



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

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

Re: Kathleen Hounsome

Heard: May 7, 2015, in Vancouver, British Columbia
Reasons for Decision: June 23, 2015

REASONS FOR DECISION

Hearing Panel of the Pacific Regional Council:

The Hon. H. Benjamin Casson, Q.C.	Chair
Elaine Davison	Industry Representative
Holly Millar	Industry Representative

Appearances:

David Babin)	For the Mutual Fund Dealers Association of
)	Canada
)	
Kathleen Hounsome)	Via teleconference
)	
)	

1. By Notice of Settlement Hearing dated March 17, 2014, (Exhibit “1”), Kathleen Hounsome (the “Respondent”), an Approved Person, was alleged to have violated Rule 2.1.1 of the Mutual Fund Dealers Association of Canada (the “MFDA”), as follows:

Allegation:

Between July 2010 and April 2012, the Respondent engaged in a practice unbecoming an Approved Person by obtaining, maintaining and using 62 blank client account forms signed by clients to conduct Member business, contrary to MFDA Rule 2.1.1.

2. On September 30, 2014, the Respondent assigned herself into bankruptcy.

3. Subsequently, on December 4, 2014, the Respondent and Shaun Devlin, Senior Vice-President, Member Regulation-Enforcement, of the MFDA, signed an Agreed Statement of Facts (Exhibit “2”), which, in part, contained the following admissions:

7. Staff and the Respondent agree that submissions made with respect to the appropriate penalty are based only on the agreed facts in Part IV and no other facts or documents. In the event the Hearing Panel advises one or both of Staff and the Respondent of any additional facts it considers necessary to determine the issues before it, Staff and the Respondent agree that such additional facts shall be provided to the Hearing Panel only with the consent of both Staff and the Respondent. If the Respondent is not present at the hearing, Staff may disclose additional relevant facts, at the request of the Hearing Panel.

8. Nothing in this Part IV is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against her.

Registration History:

9. From August 1, 2013 to May 26, 2014, the Respondent was registered in British Columbia as a mutual fund sales person with Scotia Securities Inc. (“Scotia”), a Member of the MFDA.

10. From July 2, 2010 to April 23, 2012, the Respondent was registered in British Columbia as a mutual fund salesperson with Credential Asset Management (“Credential”), a Member of the MFDA
11. From December 2002 to July 2008, the Respondent was registered in British Columbia as a mutual fund salesperson with Royal Mutual Funds Inc., a Member of the MFDA.
12. The events described in this Agreed Statement of Facts occurred while the Respondent was registered with Credential.
13. At all material times, the Respondent conducted business on behalf of Credential in Duncan and Chemainus, British Columbia.
14. The Respondent is not currently registered in the securities industry in any capacity.

Background:

15. On March 15, 2012, the Respondent completed an Annual Approved Person Declaration, in which she admitted to maintaining blank signed account forms. As a result, Credential commenced a review of the Respondent’s activities on April 5, 2012.
16. On April 10, 2012, the Respondent was placed on a leave of absence from Credential.
17. On April 12 and 17, 2012, Credential reviewed 100% of the Respondent’s client files at the branch offices she operated from. During this review, Credential determined that the Respondent had obtained, maintained and used blank signed account forms as described below.
18. On April 23, 2012, the Respondent resigned from Credential.
19. On August 1, 2013, the Respondent was re-registered with Scotia. She resigned from Scotia on May 26, 2014.

Blank Signed Account Forms

20. Between July 2, 2010 and April 23, 2012, the Respondent obtained, and maintained in her client files, 37 blank signed account forms in connection with 14 clients. All of the account forms were completely blank except for the client's signature and were available to the Respondent for use in the future. As listed below, the account forms consisted of 13 NAAFs, 10 Investment Instruction Forms, 9 Transfer Forms, 4 Systematic Plan Instructions Forms, and 1 EFT form:

