



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: Jason Andrew Savoy

Heard: November 2, 2017 in Halifax, Nova Scotia

Decision: November 2, 2017

Reasons for Decision: November 20, 2017

REASONS FOR DECISION

Hearing Panel of the Atlantic Regional Council:

George W. MacDonald, QC	Chair
Ann C. Etter	Industry Representative
Joanne Hébert	Industry Representative

Appearances:

David Halasz)	Counsel for the Mutual Fund Dealers
)	Association of Canada
)	
Joseph Burke)	Counsel for the Respondent
)	
Jason Andrew Savoy)	Respondent, In Person
)	

1. As a result of a Settlement Agreement dated October 24, 2017 (“Settlement Agreement”) between Mutual Fund Dealers Association of Canada (“MFDA”) and Jason Andrew Savoy (“Respondent”), a copy of which is available on the MFDA website and is not set out in detail here, a settlement hearing was conducted on November 2, 2017 in Halifax, Nova Scotia. The Hearing Panel heard oral submissions from Staff of the MFDA (“Staff”), and received written submissions on behalf of Staff dated October 31, 2017. The Hearing Panel also heard oral submissions from the Respondent’s Counsel, who advised the Panel that he and the Respondent agreed with the submissions of Staff and the Terms of Settlement set out therein.

2. The actions of the Respondent alleged by the MFDA and admitted by the Respondent are set out in the Settlement Agreement and are as follows:

- a) Between 1998 and April 2017, the Respondent was registered as a mutual fund salesperson (now a dealing representative) with Investors Group Financial Services Inc. (“Investors Group” or the “Member”), a Member of the MFDA.
- b) Beginning in October 2008, Investors Group designated the Respondent as a branch manager.
- c) In 2015, Investors Group removed the Respondent’s designation as a branch manager as a result of the matters described herein;
- d) At all material times, the Respondent carried on business from a branch located in Halifax, Nova Scotia.
- e) The Respondent is not currently registered in the securities industry in any capacity.
- f) At all material times, client WQ was a client of Investor’s Group, whose accounts were serviced by the Respondent. Client WQ was a senior.
- g) In about September 2011, the Respondent recommended that client WQ invest approximately \$93,000 in mutual funds which were subject to a 7-year deferred sales charge (“DSC”) schedule. Accordingly, client WQ would be required to pay any applicable DSC schedule should client WQ redeem his investments prior to the expiry of the DSC schedule.

- h) In December 2013, client WQ advised the Respondent that he was contemplating transferring his accounts from Investors Group to another financial institution. Without notifying Investors Group or obtaining its authorization, the Respondent advised client WQ that he would reimburse client WQ for any DSC fees he would incur as a result of the transfer.
- i) On or about March 17, 2014, client WQ advised the Respondent that he had decided to transfer his accounts out of Investors Group.
- j) On March 21, 2014, the Respondent advised client WQ that the DSC fees associated with redeeming his investments to transfer to the other financial institution would amount to \$4,758. At that point, the Respondent informed client WQ that he had changed his mind about reimbursing client WQ for any fees because client WQ was aware of the DSC fees when he had purchased the mutual funds recommended by the Respondent.
- k) Client WQ complained to Investors Group that the Respondent reneged on his offer to pay DSC fees relating to his investments.
- l) Client WQ subsequently transferred to the other financial institution, and Investors Group reimbursed client WQ for the DSC fees he incurred.
- m) At all material times, the policies and procedures of Investors Group prohibited its approved persons from using pre-signed forms.
- n) Between 2009 and 2014, the Respondent obtained and possessed 10 blank or partially completed pre-signed client account forms in respect of 7 clients.
- o) The pre-signed forms consisted of client update documents, investment instructions, RESP withdrawal documents, pre-authorized agreements, and transfer authorization documents.
- p) At all material times, the policies and procedures of Investors Group prohibited its approved persons from accepting cash deposits from clients.
- q) Between April 2007 and October 2013, the Respondent accepted cash deposits on 11 instances from a total of 6 clients in 3 households, and used the monies to purchase bank drafts in order to deposit the monies in the client's accounts at Investors Group for the purchase of various mutual funds.

