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: Leonard Coronel

Heard: June 25, 2020 by electronic hearing in Toronto, Ontario
Decision: June 25, 2020
Reasons for Decision: July 21, 2020

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Joan Smart	Chair
Kenneth P. Mann	Industry Representative
Joseph Yassi	Industry Representative

Appearances:

Brendan Forbes	)	Enforcement Counsel for the Mutual Fund Dealers Association of Canada
Nicole McAuley	)	Counsel for the Respondent
Leonard Coronel	)	Respondent

I. INTRODUCTION

1. By Notice of Settlement Hearing, dated May 29, 2020, the Mutual Fund Dealers Association of Canada (the "MFDA") commenced proceedings against Leonard Coronel (the "Respondent") indicating that an electronic hearing would be held on June 25, 2020 to consider whether the Hearing Panel should accept the settlement agreement, dated May 28, 2020, (the "Settlement Agreement") entered into between the staff of the MFDA ("Staff") and the Respondent.

2. At the Settlement Hearing on June 25, 2020, the Hearing Panel, after hearing submissions of counsel for the parties and considering the Settlement Agreement, decided to accept it. These are our reasons for that decision.

II. THE RESPONDENT'S ADMISSION OF CONTRAVENTIONS

3. The Respondent admitted to the following violations of the MFDA Rules:

a) between January 2018 and September 2018, the Respondent, on 8 occasions, signed the initials of clients next to alterations he made to information on accounts forms, and submitted them to the Member for processing, contrary to MFDA Rule 2.1.1;

b) in May 2018, the Respondent altered and used to process a transaction 1 account form in respect of 1 client by altering information on the account form without having the client initial the alterations, contrary to MFDA Rule 2.1.1; and

c) between January 2015 and October 2018, the Respondent obtained, possessed and used to process transactions, 30 pre-signed account forms in respect of 21 clients, contrary to MFDA Rule 2.1.1.

III. PROPOSED SETTLEMENT

4. Staff and the Respondent agreed to the following terms of settlement:

a) the Respondent shall be suspended from conducting securities related business in any capacity while in the employ of, or associated with, any MFDA Member for

nine 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 of $2,500, pursuant to s. 24.1.1(b) of MFDA By-law No. 1, in installments as follows::

   i. $400 on or before the last business day of each of the first, second, third, fourth and fifth months following acceptance of the Settlement Agreement by the Hearing Panel; and

   ii. $500 on or before the last business day of the sixth month following acceptance of the Settlement Agreement by the Hearing Panel;

c) the Respondent shall pay costs of $2,500 upon acceptance of the Settlement Agreement by the Hearing Panel, pursuant to s. 24.2 of MFDA By-law No. 1; and

d) the Respondent shall in the future comply with MFDA Rule 2.1.1.

IV. AGREED FACTS

Registration History

5. Since June 2006, the Respondent has been registered in Ontario as a mutual fund salesperson (now known as a dealing representative)[1] with WFG Securities Inc. (the "Member"), a Member of the MFDA. At all material times the Respondent was an Approved Person of the Member.

Signing the Initials of Clients on Account Forms

6. At all material times, the Member's policies and procedures prohibited Approved Persons from signing a client's name to a document.

7. Between January 2018 and September 2018, the Respondent signed the initials of clients on 8 trade tickets next to alterations he made to information on the trade tickets, and submitted them to the Member for processing.

[1] In September 2009, the registration category mutual fund salesperson was changed to "dealing representative" when National Instrument 31-103 came into force.

8. The alterations made by the Respondent on the trade tickets included alterations to trade instructions, client signature dates and special instructions.

Altered Account Forms

9. At all material times, the Member's policies and procedures prohibited Approved Persons from altering information on a signed document without the client initialing the document to show that the changes were approved.

10. In May 2018, the Respondent altered the trading instructions, special instructions and representative commission on one trade ticket in respect of one client, without having the client initial the alterations, and used this altered form to process a transaction.

Pre-Signed Account Forms

11. At all material times, the Member's policies and procedures prohibited Approved Persons from holding an account form which was signed by a client and was blank or only partially completed.

12. Between January 2015 and October 2018, the Respondent obtained, possessed and used to process transactions, 30 pre-signed account forms in respect of 21 clients.

13. The pre-signed account forms consisted of 25 Trade Tickets, 3 New Account Application Forms and 2 Non Financial Information Update Forms.

The Member's Investigation

14. In September 2018, during a trade review, the Member identified that two trade tickets submitted by the Respondent contained identical signatures found on two trade tickets previously submitted by the Respondent. The Member then conducted an audit of the client files maintained by the Respondent and identified the account forms that are the subject of the Settlement Agreement.

15. In November 2018, the Member placed the Respondent under increased supervision and he currently remains subject to increased supervision by the Member.

16. In November 2018, the Member sent letters to clients whose accounts the Respondent serviced asking them to review an attached account history to ensure that its records were accurate and all transactions in the account had been processed as requested by the client. The Member did not receive any responses indicating that any transactions had been processed in client accounts which were not requested by the clients.

