



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: Karen Grenke

Heard: December 7, 2015 in Toronto, Ontario
Reasons for Decision: January 25, 2016

**ORAL REASONS FOR DECISION FOR ACCEPTANCE OF
SETTLEMENT AGREEMENT**

Hearing Panel of the Central Regional Council:

Paul M. Moore, Q.C.	Chair
Robert Christianson	Industry Representative
Kenneth P. Mann	Industry Representative

Appearances:

Sarah Glickman)	Counsel for the Mutual Fund Dealers
)	Association of Canada
)	
)	
Karen Grenke)	Respondent via teleconference
)	

Background

1. Last week we were provided with a copy of the Settlement Agreement and submissions of Staff of the MFDA (“Staff”) on the Settlement Agreement. This morning we reviewed the Book of Authorities that Staff provided in advance of the hearing.
2. Staff’s written submission was thorough and addressed all the issues we needed to consider. We did not have any issues with the Settlement Agreement or any questions and indicated at the beginning of the hearing that we were prepared to accept it. Accordingly, we did not go in camera.
3. Staff advised that notwithstanding the terms in the Settlement Agreement that provide that the Respondent may pay the proposed penalty in installments, she had, in fact, provided all the funds up front.

Decision

4. We approve the Settlement Agreement as being in the public interest and as being within the range of acceptable penalties for a case like this, and, therefore, we accept the Settlement Agreement.

Reasons

Allegations

5. The allegations against the Respondent are that:
 - (a) between September 2007 and April 2014, the Respondent had, and sometimes used to process transactions 86 pre-signed account forms for 54 clients;
 - (b) during the same period, she altered and, except in one instance, used to process transactions, 101 client account forms for 70 clients; and

(c) on two occasions, mislead her Member in her responses to various questions contained in the Member's Annual Compliance Declaration, all as more particularly set out in the Settlement Agreement.

Facts

6. The facts are more particularly and completely set out in the Settlement Agreement, which is appended to the written version of these Reasons as Schedule "1".

Penalty and costs

7. The fine is \$7,500, and the costs awarded are \$2,500.

8. In addition, there is a one (1) year-long prohibition against entering into the securities business related to an MFDA Member.

9. The Respondent is currently out of the business.

Other considerations

10. There was no client harm. All clients were contacted and confirmed that they had no problems.

11. There was no personal benefit enjoyed by the Respondent from her wrongdoing.

12. There was no prior disciplinary problem with the Respondent.

13. The guideline for penalties of the MFDA provides for a \$5,000 minimum fine.

14. We believe that under all the circumstances, including the fact that the Respondent on two occasions misled the Member, and the fact that there were multiple form violations, a fine of

\$7,500 is appropriate. This figure might, appropriately, have been higher if it wasn't for the one-year prohibition.

15. Costs of \$2,500 appear fair and reasonable.

This written version of the oral Reasons for Decision is

DATED this 25th day of January, 2016.

“Paul M. Moore”

Paul M. Moore, Q.C.
Chair

“Robert Christianson”

Robert Christianson
Industry Representative

“Kenneth P. Mann”

Kenneth P. Mann
Industry Representative

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Re: Karen Grenke

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada ("Staff") and the Respondent, Karen Grenke, 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 September 2007 and April 2014, the Respondent obtained, possessed, and in some instances, used to process transactions, 86 pre-signed account forms with respect of 54 clients, contrary to MFDA Rule 2.1.1;
- (b) between September 2007 and April 2014, the Respondent, altered, and in all but one instance, used to process transactions, 101 client account forms with respect of 70 clients, contrary MFDA Rule 2.1.1; and
- (c) on February 12, 2012 and March 22, 2013, the Respondent mislead the Member in her responses to various questions contained in the Member's Annual Compliance Declaration, contrary to MFDA Rule 2.1.1.

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 \$7,500 pursuant to s. 24.1.1(b) of MFDA By-law No.1 (the "Fine");
- (b) the Respondent shall pay costs in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law No.1 ("Costs");
- (c) the Fine and Costs together (the "Funds") shall be payable in 6 installments, the first of which in the amount of \$2,500 shall be paid on the date of the settlement hearing, while the remaining five installments of \$1,500 shall be payable on or before the first business day of the 5 months that follow the date of the acceptance of the settlement agreement by the Hearing Panel;
- (d) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ or associated with any Member of the MFDA for a period of one year from the date of the settlement hearing, pursuant to section 24.1.1.(e) of MFDA By-law No.1;

(e) if the Respondent fails to make any of the installment payments described in subparagraphs accordance with the installment schedule as set out in (a) –(c), above, then without further notice to the Respondent:

- i. the full amount of the Funds will become due and owing immediately; and
- ii. the Respondent shall be permanently prohibited from conducting securities related business in any capacity while in the employ or associated with any Member of the MFDA, pursuant to section 24.1.1.(e) of MFDA By-law No.1, pursuant to section 24.1.1.(e) of MFDA By-law No.1.

(f) the Respondent shall in the future comply with MFDA Rule 2.1.1; and

(g) the Respondent will attend the Settlement Hearing by teleconference.

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. From November 7, 1995 to June 6, 2005 and from May 24, 2006 to June 18, 2014, the Respondent was registered in Ontario as a mutual fund salesperson (now known as Dealing Representative) with Credential Asset Management Inc.¹ (“Credential”), a member of the MFDA.

8. At all material times, the Respondent conducted business in the Timmons, Ontario area.

9. The Respondent is not currently registered in the securities industry in any capacity.

¹ Formerly known as Ethical Funds Investment Services Inc.