- r) For the cash deposits described above, the Respondent converted the cash to a bank draft for deposit in the clients' accounts at Investors Group, which caused delays in processing the clients' transactions ranging from 1 day to approximately 4 months.
- s) In addition to the 11 instances of failing to process transactions in a timely matter as described above, the Respondent also failed to process trades in a timely manner on an additional 9 occasions.
- t) During the material time, subsections 9.1 and 10.2 of National Instrument 81-102 required purchase and redemption orders of securities of a mutual to be transmitted no later than the next day, where the order is received by a principal distributor of the mutual fund at a location that is not an order receipt office of the mutual fund.
- u) At all material times, Investors Group prohibited its Approved Persons from entering into private settlements with a client, and required all settlements to be approved and issued by Investors Group.
- v) Between 2012 and 2013, the Respondent paid compensation directly to clients for financial loss the clients incurred as a result of errors or delays in processing transactions for which the Respondent was responsible.
- w) The Respondent completed calculations to determine the amount of loss arising from his errors and paid compensation to clients. The Respondent paid compensation directly to clients.
- x) The Respondent did not disclose to Investors Group his errors or that he paid compensation directly to clients.
- y) At all material times, Investors Group's policies and procedures required that its Approved Persons obtain approval from Investors Group in order to engage in any outside business activities.
- z) Investors Group permitted its Approved Persons to provide tax preparation services to clients, provided that such activities were disclosed to and approved by Investors Group as an outside business activity.
- aa) Between 2004 and 2013, the Respondent engaged in tax preparation services for 14 clients without Investors Group's prior knowledge or approval.

- bb) In or about July 2014, during Investors Group's investigation into his conduct described above, the Respondent provided a written statement to Investors Group where he denied that he accepted cash deposits from clients or that he prepared income tax returns for clients.
- cc) The Respondent falsely advised Investors Group that he only collected tax information for clients and provided the information to a third party service provider to complete the client's tax returns. The Respondent also falsely advised Investors Group that the Respondent's assistant mistakenly documented in client notes that he had accepted cash from clients and that he failed to update the notes to reflect that the clients provided bank drafts or money orders.
- dd) The Respondent did not contact Investors Group to correct his written statement.
- ee) In November 2004, when Investors Group presented the Respondent with evidence of him engaging in these activities, the Respondent admitted to Investors Group that he both accepted cash from clients and prepared income tax returns for clients.
- ff) By misleading the Member as described above, the Respondent impaired Investors Group's ability to supervise the Respondent's activities.
- gg) Between 2007 and 2013, the Respondent completed Investors Group's annual compliance questionnaire when he falsely acknowledge "true" to the following questions:
 - i. I have not arranged for any client to pre-sign any form(s) and do not maintain any pre-signed form(s) in any client file;
 - ii. I have not entered into any financial settlement with a client without it being reviewed and approved in advance by Investors Group; and
 - iii. I have disclosed the outside business activity, and it has been approved by my Regional Director and Area Vice-President.
- hh) By falsely answering the compliance questionnaires, the Respondent impaired Investors Group's ability to supervise the Respondent's activities.
- ii) Clients SW and LW are spouses. At all material times they were clients of Investors Group whose accounts were serviced by the Respondent.

- jj) In November 2009, the Respondent failed to complete rebalancing of the investments in the accounts of clients SW and LW, which resulted in investment losses of approximately \$1,115. Investors Group authorized and processed through its facilities compensation to the clients for their investment losses.
- kk) On December 18, 2012, the Respondent recommended further rebalancing in the portfolios of client SW and LW.
- ll) On December 21, 2012, the Respondent sent client SW his proposed rebalancing recommendations, and on January 2, 2013, client SW advised the Respondent to proceed with the recommendations. The proposed rebalancing was to be processed once the clients' monies were transferred into Investors Group from another financial institution.
- mm) The clients' monies were transferred in to Investors Group on January 14, 2013. The Respondent did not process the transactions to rebalance the clients' accounts once the monies were received, and instead, the Respondent states that he asked another Approved Person to process the rebalancing transactions.
- nn) The transactions to process the rebalancing in the clients' accounts were not processed as instructed by client SW.
- oo) The Respondent did not take any steps to follow-up or ensure that the transactions to process the rebalancing in the clients' accounts were completed as instructed by client SW.
- pp) The Respondent and client SW and LW did not have further discussions about the rebalancing until December 7, 2015, at which time, the Respondent and client SW realized that the transactions were not processed as initially instructed in January 2013.
- qq) On December 7, 2015, the Respondent advised client SW that he had missed processing the transactions for the rebalancing, and assured client SW that he would submit them to be corrected by Investors Group.
- rr) However, the Respondent:
 - i. failed to take steps to advise Investors Group that he did not process transactions for the rebalancing as requested by the client in January 2013; and

