



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

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Guy Edward Dudding

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of the Prairie Regional Council (the “Hearing Panel”) of the Mutual Fund Dealers Association of Canada (the “MFDA”) on June 24, 2021 at 10:00 a.m. (Mountain) or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Guy Edward Dudding (the “Respondent”). Members of the public who would like to listen to the teleconference should contact hearings@mfd.ca to obtain particulars.

DATED this 18th day of May, 2021.

“Michelle Pong”

Michelle Pong
Director, Regional Councils

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Telephone: 416-945-5134
Email: corporatesecretary@mfd.ca

NOTICE is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

Allegation #1: Between June 2015 and May 2019, the Respondent misappropriated or otherwise failed to account for client monies, contrary to MFDA Rules 2.1.1, 2.5.1 and 1.1.2.

Allegation #2: Between November 2016 and February 2017, the Respondent borrowed monies from a client, thereby engaging in personal financial dealings with a client which gave rise to a conflict or potential conflict of interest that he failed to disclose to the Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the client, contrary to the policies and procedures of the Member and MFDA Rules 2.1.4, 2.1.1, 2.5.1 and 1.1.2.

Allegation #3: On or about May 9, 2017, the Respondent provided a falsified account statement to a client, contrary to MFDA Rule 2.1.1.

Allegation #4: Between August 2015 and March 2020, the Respondent made false or misleading statements:

- a) to the Member in response to its supervisory inquiries; and
 - b) to the Member or MFDA Staff during the course of investigations into his conduct;
- contrary to MFDA Rule 2.1.1.

Allegation #5: Commencing in March 2020, the Respondent failed to cooperate with an investigation by MFDA Staff into his conduct, contrary to section 22.1 of MFDA By-Law No. 1.

PARTICULARS

NOTICE is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

Registration History

1. From April 2007 to May 2019, the Respondent was registered in Alberta as a dealing representative with Investors Group Financial Services Inc. (the “Member”), a Member of the MFDA. The Respondent was also registered in Saskatchewan, British Columbia, and Ontario until May 2019.

2. Between March 2014 and September 2017, the Member designated the Respondent as a branch manager.

3. On May 3, 2019, the Member terminated the Respondent as a result of the conduct described below, and he is not currently registered in the securities industry in any capacity.

4. At all material times, the Respondent carried on business in the Lloydminster, Alberta area.

Overview

5. As described below, the Respondent engaged in misconduct which included obtaining approximately \$465,000 from three clients for investment that he deposited into either his own accounts or the investment account of another client. The Respondent has failed to repay or otherwise account for approximately \$405,300 obtained from these clients. The Respondent also provided a falsified account statement to a client which misrepresented that the client had investments at the Member when in fact the Respondent had deposited the clients' monies into his own accounts.

6. In addition, the Respondent misled the Member about the sources of the client monies deposited into his accounts, made further false or misleading statements during the course of investigations into his conduct, and failed to cooperate with MFDA Staff's investigation.

Client SW

7. At all material times, client SW was a client of the Member whose accounts were serviced by the Respondent.

8. On or about June 1, 2015, client SW provided the Respondent with a bank draft made payable to the Member for \$115,000 for investment to be deposited into her investment accounts held at the Member.

9. Rather than depositing client SW's monies into her investment accounts at the Member, on or about June 3, 2015, without client SW's knowledge or authorization, the Respondent deposited the \$115,000 bank draft into his own investment account with the Member.

10. On or about June 12, 2015, the Respondent redeemed \$15,000 from his own investment account and invested the proceeds into client SW's tax free savings account at the Member.

