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: Paul Jerome Edmond

Heard: March 6, 2015 in Winnipeg, Manitoba
Reasons for Decision: September 9, 2015

REASONS FOR DECISION

Hearing Panel of the Prairie Regional Council:

Richard L. Yaffe	Chair
Daniele Ayers	Industry Representative
Howard R. Mix	Industry Representative

Appearances:

David Babin	)	For the Mutual Fund Dealers Association of Canada
Paul Jerome Edmond	)	In person and not represented by Counsel

1. By Notice of Hearing dated January 29, 2015, a Hearing Panel of the Prairie Regional Council of the Mutual Fund Dealers Association of Canada (the "MFDA") was convened in Winnipeg, Manitoba on March 6, 2015 to consider whether, pursuant to Section 24.4 of MFDA By-law No. 1, the Hearing Panel should accept a settlement agreement (the "Settlement Agreement") entered into between Staff of the MFDA and Paul Jerome Edmond (the "Respondent") on January 20, 2015.

2. At the conclusion of the Hearing, the Hearing Panel approved a Settlement Agreement entered into by the parties which, *inter alia*, provided as follows:

TERMS OF SETTLEMENT

The Respondent agrees to the following terms of settlement:

i) The Respondent is prohibited from acting in a compliance or supervisory capacity with a Member for a period of six (6) months from the date of the acceptance of this Settlement Agreement by the Hearing Panel, pursuant to Section 24.1.1(c) of MFDA By-law No. 1;
ii) The Respondent shall pay a fine in the amount of $10,000, pursuant to Section 24.1.1(b) of MFDA By-law No. 1;
iii) The Respondent shall pay costs in the amount of $2,500, pursuant to Section 24.2 of MFDA By-law No. 1;
iv) The Respondent shall attend the Settlement Hearing in person; and
v) In the future, the Respondent shall comply with all MFDA By-laws, Rules and Policies and all applicable securities legislation and regulations made thereunder including MFDA Rule 2.1.1.

3. The Respondent was not represented at the Settlement Hearing. The Chair of the Hearing Panel asked the Respondent if he considered himself to be disadvantaged in any way as a result of not being represented at the Hearing, and the Respondent replied that he did not feel disadvantaged. MFDA counsel advised that the Respondent had been represented by counsel

throughout the settlement process with the MFDA. (Section 24.4 of MFDA By-law No. 1; Rule 15 of MFDA Rules of Procedure).

AGREED FACTS

4. The facts, as agreed upon by the parties, are as follows:

Respondent's Registration History

i) Since June 25, 2004, the Respondent has been registered as a mutual fund salesperson (now known as a Dealing Representative) with Quadrus Investment Services Ltd. ("Quadrus") in the Provinces of Manitoba, Alberta, British Columbia, New Brunswick, Ontario and Saskatchewan.

ii) From March 7, 2005 to June 6, 2013 when he voluntarily surrendered his registration as a Branch Manager, the Respondent was registered as a Branch Manager with Quadrus in Manitoba. Despite being registered as a Branch Manager, the Respondent had not acted in that capacity since July 2008.

iii) At all material times, the Respondent conducted business in the Winnipeg, Manitoba area.

Pre-Signed and Altered Forms

iv) On March 21, 2013, Quadrus commenced a branch compliance review of the Respondent's office, in accordance with its obligations pursuant to MFDA Policy No. 5.

v) During the course of the branch compliance review, Quadrus reviewed 50 client files and identified one blank pre-signed account form, and 20 photocopies of partially completed pre-signed account forms which the Respondent had altered after the clients had signed them in order to process transactions, in respect of eight client accounts.

vi) Following the March 2013 compliance review, the Respondent advised Quadrus that it was not his practice to obtain blank pre-signed account forms or to alter account forms after clients had signed them, and that he did this strictly for the convenience of the clients.

vii) The Respondent acknowledged that his conduct did not comply with regulatory requirements. Effective March 25, 2013, the Respondent ceased using blank pre-signed account forms or photocopies of account forms.

viii) On July 10, 2013, the Respondent's Branch Manager reviewed an additional 50 of the Respondent's client files and identified 29 photocopies of partially completed pre-signed account forms which the Respondent had altered after the clients had signed them in order to process transactions, in respect of 9 client accounts. All of the additional forms detected in July 2013 had been used prior to the compliance review conducted in March 2013.

ix) On October 23, 2013, the Respondent's Branch Manager reviewed an additional 50 client files and identified 2 blank pre-signed account forms, and 22 photocopies of partially completed pre-signed account forms which the Respondent had altered after the clients had signed them in order to process transactions, in respect of 13 client accounts. All of the additional forms detected in October 2013 had been used prior to the compliance review conducted in March 2013.

Quadrus's Response

x) Quadrus issued a disciplinary letter to the Respondent for his use of blank pre-signed and altered account forms. Quadrus also required the Respondent to complete additional training regarding the use of account forms.

xi) Between May 2013 and April 2014, Quadrus sent letters to each of the 30 clients affected by the Respondent's conduct described above, in order to inform the clients of the Respondent's activities and confirm that the clients had authorized the transactions in their accounts. None of the clients reported any concerns to Quadrus with respect to transactions conducted in their accounts.

xii) There is no evidence that the Respondent continued to obtain, maintain or use blank pre-signed account forms or photocopies of partially completed account forms, after March 2013.

xiii) No clients serviced by the Respondent have complained about his conduct.