- ii. failed to submit the transactions to Investors Group for processing.
- ss) On January 13, 2017, the Respondent submitted the request to process the transactions to rebalance the clients' accounts, without alerting Investors Group that the clients request for rebalancing 4 years earlier had not been followed as described above.
- tt) On February 8, 2017, on February 8, 2017, the Respondent met client SW where he reconfirmed that the intended rebalancing from January 2013 was not completed and that the instructions would be submitted to proceed with the rebalancing in the clients' accounts and to determine the investment losses as a result of the delay in rebalancing the clients' accounts.
- uu) In or about April 2017, after speaking with the Respondent, the Respondent's branch manager submitted to Investors Group a request to calculate the losses arising to clients SW and LS arising from the failure to process the requested rebalancing.
- vv) As a result of the failure to process the rebalancing as requested by clients SW and LW incurred a loss totaling \$19,771.
- ww) Investors Group has paid compensation to clients SW and LW.

3. The violations of the By-Laws, Rules, or Policies of MFDA alleged by MFDA and admitted by the Respondent are set out in the Settlement Agreement as follows:

- (a) in or around December 2013, he agreed to personally reimburse a client the deferred sales charge fees the client would incur on a transaction, without the knowledge and approval of the Member, and then reneged on the agreement, contrary to MFDA Rules 2.1.4 and 2.1.1, and MFDA Policy No. 3;
- (b) between 2009 and 2014, he obtained and possessed 10 pre-signed client account forms in respect of 7 clients, contrary to the Member's policies and procedures and MFDA Rules 1.1.2, 2.5.1, and 2.1.1;
- (c) between April 2007 and October 2013, he accepted cash deposits from 6 clients on 11 occasions, and used the cash deposits to purchase bank drafts to invest in

mutual funds on the clients' behalf, contrary to the Member's policies and procedures and MFDA Rules 1.1.2, 2.5.1, and 2.1.1;

- (d) between October 2009 and August 2014, he delayed the processing of 20 transactions in the accounts of 10 clients, thereby failing to process trades in client accounts in a timely manner and consistent with, subsections 9.1 and 10.2 of the National Instrument 81-102, contrary to MFDA Rule 2.1.1;
- (e) between September 2012 and 2014, he compensated 6 clients for fees incurred by the client as a result of investment losses due to errors or trade delays, without the Member's prior consent, contrary to the Member's policies and procedures and MFDA Rules 1.1.2, 2.5.1, and 2.1.1, and MFDA Policy No. 3;
- (f) between 2004 and 2013, he had and continued in a dual occupation by providing tax preparation services to 14 clients, which was not disclosed to and approved by the Member, contrary to the Member's policies and procedures and MFDA Rules 1.2.1(c) (now MFDA Rule 1.3), 1.1.2, 2.5.1, and 2.1.1;
- (g) between July 2014 and November 2014, he made misleading statements during the Member's investigation into his conduct, thereby interfering with the ability of the Member to supervise his conduct, contrary to MFDA Rule 2.1.1;
- (h) between 2007 and 2013, he misled the Member in annual compliance questionnaires when he falsely represented to the Member that he:
 - i. did not arrange for and maintain pre-signed forms;
 - ii. did not enter into financial settlements with clients that had not been approved by the Member; and
 - iii. had disclosed and sought approval for outside business activities, thereby interfering with the ability of the Member to supervise his conduct, contrary to MFDA Rule 2.1.1; and
- (i) in January 2013 and December 2015, he failed to process transactions requested by 2 clients on 2 occasions, contrary to MFDA Rule 2.1.1.