#	CLIENT	DATE	FORM
1.	CW	Not dated	NAAF(6) Transfer Form (6)
2.	KW	Not dated	NAAF Transfer Form
3.	EE	Not dated	NAAF
4.	SG	Not dated	NAAF (2) Investment Instruction Form
5.	HJ and GJ (Joint)	Not dated	Transfer Form
6.	TK	Not dated	NAAF (2) Transfer Form
7.	BP	Not dated	NAAF Systematic Plan Instructions Form
8.	AC	Not dated	EFT Form
9.	PL	Not dated	Systematic Plan Instructions Form
10.	AK	Not dated	Investment Instruction Form Systematic Plan Instructions Form
11.	BA	Not dated	Investment Instruction Form (2)
12.	RD	Not dated	Investment Instruction Form (2) Systematic Plan Instructions Form
13.	DH	Not dated	Investment Instruction Form (2)
14.	WL	Not dated	Investment Instruction Form (2)

21. Between July 2, 2010 and April 23, 2012, the Respondent also obtained, maintained and used 25 blank signed NAAFs in connection with 18 clients. All of the account forms were used to open new accounts at Credential.

22. The Respondent states that she used the forms in an effort to make the account opening process more convenient for her clients.

Additional Factors:

23. As a result of the events described in this Agreed Statement of Facts, the Respondent resigned from Credential and consequently lost her book of business.
 24. There is no evidence of misappropriation, unauthorized trading, or client harm in this matter.
 25. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct beyond the commissions or fees to which the Respondent would have been ordinarily entitled had the transactions in the clients' accounts been carried out in the proper manner.
4. On May 5, 2015, a Notice of Hearing (Exhibit "3") was issued and served on the Respondent as required by MFDA Rule of Procedure 7.1 and the Panel granted an Application by Enforcement Counsel, with Consent of the Respondent, to abridge the 30-day notice requirement to allow the Hearing on the Merits to proceed on May 7, 2015.
5. The Notice of Hearing contained the following particulars of the admitted facts:
1. From August 1, 2013 to May 26, 2014, the Respondent was registered in British Columbia as a mutual fund dealing representative with Scotia Securities Inc. ("Scotia"), a Member of the MFDA.
 2. From July 2, 2010 to April 23, 2012, the Respondent was registered in British Columbia as a mutual fund dealing representative with Credential Asset Management ("Credential"), a Member of the MFDA.
 3. From December 2002 to July 2008, the Respondent was registered in Alberta as a mutual fund salesperson with Royal Mutual Funds Inc., a Member of the MFDA.
 4. The events described herein occurred while the Respondent was registered with Credential.
 5. At all material times, the Respondent conducted business on behalf of Credential in Duncan and Chemainus, British Columbia.
 6. The Respondent is not currently registered in the securities industry in any capacity.
 7. Between July 2, 2010 and April 23, 2012, the Respondent obtained, and maintained in her client files, 37 blank signed account forms in connection with 14 clients. All of the account forms were

completely blank except for the client's signature and were available to the Respondent for use in the future. As listed below, the account forms consisted of 13 NAAFs, 10 Investment Instruction Forms, 9 Transfer Forms, 4 Systematic Plan Instructions Forms, and one EFT form:

#	CLIENT	DATE	FORM
1.	CW	Not dated	NAAF(6) Transfer Form (6)
2.	KW	Not dated	NAAF Transfer Form
3.	EE	Not dated	NAAF
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5.	HJ and GJ (Joint)	Not dated	Transfer Form
6.	TK	Not dated	NAAF (2) Transfer Form
7.	BP	Not dated	NAAF Systematic Plan Instructions Form
8.	AC	Not dated	EFT Form
9.	PL	Not dated	Systematic Plan Instructions Form
10.	AK	Not dated	Investment Instruction Form Systematic Plan Instructions Form
11.	BA	Not dated	Investment Instruction Form (2)
12.	RD	Not dated	Investment Instruction Form (2) Systematic Plan Instructions Form
13.	DH	Not dated	Investment Instruction Form (2)
14.	WL	Not dated	Investment Instruction Form (2)

8. Between July 2, 2010 and April 23, 2012, the Respondent also obtained, maintained and used 25 blank signed NAAFs in connection with 18 clients. All of the account forms were used to open new accounts at Credential:

#	CLIENT	DATE	FORM
1.	SF	August 11,2011	NAAF
2.	DF	August 11,2011	NAAF
3.	BA	August 12,2011	NAAF
4.	SF & DF (Joint)	August 18,2011	NAAF
5.	ER	August 24,2011	NAAF