11. On or about June 18, 2015, the Respondent redeemed \$100,000 from his own investment account and deposited the proceeds into his own bank account.
12. On or about August 4, 2015, the Member queried the Respondent about the source of the \$115,000 deposit into the Respondent's investment account described above at paragraph 9. The Respondent stated to the Member that the deposit was related to an inheritance that he had received. The Respondent's statement to the Member was false as the source of the deposit was monies obtained from client SW, as described above at paragraph 8.
13. On or about March 18, 2017, client SW contacted the Respondent to inquire about the unaccounted for amount of \$100,000 that she had provided to the Respondent for investment at the Member.
14. At this time, client SW pointed out that this investment did not appear on the account statements that she had previously received from the Member.
15. On March 18, 2017, the Respondent represented to client SW that her monies were "safe" and in a cash position.
16. On or about May 9, 2017, the Respondent provided client SW with a false account statement that indicated that client SW had \$110,000 in a non-registered account at the Member when, in fact, no such account or investment existed. The false account statement the Respondent provided to client SW misrepresented the amounts and whereabouts of client SW's monies.
17. The Respondent has failed to repay or otherwise account for approximately \$100,000 that he obtained from client SW.

Client KF

18. At all material times, client KF was a client of the Member whose accounts were serviced by the Respondent.
19. In July 2015, the Respondent recommended an investment opportunity to client KF where the client would invest monies for a one year term and receive a 5% rate of return.
20. On or about July 22, 2015, client KF redeemed approximately \$150,000 from his investment account at the Member, obtained a bank draft for \$150,000 made payable to the

Member, and on or about July 27, 2015, provided the bank draft to the Respondent. Client KF understood that his monies would be invested with the Member.

21. On or about July 28, 2015, without client KF's knowledge or authorization, the Respondent deposited the \$150,000 bank draft into his own investment account at the Member.

22. On or about August 4, 2015, the Member queried the source of the \$150,000 deposit into the Respondent's own investment account described above at paragraph 21. The Respondent stated to the Member that source of the deposit was an inheritance. The Respondent's statement to the Member was false or misleading as the source of the deposit was monies obtained from client KF, as described above at paragraph 20.

23. On or about August 5, 2015, the Respondent redeemed the \$150,000 from his own investment account and deposited the proceeds into his own bank account.

24. On or about March 31, 2016, the Respondent provided client KF with \$160,000, the source of which was monies that the Respondent obtained from client CG, as described in further detail below.

25. The Respondent has failed to account for the \$150,000 client KF provided to the Respondent for investment.

Client CG

26. At all material times, client CG was a client of the Member whose accounts were serviced by the Respondent.

27. In March 2016, the Respondent recommended an investment opportunity to client CG. Based on her conversations with the Respondent, client CG believed that her monies were being invested in a "private equity account" held at the Member.

28. On March 28, 2016, client CG redeemed \$200,000 from her investment account at the Member, and obtained two bank drafts made payable to the Member for \$160,000 and \$40,000, respectively.

29. On or about March 30, 2016, client CG provided the bank drafts to the Respondent to invest in the "private equity account."

30. On or about March 31, 2016, without client CG's knowledge or authorization, the Respondent deposited the \$160,000 bank draft into client's KF's investment account at the Member, as described in paragraph 24 above.

31. On or about April 1, 2016, without client CG's knowledge or authorization, the Respondent deposited the \$40,000 bank draft into his own investment account at the Member.

32. Between April 4, 2016 and April 19, 2016, the Respondent redeemed approximately \$36,000 from his own investment account and deposited the proceeds into his own bank account.

33. On or about April 6, 2016, the Member queried the source of the \$160,000 and \$40,000 deposits into client KF's and the Respondent's investment accounts, respectively. The Respondent stated to the Member that:

- a) the \$160,000 deposit into client KF's investment account related to a real estate deal between clients KF and CG; and
- b) the \$40,000 deposit into the Respondent's investment account related to a vehicle that the Respondent had sold to client CG.

34. The Respondent's statements to the Member were false, as the Respondent obtained the monies from client CG for the purpose of investment, as described above at paragraphs 27-28.

