



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: Dessislava Hristova

Heard: September 23, 2022 by electronic hearing in Toronto, Ontario

Decision: September 23, 2022

Reasons for Decision: October 11, 2022

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Paul M. Moore, Q.C.
Bianca Dupuis
Vas Pachapurkar

Chair
Industry Representative
Industry Representative

Appearances:

Paul Blasiak)	Senior Enforcement Counsel for the Mutual
)	Fund Dealers Association of Canada
)	
Caitlin Sainsbury)	Counsel for Respondent
)	
)	
Dessislava Hristova)	Respondent
)	

I. SETTLEMENT AGREEMENT

1. We accepted the settlement agreement dated July 29, 2022 (“Settlement Agreement”) between the staff of the MFDA (“Staff”) and Dessislava Hristova (“Respondent”) at an electronic settlement hearing held in accordance with MFDA rules for an electronic hearing.
2. A copy of the Settlement Agreement is attached to these Reasons as Schedule “1”. The agreed facts are set out in Part IV of the Settlement Agreement.

II. CONTRAVENTIONS

3. The Respondent admits that:
 - a) on November 25, 2019, the Respondent failed to use due diligence to learn the essential facts relative to three clients when opening accounts for the clients, and opened the clients’ accounts without obtaining signed New Account Application Forms from the clients, contrary to the Member’s policies and procedures and MFDA Rules 2.2.2(b), 2.2.1, 2.5.1, 1.1.2 and 2.1.1; and
 - b) on November 25, 2019, the Respondent processed the purchase of a mutual fund in a client’s account without communicating with the client, thereby engaging in unauthorized trading, contrary to the Member’s policies and procedures and MFDA Rules 2.1.1, 2.5.1 and 1.1.2.

III. PROPOSED SANCTIONS

4. The Settlement Agreement provides that:
 - a) the Respondent shall pay a fine of \$10,000;
 - b) the Respondent shall pay costs of \$5,000; and
 - c) the Respondent shall in the future comply with MFDA Rules 2.2.2(b), 2.2.1, 2.5.1, 1.1.2 and 2.1.1.

IV. CONSIDERATIONS

5. We determined that we had to be satisfied regarding three considerations before we could accept the Settlement Agreement. First, the agreed penalties had to be within an acceptable range taking into account similar cases. Secondly, the agreed penalties had to be fair and reasonable (i.e. proportional to the seriousness of the contraventions taking into consideration relevant

circumstances) and should appear to be so to members of the public and industry. Thirdly, the agreed penalties should serve as a deterrent to the Respondent and to industry. To be satisfied on these three considerations required an understanding of the particular facts of the case, the circumstances of the Respondent, and the impact on the Respondent of the agreed penalties.

V. MISCONDUCT

6. The Respondent's conduct was in violation of the Rules cited above.

VI. OTHER CONSIDERATIONS

7. The Respondent's misconduct was isolated as it was limited to accounts and transactions that were processed on a single day (November 25, 2019) for one set of spousal clients. The fact that the Respondent did not engage in a pattern of misconduct or repeated violations of the MFDA's Rules is a relevant factor in determining penalty.

8. Unauthorized trading and failure to learn the essential facts relative to clients can lead to client financial loss and undermine confidence in the mutual fund industry. In the present case, after the clients complained to the Member, the Member and its bank affiliate credited the bank accounts of the clients in the total amount of approximately \$4,000 to compensate them for market losses and lost interest on GICs that they had incurred as a result of the mutual fund purchase transactions at issue.

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

10. By entering into the Settlement Agreement, the Respondent has accepted responsibility for her misconduct and has saved the MFDA the time, resources, and expenses associated with conducting a contested hearing of the allegations.

VII. CONCLUSIONS

11. The agreed penalties will deter the Respondent from engaging in misconduct in the future. The proposed penalties will also demonstrate to other Approved Persons that a failure to appropriately exercise due diligence to obtain and record accurate KYC information and processing unauthorized trades in a client's account will result in serious consequences. Accordingly, the proposed penalties in this case will deter the Respondent and others from engaging in similar misconduct in the future, improve overall compliance with regulatory

requirements by Approved Persons and foster confidence among investors and other stakeholders in the mutual fund industry as a whole.

12. The agreed penalties are within the recommendations of the MFDA Sanction Guidelines and the reasonable range of appropriateness with regard to MFDA decisions submitted to us by Staff, made by MFDA Hearing Panels in similar circumstances. They are fair and reasonable.

