully complete the Branch Managers Course offered by the Canadian Securities Institute prior to holding the position of Branch Manager in the future;
5. The payment of the fine and costs shall be made to and received by MFDA Staff as follows:
 - a) \$2,500 (fine) and \$2,500 (costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - b) \$2,500 (fine) on or before the last business day of the 3rd month following the date of the acceptance of the Settlement Agreement by the Hearing Panel;
 - c) \$3,000 (fine) on or before the last business day of the 6th month following the date of the acceptance of the Settlement Agreement by the Hearing Panel;
6. The Respondent shall in the future comply with MFDA Rule 2.1.1 and 2.5.5(f); and
7. 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]