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

xv) The Respondent has expressed remorse for his actions.

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

xvii) 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.

CONTRAVENTIONS

5. The Respondent admits that, between February 2008 and April 2013, he obtained, maintained and used, to process transactions, a total of 74 blank pre-signed account forms or photocopies of partially completed pre-signed account forms which the Respondent altered after the clients had signed the account forms, in respect of 30 client accounts, contrary to MFDA Rule 2.1.1.

DISCUSSION

6. Previous hearing panels of the MFDA and provincial securities commissions have confirmed that the possession and use of pre-signed forms is prohibited. By obtaining, altering, maintaining and using pre-signed forms, the Respondent engaged in conduct prohibited by MFDA Rule 2.1.1.

7. The Hearing Panel expressed concern that although a compliance review was conducted in March 2013, originals or copies of 53 of the 74 pre-signed forms were discovered during two subsequent reviews. Based on responses from both the Respondent and MFDA Enforcement Counsel, the Hearing Panel was satisfied that there was no evidence of continued use of pre-signed or altered forms after the March 2013 compliance review.

8. MFDA hearing panels have taken into account the following considerations when determining whether a proposed settlement should be accepted:

i) whether acceptance of the settlement agreement would be in the public interest and whether the penalty imposed will protect investors;
ii) whether the settlement agreement is reasonable and proportionate, having regard to the conduct of the Respondent as set out in the settlement agreement;
iii) whether the settlement agreement satisfactorily addresses the issues of both specific and general deterrence with respect to the Respondent and the industry, respectively;
iv) whether the proposed settlement will prevent the type of conduct described in the settlement agreement from occurring again in the future;
v) whether the settlement agreement will foster confidence in the integrity of the Canadian capital markets;
vi) whether the settlement agreement will foster confidence in the integrity of the MFDA; and
vii) whether the settlement agreement will foster confidence in the regulatory process itself.[1]

9. The protection of investors is considered by the MFDA to be the primary goal of securities regulation[2] The goals of securities regulation also include fostering public confidence in the capital markets and the securities industry[3].

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[1] *Sterling Mutuals Inc. (Re)*, Hearing Panel of the Central Regional Council, File No. 200820, Decision and Reasons dated August 21, 2008.

[2] *Breckenridge (Re)*, Hearing Panel of the Central Regional Council, MFDA File No. 200718, Decision and Reasons dated November 14, 2007.

10. The penalties that are imposed must be sufficient to affirm public confidence in the regulation of the mutual fund industry, and to ensure deterrence.

11. There are a number of general principles that apply when imposing a penalty. It is accepted practice that hearing panels should not interfere lightly in a negotiated settlement if the penalties agreed upon are within a reasonable range of appropriateness. In this regard, hearing panels frequently consider the following factors when determining whether a proposed penalty is appropriate:

i) the seriousness of the allegations proved against the Respondent;
ii) the Respondent's past conduct, including prior sanctions;
iii) the Respondent's experience and level of activity in the capital markets;
iv) whether the Respondent recognizes the seriousness of the improper activity;
v) the harm suffered by investors as a result of the Respondent's activities;
vi) the benefits received by the Respondent as a result of the improper activity;
vii) the risk to investors and the capital markets in the jurisdiction, were the Respondent to continue to operate in capital markets in the jurisdiction;
viii) the damage caused to the integrity of the capital markets in the jurisdiction by the Respondent's improper activities;
ix) the need to deter not only those involved in the case being considered, but also any others who participate in the capital markets, from engaging in similar improper activity;
x) the need to alert others to the consequences of inappropriate activities to those who are permitted to participate in the capital markets; and
xi) previous decisions made in similar circumstances.[4]

12. The MFDA Penalty Guidelines are an additional source of guidance regarding the appropriate penalty in a given matter. The penalty types and ranges stated in the Penalty

[3] *Pezim* v. *British Columbia (Superintendent of Brokers)*, [1994] 2 S.C.R. 557 (S.C.C.).
[4] *Breckenridge (Re)*, *supra*, at para. 77.

Guidelines are not mandatory or binding on a hearing panel, but rather are intended to provide a basis upon which discretion may be exercised consistently and fairly in like circumstances. Depending on the facts and circumstances of a case, a hearing panel may determine that a penalty below or above the stated range is appropriate.

13. The Hearing Panel notes that it was the series of compliance reviews that resulted in the cessation of the Respondent's practice of obtaining, maintaining and using pre-authorized forms. However, the Hearing Panel acknowledges that none of the Respondent's clients suffered damage or loss as a result of the Respondent's conduct. The Hearing Panel also acknowledges MFDA Enforcement Counsel's observation that prior to the subject MFDA matter, the Respondent had a "spotless" disciplinary record with the MFDA, which serves as a mitigating factor.

14. The Hearing Panel may accept or reject the recommended Settlement Agreement (Section 24.4.3 of MFDA By-law No. 1).

DISPOSITION

15. We are satisfied that the penalty agreed upon is reasonable and that the public's interest is served by the Settlement Agreement, and we agree unanimously that the Settlement Agreement should be accepted.

DATED this 9th day of September, 2015.

"Richard L. Yaffe"

Richard L. Yaffe
Chair

"Daniele Ayers"

Daniele Ayers
Industry Representative

"Howard R. Mix"

Howard R. Mix
Industry Representative

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