6.	BY	September 13, 2011	NAAF
7.	GD	November 15, 2011	NAAF
8.	GR	December 3, 2011	NAAF
9.	DS	December 8, 2011	NAAF(2)
10.	WW	February 10, 2012	NAAF(3)
11.	BC	February 10, 2012	NAAF
12.	BG	February 15, 2012	NAAF
13.	TS	February 24, 2012	NAAF
14.	CW	February 24, 2012	NAAF
15.	BL	March 5, 2012	NAAF(2)
16.	SH	March 5, 2012	NAAF
17.	RS	March 5, 2012	NAAF(2)
18.	RM	March 16, 2012	NAAF(2)
19.	DH	April 5, 2012	NAAF

9. On March 15, 2012, the Respondent completed an Annual Approved Person Declaration, in which she admitted to maintaining blank signed account forms. As a result, Credential commenced a review of the Respondent's activities on April 5, 2012.
10. On April 13, 2012, the Respondent was placed on a leave of absence from Credential.
11. Between April 12 and 17, 2012, Credential reviewed all of the Respondent's client files at the branch offices she operated from. During this review, Credential determined that the Respondent had obtained, maintained and used blank signed account forms as described above.
12. On April 23, 2012, the Respondent resigned from Credential.
13. On September 30, 2014, the Respondent assigned herself into bankruptcy.

6. At the hearing on May 7, 2015, the Panel found that the admitted facts supported the allegation that the Respondent, between July 2010 and April 2012, engaged in a practice unbecoming an Approved Person by obtaining, maintaining and using blank forms signed by clients to conduct Member business contrary to MFDA Rule 2.1.1.

PENALTY

7. On behalf of Enforcement Staff of MFDA, Enforcement Counsel, with the agreement of the Respondent, proposed a penalty as follows:

1. A six month prohibition on the Respondent's authority to conduct securities related business while in the employ of or associated with any MFDA Member, pursuant to s. 24.1.1(e) of MFDA By-law No. 1; and
2. Costs of \$2,500.00, pursuant to s. 24.2 of MFDA By-law No. 1.

8. In seeking the Panel's approval of the joint recommendation, Enforcement Counsel emphasized the following factors:

Nature of the Misconduct

- Staff submits that the Respondent's misconduct was serious. Her misconduct went to the very core of the supervisory regime implemented and administered by the MFDA.

The Respondent's Experience in the Securities Industry

- The Respondent worked in the securities industry as a mutual fund salesperson for approximately 10 years and has never previously been the subject of an MFDA disciplinary proceeding.

The Respondent's Recognition of the Seriousness of her Misconduct

- By entering into the ASF, the Respondent has accepted responsibility for her misconduct and avoided the necessity of the MFDA incurring the additional time and expense of a full contested hearing.
- The Respondent has also expressed remorse for her conduct, and has co-operated fully with Staff's investigation of this matter.

Agreement Statement of Facts, at para. 28

Client Harm and Benefits Received by the Respondent

- Staff's investigation did not reveal any evidence of unauthorized trades or client loss. There is no evidence to suggest that the Respondent received a financial or other benefit through her conduct, and there were no client complaints.

Deterrence

- A six month suspension of the Respondent's right to conduct securities related business.
- The penalty demonstrates that the Respondent's misconduct in all of the circumstances is serious and has significant consequences. The penalty will also deter other Approved Persons from engaging in similar activity.

Penalty Guidelines

- Staff is seeking a fine less than the minimum \$5,000 provided by the Penalty Guidelines for an Approved Person's breach of Rule 2.1.1. Staff submits that the guidelines are non-binding, and are meant to be one of many factors a Hearing Panel uses to decide if a given penalty is appropriate. The Respondent assigned herself into bankruptcy on September 30, 2014, and is impecunious. As such, a suspension is more appropriate in the present circumstances.
- In Staff's submission, the six month suspension being requested will serve as a sufficient deterrent to other Approved Persons who might consider engaging in the type of misconduct that the Respondent has admitted to undertaking.