35. In March 2019, after having not received any account statements with respect to her \$200,000 investment, client CG contacted the Member to obtain her account statements. The Member provided account statements to client CG which did not show the \$200,000 investment.

36. Client CG subsequently contacted the Respondent in order to determine the location of her \$200,000 investment. The Respondent informed client CG that the investment in her "private equity account" had increased to \$208,000, and that it would not show on Member account statements as the investment was outside the Member.

37. Client CG subsequently requested that the Respondent redeem her investments in the "private equity account" and deposit the proceeds into her bank account.

38. In response to client CG's requests, on April 2, 2019 and April 5, 2019, the Respondent redeemed \$44,700 held in his own investment accounts and deposited the proceeds into client CG's bank account.

39. On April 11, 2019, after not receiving any further payments from the Respondent, client CG complained to the Member regarding the Respondent's conduct, including that her monies had been invested outside the Member and that she had not received the full amount of what had been invested with the Respondent.

40. Of the \$200,000 that client CG initially invested, the Respondent has failed to repay or otherwise account for approximately \$155,300.

Client X

41. At all material times, client X was a client of the Member whose accounts were serviced by the Respondent.

42. On or about November 14, 2016, the Respondent entered into a loan agreement with client X and her husband, pursuant to which the Respondent borrowed \$61,000.

43. The terms of the loan agreement specified that the full amount of the loan would be repaid by no later than February 1, 2017.

44. In or around February 1, 2017, the Respondent repaid client X the full amount of the loan.

Allegation #1 – Misappropriation or Failure to Account

45. At all material times, the Member's policies and procedures prohibited, among other things, its Approved Persons from misappropriating client money, and becoming involved with clients in investment arrangements.

46. By engaging in the conduct with respect to clients SW, KF, and CG as described above at paragraphs 8-11, 19-21, and 27-32, the Respondent misappropriated or otherwise failed to account for monies that he obtained from the clients, contrary to MFDA Rules 2.1.1, 2.5.1, and 1.1.2.

Allegation #2 – Personal Financial Dealings with a Client

47. At all material times, the Member's policies and procedures prohibited its Approved Persons from borrowing from or lending to a client.

48. By borrowing monies from client X as described above at paragraphs 42-44, the Respondent engaged in personal financial dealings with a client which gave rise to a conflict or potential conflict of interest that he failed to disclose to the Member or otherwise address by the exercise of responsible business judgment influenced only by the best interests of the clients,

contrary to the policies and procedures of the Member and MFDA Rules 2.1.4, 2.1.1, 2.5.1 and 1.1.2.

Allegation #3 – Providing a Falsified Account Statement to a Client

49. As described above at paragraph 16, the Respondent provided a falsified account statement to client SW that misled client SW about the whereabouts of her investments and monies.

50. By engaging in the conduct described above, the Respondent failed to deal fairly, honestly and in good faith with the client, observe high standards of ethics and conduct in the transaction of business, and engaged in business conduct or practice which is unbecoming or detrimental to the public interest, contrary to MFDA Rule 2.1.1.

Allegation #4 – Misleading the Member or MFDA Staff

Misleading Statements to the Member During Supervisory Trade Inquiries

51. As described above at paragraphs 12, 22, and 33, the Respondent misled the Member in responses to supervisory queries about the source of the deposits into his own accounts at the Member and the account of client KF.

52. By making false or misleading statements to the Member in response to supervisory inquiries, the Respondent concealed his misconduct, undermined the Member's efforts to review and supervise his conduct, and engaged in conduct contrary to MFDA Rule 2.1.1.

Misleading Statements to the Member or MFDA Staff During an Investigation

53. The Member commenced an investigation into the Respondent's conduct following client CG's complaint to the Member as described above at paragraph 39. On April 11, 2019, during an interview with the Member, the Respondent stated that:

- a) client CG's \$160,000 deposit was used by the Respondent to repay a loan that he had with client KF; and
- b) client CG's investment, totaling \$200,000, was invested with an individual named GH.