Pre-Signed Account Forms

10. Between September 2007 and April 2014, the Respondent obtained, possessed, and in some instances, used to process transactions, 86 pre-signed account forms with respect of 54 clients.

11. The 86 pre-signed forms, 82 of which were used to process transactions, included New Account Application Forms, Investment Instruction forms, and Know-Your-Client forms.

Falsified Forms

12. Between September 2007 and April 2014, the Respondent altered, and in all but one instance, used to process transactions, 101 account forms in respect of 70 clients.

13. The 101 forms in question included New Account Application Forms, Investment Instruction forms, and Know-Your-Client forms.

14. On four forms, the Respondent cut and pasted the client signature from a previously filled out client form onto a new client form. On the remainder of the forms, the Respondent made material changes to client account forms using either pen or liquid correction fluid.

Misleading the Member

15. On February 12, 2012 and on March 22, 2013, the Respondent misled Credential in her responses to various questions contained in Credential's Annual Compliance Declaration.

16. In particular, the Respondent indicated in her responses that she:

- (a) understood that asking clients to sign pre-signed account forms is prohibited;
- (b) understood that clients must authorize all changes to signed documentation;
- (c) understood that white-out must not be used to alter documents;

- (d) had not used pre-signed account forms in the past year or requested clients to sign pre-signed account forms; and
- (e) did not have any pre-signed account forms in her possession.

Credential's Investigation

17. Credential detected the conduct that is the subject of this Settlement Agreement after a Credential employee discovered a falsified document left by the Respondent on the photocopier in her branch office May 2014. Credential immediately commenced an investigation into the Respondent's conduct, which identified the misconduct as set out above.
18. As part of its investigation, Credential reviewed of all the Respondent's client files.
19. Credential placed the Respondent on a leave of absence of May 5, 2014.
20. On June 18, 2014, the Respondent resigned from Credential.
21. Between May and December 2014, Credential contacted all of the Respondent's affected clients to determine whether the Respondent had engaged in unauthorized trading in the clients' accounts. None of the clients reported any concerns to Credential.
22. The Respondent provided Staff with the following written statement dated October 23, 2014, with respect to her misconduct:

When our manager approximately 3 decade years retired in 2006 (*sic*), there were several changes in our Credit Union, the most notable being the transition of 4 different managers (and the 4th one has already quit). I found myself in what I can honestly say was a very difficult working condition and although I had approached our union regarding difficulties, I did not pursue anything, instead trying to work things out. I had worked at the Credit Union for 27+ years in many capacities, and only worked to serve our clients. All the irregularities above were to serve my clients, even if they were done in error. I am sorry that all that has happened....

Additional Factors

23. There is no evidence that the Respondent received any benefit from her misconduct beyond the commissions or fees that she would ordinarily be entitled to receive had the transactions been carried out in a proper manner.
24. There is no evidence of client harm or that any of the transactions were unauthorized.
25. The Respondent has not previously been the subject of any MFDA disciplinary proceedings.
26. The Respondent cooperated with Credential's investigation into her conduct.
27. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a full hearing on the merits.

IV. ADDITIONAL TERMS OF SETTLEMENT

28. 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*.
29. 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.
30. 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.
31. 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 the 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.

32. 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.

33. 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.

34. 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 15th day of November, 2015.

“Michael Ceccolini”

Witness – Signature

Michael Ceccolini

Witness – Print name

“Karen Grenke”

Karen Grenke

“Shaun Devlin”

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



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Re: Karen Grenke

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 [Respondent] (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:

1. Between September 2007 and April 2014, the Respondent obtained, possessed, and in some instances, used to process transactions, 86 pre-signed account forms with respect of 54 clients, contrary to MFDA Rule 2.1.1;

2. Between September 2007 and April 2014, the Respondent, falsified, and in all but one instance, used to process transactions, 101 account forms with respect of 70 clients, contrary to MFDA Rule 2.1.1; and

3. On February 12, 2012 and on March 22, 2013, the Respondent mislead the Member in her responses to various questions contained in the Member's Annual Compliance Declaration, contrary to MFDA Rule 2.1.1;

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 \$7,500 pursuant to s. 24.1.1(b) of MFDA By-law No.1 (the "Fine");

2. the Respondent shall pay costs in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law No.1 ("Costs");

3. the Fine and Costs (together, the "Funds") shall be payable in 6 installments, the first in the amount of \$2,500 shall be paid on the date of the settlement hearing, while the remaining five installments of \$1,500 shall be payable on or before the first business day of the 5 months that follow the date of the acceptance of the settlement agreement by the Hearing Panel.

4. the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ or associated with any Member of the MFDA for a period of one year from the date of the settlement hearing, pursuant to section 24.1.1.(e) of MFDA By-law No. 1.

5. if the Respondent fails to make any of the installment payments described in subparagraphs accordance with the installment schedule as set out in paragraphs (1)-(4) above, then without further notice to the Respondent:

(a) the full amount of the Funds will become due and owing immediately; and

(b) the Respondent shall be permanently prohibited from conducting securities related business in any capacity while in the employ or associated with any Member of the MFDA, pursuant to section 24.1.1.(e) of MFDA By-law No.1.

6. the Respondent shall in the future comply with MFDA Rule 2.1.1; and

7. If at any time a non-party to this proceeding requests production of, or access to, any materials filed in, or the record of, this proceeding, including all exhibits and transcripts, then the MFDA Corporate Secretary shall not provide copies of, or access to, the requested documents to the non-party without first redacting from them any and all intimate financial or 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]