Previous Decisions in Similar Cases:

Roy (Re) File: 201393

- The Respondent obtained, maintained and used 57 blank or partially completed pre-signed forms in the accounts of 21 clients.
- There was no evidence of client complaints and evidence of harm.
- The Respondent did not have a discipline history

Outcome:

The Hearing panel accepted the following settlement terms:

- Fine of \$5,000
- Costs of \$2,500

Page (Re) File: 201220

- The Respondent obtained, maintained and used 47 blank or partially completed pre-signed forms in the accounts of 29 clients.
- There was no evidence of client complaints and no evidence of harm.
- The Respondent did not have a discipline history.

Outcome:

The Hearing panel accepted the following settlement terms:

- Fine of \$5,000
- Costs of \$2,500

Rattenbury (Re) File: 201219

- At the material times the Respondent was the President and a shareholder of Rattenbury Financial Management (“RFM”). The Respondent was also the Ultimate Designated Person, Chief Compliance Officer and a Director of RFM.
- The Respondent maintained and used 63 photocopies of trade instruction forms signed by clients in blank to process trades in 10 client accounts.
- There was no evidence of client complaints and no evidence of harm.
- The Respondent did not have a discipline history.

Outcome:

The Hearing panel accepted the following settlement terms:

- Fine of \$6,250
- Costs of \$2,500
- Write an industry course deemed appropriate by Staff

Kant (Re) File 201357

- At all material times the Respondent was registered as a mutual fund salesperson and a branch manager.
- Over a six year period the Respondent photocopied and altered 49 previously-signed account forms in respect of 16 client accounts in order to process transactions in client accounts.
- There was no evidence of client complaints and evidence of harm.

Outcome:

The Hearing panel accepted the following settlement terms:

- Fine of \$7,500
- Costs of \$2,500

9. The Panel observed that the admitted facts on which the allegation was based are relatively uncomplicated.

10. In approving the joint recommendations, the Panel followed the reasoning in numerous cases which held that a Panel should not interfere with a joint recommendation unless, for some reason or reasons, it is manifestly unfair.

11. The Panel accepted the submission of Enforcement Counsel that the primary goal of securities regulation is protection of the investor, and the fostering of public confidence in capital markets and the securities industry.

12. The Panel considered the following additional factors:

- (a) The seriousness of the allegations proved against the Respondent;
- (b) The Respondent's past conduct, including prior sanctions;
- (c) The Respondent's experience and level of activity in the capital markets;
- (d) Whether the Respondent recognizes the seriousness of the improper activity;
- (e) The harm suffered by investors as a result of the Respondent's activities;
- (f) The benefits received by the Respondent as a result of the improper activity;
- (g) The Risk to investors and the capital markets in the jurisdiction, were the Respondent to continue to operate in capital markets in the jurisdiction;
- (h) The damage caused to the integrity of the capital markets in the jurisdiction by the Respondent's improper activities;
- (i) 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;
- (j) The need to alert others to the consequences of inappropriate activities to those who are permitted to participate in the capital markets; and
- (k) Previous decisions made in similar circumstances.

13. Enforcement Counsel referred the Panel to MFDA Penalty Guidelines, in respect of misconduct of the type admitted to by the Respondent, which provide:

BREACH	PEANLTY TYPE & RANGE	FACTORS TO CONSIDER
Standard of Conduct (Rule 2.1.1) (Guidelines, p. 27)	<ul style="list-style-type: none"> • Fine (AP): Minimum of \$5,000.00 • Write or rewrite an appropriate industry course (e.g. IFIC Officers', Partners' and Directors' Course or Canadian Investment Funds Course) • Supervision 	<ul style="list-style-type: none"> • Nature of the circumstances and conduct • Number of individuals affected • Whether the conduct is likely to bring the individual, the Member or the mutual fund industry into disrepute

14. The Panel concluded that the proposed penalty, as agreed to in the joint recommendation, was reasonable and proportionate, having regard to the misconduct of the Respondent and the circumstances of this case and signed the Order of May 7, 2015.

15. Accordingly, the Panel signed the Order of May 7, 2015.

DATED this 23rd day of June, 2015.

“H. Benjamin Casson”

The Hon. H. Benjamin Casson, Q.C.
Chair

“Elaine Davison”

Elaine Davison
Industry Representative

“Holly Millar”

Holly Millar
Industry Representative

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