54. On March 10, 2020, the Respondent attended an interview with MFDA Staff during its investigation into his conduct. During the interview, contrary to his previous statements to the Member on April 11, 2019, the Respondent stated to MFDA Staff that:

- a) client CG's \$160,000 deposit was not used by the Respondent to repay a loan to client KF, but was used to buy out client KF's purported investment; and
- b) client CG's investment, totaling \$200,000 was not invested with individual GH, and individual GH had no involvement in this matter.

55. The Respondent's statements described at paragraphs 53 and 54 above were contradictory, and the Respondent thereby made false or misleading statements to the Member or MFDA Staff during the investigation into his conduct as described above, contrary to MFDA Rule 2.1.1.

Allegation #5 – Failure to Cooperate with MFDA Staff's Investigation

56. On March 10, 2020, during the course of MFDA Staff's interview of the Respondent, he represented to MFDA Staff that monies that he obtained from client CG and KF were invested in real estate in British Columbia and Saskatchewan. MFDA Staff asked the Respondent to identify the names of the individuals involved in the purported real estate investments. The Respondent refused to provide this information which was requested by MFDA Staff. MFDA Staff advised the Respondent that failing to answer MFDA Staff's questions with respect to matters under investigation would be considered a failure to cooperate with MFDA Staff's investigation.

57. During the interview, MFDA Staff also requested that the Respondent provide copies of his bank statements in order to, among other things, verify the amounts that he had obtained from clients SW, KF and CG that had been deposited into his personal bank account as described above in paragraphs 11, 23 and 32 and to determine how the monies were used.

58. On March 11, 2020 and March 13, 2020, MFDA Staff sent letters to the Respondent, requesting that the Respondent provide the bank statements described in paragraph 56 by no later than April 10, 2020. The Respondent failed to provide the requested documentation by April 10, 2020.

59. On April 13, 2020, MFDA Staff sent an email to the Respondent asking him to provide copies of his bank statements which were due on April 10, 2020. The Respondent did not reply to MFDA Staff.

60. On April 16, 2020 and on June 1, 2020, MFDA Staff left voice messages for the Respondent reiterating its requests that the Respondent provide copies of the previously requested bank statements.

61. On June 3, 2020, the Respondent informed MFDA Staff that he would contact his bank in order to obtain the requested bank statements.

62. The Respondent has failed to provide MFDA Staff with the requested bank statements.

63. Due to the Respondent's failure to cooperate with MFDA Staff's investigation, MFDA Staff is unable to determine the full nature and extent of the Respondent's conduct, including:

- a) the use and current location of the monies of that he obtained from the clients described above; and
- b) whether he engaged in similar conduct with other individuals.

64. By virtue of the foregoing, the Respondent failed to cooperate with an investigation by MFDA Staff into his conduct, contrary to section 22.1 of MFDA By-Law No. 1.

NOTICE is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

NOTICE is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with the MFDA;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- a) a reprimand;
- b) a fine not exceeding the greater of:
 - (i) \$5,000,000.00 per offence; and

- (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- d) revocation of the authority of such person to conduct securities related business;
- e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

NOTICE is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

NOTICE is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Director of Regional Councils within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada
Prairie Regional Office
Suite 850, 800 – 6th Ave SW
Calgary, AB T2P 3G3
Attention: Justin Dunphy
E-mail: jdunphy@mfd.ca

A **Reply** shall be **filed** by:

- a) providing four copies of the **Reply** to the Office of the Corporate Secretary by personal delivery, mail or courier to:

The Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Attention: Office of the Corporate Secretary; or

- b) transmitting one electronic copy of the **Reply** to the Office of the Corporate Secretary by e-mail at corporatesecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

NOTICE is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

NOTICE is further given that if the Respondent fails:

- a) to **serve** and **file** a **Reply**; or
- b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-laws.

END.

DM 820108