



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: Christopher Paul Heide

Heard: February 6, 2019 in Edmonton, Alberta

Decision: February 6, 2019

Reasons for Decision: April 15, 2019

REASONS FOR DECISION

Hearing Panel of the Prairie Regional Council:

Shelley L. Miller, QC
James Samanta
Danielle Tétrault

Chair
Industry Representative
Industry Representative

Appearances:

Sakeb Nazim)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
)	
Maureen Doherty)	Counsel for the Respondent, by teleconference
)	
)	
Christopher Paul Heide)	Respondent, in person
)	
)	

Background

1. This is a Settlement Hearing under Section 24.4 of By-Law No. 1 of the Mutual Fund Dealers Association of Canada (the "MFDA"). The hearing was held on February 6, 2019. The Respondent appeared in person. The full Settlement Agreement dated December 3, 2018 entered into between Christopher Paul Heide (the "Respondent") and MFDA signed by its Staff is attached as Appendix "A" to these reasons for decision and its relevant provisions will not be repeated in detail here.
2. The Respondent was registered as a mutual fund dealing representative since March 2014.
3. This Hearing Panel accepted the proposed Settlement Agreement at the conclusion of the February 6, 2019 hearing, with reasons to follow, which are set out below.

Contraventions

4. The Respondent has admitted that between February 2015 and September 2016, he photocopied signature pages from account forms that had been signed by clients and re-used the signature pages to complete 20 additional forms in respect of seven clients, contrary to MFDA Rule 2.1.1.

Terms of Settlement

5. In paragraph 5 of the Settlement Agreement, the Respondent agreed to the following penalties and terms of settlement:
 - a) The Respondent shall pay a fine in the amount of \$15,000.00 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of By-law No. 1;
 - b) The Respondent shall pay costs in the amount of \$2,500.00 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of By-law No. 1;
 - c) The Respondent shall in the future comply with MFDA Rule 2.1.1; and
 - d) The Respondent will attend the Settlement Hearing in person.

Agreed Facts

Registration History

6. From March 20, 2014, to November 13, 2017, the Respondent was registered in Alberta as a mutual fund salesperson (now known as a dealing representative) with Sun Life Financial Investment Services (Canada) Inc. (“Sun Life”), a Member of the MFDA. The Respondent resigned from Sun Life on November 13, 2017.

7. Since November 20, 2017, the Respondent has been registered in Alberta as a dealing representative with Worldsource Financial Management Inc., a Member of the MFDA.

8. At all material times, the Respondent carried on business in the Beaumont, Alberta area.

Re-Using Client Signatures

9. At all material times, Sun Life’s policies and procedures prohibited its Approved Persons from photocopying a document to re-use a previous signature.

10. Between February 2015 and September 2016, the Respondent photocopied signature pages from account forms that had been signed by clients and re-used the signature pages to complete 20 additional forms in respect of 7 clients.

11. The account forms consisted of Know-Your-Client and Transfer Authorization forms.

12. The Respondent submitted all of the account forms to Sun Life for processing.

Sun Life’s Investigation

13. In May 2017, Sun Life identified 11 of the account forms that are the subject of this Settlement Agreement during an onsite branch review. Sun Life subsequently commenced a review of all the client files serviced by the Respondent and identified the remaining account forms.

14. In August 2017, as part of its investigation, Sun Life sent audit letters to all of the clients whose accounts the Respondent serviced in order to determine whether they had any unauthorized transactions in their accounts. No clients reported any concerns to Sun Life.

15. On September 8, 2017, Sun Life issued a warning letter to the Respondent and placed him under close supervision for a period of 6 months effective September 11, 2017.

Additional Factors

16. The Respondent has not previously been the subject of an MFDA disciplinary proceeding.

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

18. There is no evidence of any client loss or that the transactions were unauthorized.

19. 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.

Analysis

20. This Hearing Panel has the responsibility to either accept the settlement agreement or reject it, as stated by the MFDA Hearing Panel in *Sterling Mutuals Inc. (Re)*, LNCMFDA 16 at para. 37 citing the I.D.A. Ontario District Council in *Milewski (Re)* [1999] IDACD No. 17 at p. 10, Ontario District Council Decision dated July 28, 1999.