17. In December 2018, the Member sent a Compliance Notice to the Respondent which required the Respondent to complete a compliance course offered by the Member. He completed the compliance course on April 24, 2019.

V. CONSIDERATIONS

Role of the Hearing Panel

18. Section 24.4.3 of MFDA By-law No. 1 provides that hearing panels may only accept or reject a settlement agreement.

19. It is generally accepted that a hearing panel will not lightly interfere with a settlement agreement reached between Staff and a respondent and will not reject it unless it views the penalty as clearly falling outside a reasonable range of appropriateness. See, for example, *Sterling Mutuals Inc. (Re)*, LNCMFDA 16 at para. 37.

20. In determining whether to accept the Settlement Agreement, the Hearing Panel considered primarily: whether it was proportionate and fell within a reasonable range of appropriateness, having regard to the Respondent's misconduct and previous MFDA cases; whether it would serve as a specific and general deterrent; and whether it was aligned with the MFDA's objectives to enhance investor protection and strengthen public confidence in the mutual fund industry.

Misconduct

21. MFDA Rule 2.1.1 requires, among other things, that Approved Persons deal fairly, honestly and in good faith with its clients, observe high standards of ethics and conduct in the transaction of business and not engage in any business conduct or practice which is unbecoming or detrimental to the public interest.

22. We found that, as admitted by the Respondent, he contravened MFDA Rule 2.1.1 when he: signed the initials of clients next to alterations he made to account forms and submitted them to the Member for processing; altered information on an account form without having the client initial the alteration and used the form to process a transaction; and obtained, processed and used pre-signed account forms.

23. The Respondent's subject actions were are also contrary to the Member's policies and procedures.

24. Obtaining and using pre-signed account forms and altering account forms is serious misconduct. We view as even more serious the signing of client initials next to alterations on account forms. Each of those actions can, among other things, negatively impact the integrity of account documents, destroy the audit trail, impede a Member's ability to supervise accounts and respond to client complaints and potentially allow for misuse such as unauthorized trading and misappropriation.

Sanction

25. We considered as an aggravating factor in determining the sanction the fact that the misconduct occurred after the MFDA had issued MFDA Bulletin #0661-E, dated October 2, 2015. In that Bulletin the MFDA warned the industry against using pre-signed forms, altering account forms and falsifying client signatures and advised that it would be seeking increased penalties in future such cases.

26. In reaching our decision, we considered a number of mitigating factors, including that:

a) there was no evidence that the Respondent received any financial benefit from the misconduct beyond any commissions and fees that he would ordinarily be entitled to receive had the transactions been carried out in the proper manner;

b) there was no evidence of client loss, client complaints or lack of authorization;

c) the Respondent has not previously been the subject of MFDA disciplinary proceedings;

d) the Member took action to address the misconduct, including placing the Respondent on increased supervision and requiring that he take a compliance course; and

e) by entering into the Settlement Agreement, the Respondent accepted responsibility for his misconduct and saved the MFDA the time, resources and expenses associated with conducting a full hearing.

27. Under the MFDA Sanction Guidelines, a hearing panel may consider an inability to pay as a factor in determining an appropriate fine, and we have done so in this case. The Respondent had demonstrated to Staff that he had limited financial means to pay a fine as he has a child with a serious medical condition that requires that he incur additional costs in caring for his children.

28. In our view, a nine month suspension from working in the securities industry is a significant sanction and, together with the $2500 fine, should deter the Respondent from engaging in similar conduct in the future. It should also discourage other dealing representatives from engaging in similar conduct.

29. The proposed penalty and costs were within a reasonable range of appropriateness, having regard to other decisions made by MFDA hearing panels in similar circumstances, including those set out below.

> *Congi (Re),* [2019] Hearing Panel of the Central Regional Council, MFDA File No. 201851, Panel Decision dated February 28, 2019
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> *Desjardins (Re),* [2019] Hearing Panel of the Atlantic Regional Council, MFDA File No. 201903, Panel Decision dated September 6, 2019
>
> *Archer (Re),* [2019] Hearing Panel of the Central Regional Council, MFDA File No. 201855, Panel Decision dated February 28, 2019
>
> *Bott (Re),* [2019] Hearing Panel of the Central Regional Council, MFDA File No. 2018121, Panel Decision dated February 28, 2019

VI. CONCLUSION

30. We concluded that the proposed sanction was proportionate and fell within a reasonable range of appropriateness, having regard to the Respondent's conduct and previous MFDA cases.

It should serve as a specific and general deterrent. We were also of the view that it was aligned with the MFDA's regulatory mandate. Accordingly, we decided to accept the Settlement Agreement.

DATED this 21st day of July, 2020.

"Joan Smart"
Joan Smart
Chair

"Kenneth P. Mann"
Kenneth P. Mann
Industry Representative

"Joseph Yassi"
Joseph Yassi
Industry Representative

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