4. MFDA and the Respondent agreed to the following Terms of Settlement:

- (a) the Respondent shall pay a fine of \$25,000, pursuant to s. 24.1.1.(b) of MFDA By-law No. 1;
- (b) the Respondent shall pay costs of \$2,500, pursuant to section 24.2 of MFDA By-Law No. 1;
- (c) the payment by the Respondent of the fine and costs described above in subparagraphs 69(a) and (b) shall be made to and received by MFDA Staff in certified funds as follows:
 - i. \$2,500 (costs) shall be paid upon acceptance of the Settlement Agreement by the Hearing Panel;
 - ii. \$2,500 (fine) shall be paid on or before the last business day of the first month following the acceptance of the Settlement Agreement by the Hearing Panel;
 - iii. \$2,500 (fine) shall be paid on or before the last business day of the second month following the acceptance of the Settlement Agreement by the Hearing Panel;
 - iv. \$2,500 (fine) shall be paid on or before the last business day of the third month following the acceptance of the Settlement Agreement by the Hearing Panel;
 - v. \$2,500 (fine) shall be paid on or before the last business day of the fourth month following the acceptance of the Settlement Agreement by the Hearing Panel;
 - vi. \$2,500 (fine) shall be paid on or before the last business day of the fifth month following the acceptance of the Settlement Agreement by the Hearing Panel;
 - vii. \$2,500 (fine) shall be paid on or before the last business day of the sixth month following the acceptance of the Settlement Agreement by the Hearing Panel;
 - viii. \$2,500 (fine) shall be paid on or before the last business day of the seventh month following the acceptance of the Settlement Agreement by the Hearing Panel;

- ix. \$2,500 (fine) shall be paid on or before the final business day of the eighth month following the acceptance of the Settlement Agreement by the Hearing Panel;
 - x. \$2,500 (fine) shall be paid on or before the final business day of the ninth month following the acceptance of the Settlement Agreement by the Hearing Panel; and
 - xi. \$2,500 (fine) shall be paid on or before the last business day of the tenth month following the acceptance of the Settlement Agreement by the Hearing Panel.
- (d) If the Respondent fails to make any of the payments described above in subparagraph 4(c) then:
- i. any outstanding balance of the fine and costs owed by the Respondent shall immediately become due and payable to the MFDA; and
 - ii. the Respondent shall continue to be prohibited from conducting securities related business while in the employ of or associated with a Member of the MFDA until such time as the total amount outstanding of the fine and costs owed by the Respondent is paid to the MFDA, pursuant to section 24.3.13(c) of MFDA By-law No. 1;
- (e) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 6 (six) months, commencing from the date of the Hearing Panel's Order, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
- (f) the Respondent shall be prohibited from acting as a branch manager or in a supervisory capacity while in the employ of or associated with any MFDA Member for a period of 5 (five) years, commencing from the date of the Hearing Panel's Order, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
- (g) the Respondent shall successfully complete an ethics or other industry course acceptable to the MFDA within one year of the Hearing Panel's Order;

- (h) the Respondent will in the future comply with MFDA Rules 1.1.2, 2.5.1, 1.2.1(c) (now MFDA Rule 1.3), 2.1.1, 2.1.4 MFDA Policy No. 3; and subsections 9.1(1) and (2) and 10.2(1) and (2) of the National Instrument 81-102; and
- (i) the Respondent shall attend in person on the day of the Settlement Hearing in this matter.

5. The following salient facts are agreed to by MFDA and the Respondent:

- (a) Between 1998 and April 2017, the Respondent was registered as a mutual fund salesperson (now a dealing representative) with Investors Group Financial Services Inc. (“Investors Group” or the “Member”), a Member of the MFDA.
- (b) Beginning in October 2008, Investors Group designated the Respondent as a branch manager.
- (c) In 2015, Investors Group removed the Respondent’s designation as a branch manager as a result of the matters described herein.
- (d) At all material times, the Respondent carried on business from a branch located in Halifax, Nova Scotia.
- (e) The Respondent is not currently registered in the securities industry in any capacity.

Acceptance of Settlement Agreement

6. A Panel can either accept or reject a Settlement Agreement. It cannot modify it.

7. We found that the proposed penalty was reasonable and proportionate in the circumstances of this case. It provides specific deterrence to the Respondent and general deterrence to others in the industry.

8. Further, by entering into a Settlement Agreement the Respondent has accepted responsibility for his misconduct, recognizes its seriousness, and has exhibited remorse.

9. The penalty imposed is not out of line with recent cases cited by counsel and is consistent with the MFDA Penalty Guidelines.

10. Hearing Panels should not interfere lightly in negotiated settlements and should not reject a Settlement Agreement unless it considers the proposed penalty clearly falls outside a reasonable range. The penalty agreed to in this case does fall within a reasonable range.

11. For the above reasons we accept the Settlement Agreement dated the 24th day of October, 2017.

DATED this 20th day of November, 2017.

“George W. MacDonald”

George W. MacDonald, QC
Chair

“Ann C. Etter”

Ann C. Etter
Industry Representative

“Joanne Hébert”

Joanne Hébert
Industry Representative

DM 582780