21. This Hearing Panel is also mindful of the effectiveness of Settlement Agreements in fulfilling the objective of the regulator as noted in the reasons for decision in *British Columbia Securities Commission v Seifert*, 2007 BCCA 484 at para. 31.

22. This Hearing Panel concluded that the allegations admitted by the Respondent had been proven to the required standard and constitutes misconduct in contravention of the By-law and MFDA Rules. It then turned to the question of the appropriateness of the proposed penalty as set out in the Settlement Agreement.

Appropriateness of the Proposed Penalty

23. In the present matter, there is an additional consideration for the Hearing Panel to take into account, namely the fact that MFDA Bulletin #0661-E, dated October 2, 2015 (the “Bulletin”) reminded Members and Approved Persons that “Signature Falsification” is not permissible under MFDA Rules. This term includes conduct like pre-signed account forms, altered account forms and the falsification of a client signature. The Bulletin advised Members and Approved Persons that enhanced penalties would be sought at MFDA disciplinary proceedings for conduct that occurred after the publication of the Bulletin.

24. Accordingly, Enforcement Counsel sought a penalty for breach of the standard of conduct by reason that 4 of the forms were obtained after the MFDA issued the Bulletin.

25. One additional factor considered by this Hearing Panel was the fact that the close supervision imposed by Sun Life on September 8, 2017 was continued by Worldsource Financial Management Inc. when the Respondent became registered there on November 20, 2017. Upon inquiry and agreed disclosure by counsel for the parties, the Hearing Panel was informed that no issues were identified during this period of enhanced supervision.

26. There is ample case authority for the proposition that pre-signed account forms obtained after the MFDA issued MFDA Bulletin #0661-E on October 2, 2015 is an aggravating factor, including:

- *Owen (Re)*, MFDA File No. 201784, Hearing Panel of the Prairie Regional Council, Decision and Reasons dated December 7, 2017, at para. 35
- *Lo (Re)*, MFDA File No. 201776, Hearing Panel of the Central Regional Council, Decision and Reasons dated February 7, 2018, at paras 16, 18

27. Enforcement Counsel cited the following cases in support of his submission as to the monetary penalty:

- *Lewis (Re)*, MFDA File No. 2017121, Hearing Panel of the Prairie Regional Council, Decision and Reasons dated March 26, 2018

- *Yip*, MFDA File No. 2017106, Hearing Panel of the Central Regional Council, Decision and Reasons dated July 20, 2018
- *Boucher*, MFDA File No. 201744, Hearing Panel of the Central Regional Council, Decision and Reasons dated December 8, 2017.

28. In *Lewis (Re) (supra)*, the Respondent re-used client signatures on 17 forms, obtained, possessed, and in some instances, used 51 pre-signed forms, and altered 3 account forms without having the clients initial the alterations. One of the altered and 11 of the pre-signed account forms were obtained after the MFDA issued the Bulletin. The monetary fine imposed was \$20,000.00.

29. In *Yip Re (supra)*, the Respondent obtained, possessed, and in some instances, used 4 pre-signed forms and falsified 10 client signatures. The monetary fine imposed was \$12,500.00.

30. In *Boucher Re (supra)*, the Respondent re-used client signatures on 2 forms, obtained, possessed, and in some instances, used 27 pre-signed forms and altered 3 account forms without having the clients initial the alterations. The monetary fine imposed was \$12,500.00.

31. In the view of this Hearing Panel, the cited case authority demonstrates that the monetary fine sought in this case is in line with previously decided cases on similar facts.

32. Having regard to all the joint submissions of counsel, this Hearing Panel is of the view that the penalties imposed in this case will secure the specific deterrence for this Respondent and will meet the need for general deterrence for other Approved Persons who might be inclined to engage in similar behavior.

33. Further, this Hearing Panel concludes that acceptance of this Settlement Agreement will advance the public interest and the objective of the MFDA to enhance investor protection and ensure high standards of conduct in the mutual fund industry.

34. The Hearing Panel accordingly approves its terms and orders:

- a) The Respondent shall pay a fine in the amount of \$15,000.00 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of By-law No. 1;

- b) The Respondent shall pay costs in the amount of \$2,500.00 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of By-law No. 1;
- c) The Respondent shall in the future comply with MFDA Rule 2.1.1.

DATED this 15th day of April, 2019.

“Shelley L. Miller”

Shelley L. Miller, QC
Chair

“James Samanta”

James Samanta
Industry Representative

“Danielle Tétrault”

Danielle Tétrault
Industry Representative

DM 665383

Schedule “A”

Settlement Agreement

File No. 2018122



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: Christopher Paul Heide

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada (“Staff”) and Christopher Paul Heide (the “Respondent”), 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 Mutual Fund Dealers Association of Canada (“MFDA”):

- a) between February 2015 and September 2016, the Respondent photocopied signature pages from account forms that had been signed by clients and re-used the signature pages to complete 20 additional forms in respect of 7 clients, 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 \$15,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of By-law No. 1;
- b) The Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of By-law No. 1;
- c) The Respondent shall in the future comply with Rules 2.1.1; and
- d) The Respondent will attend the Settlement Hearing in person.

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 March 20, 2014, to November 13, 2017, the Respondent was registered in Alberta as a mutual fund salesperson (now known as a dealing representative) with Sun Life Financial Investment Services (Canada) Inc. ("Sun Life"), a Member of the MFDA. The Respondent resigned from Sun Life on November 13, 2017.

8. Since November 20, 2017, the Respondent has been registered in Alberta as a dealing representative with Worldsource Financial Management Inc., a Member of the MFDA.

9. At all material times, the Respondent carried on business in the Beaumont, Alberta area.

Re-Using Client Signatures

10. At all material times, Sun Life's policies and procedures prohibited its Approved Persons from photocopying a document to re-use a previous signature.
11. Between February 2015 and September 2016, the Respondent photocopied signature pages from account forms that had been signed by clients and re-used the signature pages to complete 20 additional forms in respect of 7 clients.
12. The account forms consisted of Know-Your-Client and Transfer Authorization forms.
13. The Respondent submitted all of the account forms to Sun Life for processing.

Sun Life's Investigation

14. In May 2017, Sun Life identified 11 of the account forms that are the subject of this Settlement Agreement during an onsite branch review. Sun Life subsequently commenced a review of all the client files serviced by the Respondent and identified the remaining account forms.
15. In August 2017, as part of its investigation, Sun Life sent audit letters to all of the clients whose accounts the Respondent serviced in order to determine whether they had any unauthorized transactions in their accounts. No clients reported any concerns to Sun Life.
16. On September 8, 2017, Sun Life issued a warning letter to the Respondent and placed him under close supervision for a period of 6 months effective September 11, 2017.

Additional Factors

17. The Respondent has not previously been the subject of an MFDA disciplinary proceeding.
18. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above beyond any commissions and fees that he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.
19. There is no evidence of any client loss or that the transactions were unauthorized.

20. 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.

IV. ADDITIONAL TERMS OF SETTLEMENT

21. 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*.

22. 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. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 and Rule 15.2(2) of the MFDA Rules of Procedure. If the Hearing Panel accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at www.mfda.ca.

23. 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.

24. 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 contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any 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.

25. 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.

26. 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.

27. 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 3rd day of December, 2018.

“Christopher Paul Heide”
Christopher Paul Heide

“EB”
Witness – Signature

EB
Witness – Print Name

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

Schedule “A”

Order

File No. 2018122



Mutual Fund Dealers Association of Canada
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**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
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Re: Christopher Paul Heide

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 Christopher Paul Heide (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 the Respondent:

- a) between February 2015 and September 2016, the Respondent photocopied signature pages from account forms that had been signed by clients and re-used the signature pages to complete 20 additional forms in respect of 7 clients, 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 \$15,000 in certified funds pursuant to section 24.1.1(b) of By-law No. 1;
2. The Respondent shall pay costs in the amount of \$2,500 in certified funds pursuant to section 24.2 of By-law No. 1;
3. The Respondent shall in the future comply with MFDA Rules 2.1.1; and
4. If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all 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]