13. The costs award is reasonable.

DATED this 11th day of October, 2022.

“Paul M. Moore”

Paul M. Moore, Q.C.
Chair

“Bianca Dupuis”

Bianca Dupuis
Industry Representative

“Vas Pachapurkar”

Vas Pachapurkar
Industry Representative

Schedule “1”

Settlement Agreement

File No. 202232



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: Dessislava Hristova

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing (the “Settlement Hearing”) to consider whether, pursuant to section 24.4 of MFDA By-law No. 1, a hearing panel of the Central Regional Council (the “Hearing Panel”) of the MFDA should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and the Respondent, Dessislava Hristova (the “Respondent”).

2. Staff and the Respondent, consent and agree to the terms of this Settlement Agreement.

3. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

II. CONTRAVENTIONS

4. The Respondent admits to the following violations of the By-laws, Rules or Policies of the MFDA:

- a) on November 25, 2019, the Respondent failed to use due diligence to learn the essential facts relative to three clients when opening accounts for the clients, and

opened the clients' accounts without obtaining signed New Account Application Forms from the clients, contrary to the Member's policies and procedures and MFDA Rules 2.2.2(b), 2.2.1¹, 2.5.1, 1.1.2 and 2.1.1; and

- b) on November 25, 2019, the Respondent processed the purchase of a mutual fund in a client's account without communicating with the client, thereby engaging in unauthorized trading, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 2.5.1 and 1.1.2.

III. TERMS OF SETTLEMENT

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 \$10,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1, which shall be payable in certified funds as follows;
 - i. \$5,000 on or before the last business day of the first month following the acceptance of the Settlement Agreement by a Hearing Panel; and
 - ii. \$5,000 on or before the last business day of the second month following the acceptance of the Settlement Agreement by a Hearing Panel;
- b) the Respondent shall pay costs in the amount of \$5,000, pursuant to s. 24.2 of MFDA By-law No. 1, which shall be payable in certified funds on the date that this Settlement Agreement is accepted by a Hearing Panel;
- c) the Respondent shall in the future comply with MFDA Rules 2.2.2(b), 2.2.1, 2.5.1, 1.1.2 and 2.1.1; and
- d) the Respondent will attend by videoconference on the date set for the Settlement Hearing.

6. Staff and the Respondent agree to the settlement on the basis of the facts set out in this Settlement Agreement herein and consent to the making of an Order in the form attached as Schedule "A".

¹ On December 31, 2021, MFDA Rule 2.2.1 was amended. As the conduct addressed in this Settlement Agreement pre-dated the amendment to this Rule, all contraventions set out in this Settlement Agreement that make reference to this Rule concern the version of the Rule that was in effect prior to December 31, 2021.

IV. AGREED FACTS

Registration History

7. Since November 17, 2011, the Respondent has been registered in Ontario as a dealing representative with CIBC Securities Inc. (the “Member”), a Member of the MFDA.

8. At all material times, the Respondent carried on business in the Toronto, Ontario area.

Background

9. At all material times, the Member’s policies and procedures required its Approved Persons to:

- a) in the presence of the client, obtain the client’s signature on the New Account Application Form (“NAAF”) when opening an account for the client; and
- b) obtain the client’s explicit and prior approval for every transaction.

10. On November 25, 2019, the Respondent met with RD who was considering opening investment accounts (the “Accounts”) with the Member for RD personally, for RD’s company (the “Company”), and for RD’s spouse, BD.

11. BD did not attend the meeting between the Respondent and RD on November 25, 2019.

12. During the meeting, which lasted 45 minutes or greater, the Respondent had a general discussion with RD about his Know-Your-Client (“KYC”) information. The Respondent also reviewed with RD a number of mutual funds, and the Respondent states that she and RD reviewed the Fund Facts for each of these mutual funds together.

13. The Respondent states that during the meeting, following their discussion described above, RD requested that the Respondent:

- a) open the Accounts;
- b) redeem Guaranteed Investment Certificates (“GICs”) and savings accounts that RD, the Company, and BD held at the Member’s bank affiliate; and
- c) use the redemption proceeds from the GICs and savings accounts to purchase mutual funds in the Accounts, as described in the table below:

Account No.	Account Owner	Type of Account	Mutual Fund Purchased	Amount of Mutual Funds Purchased
1	RD	Non-registered	Canadian Bond Fund	\$500,000
2	RD	Tax Free Savings Account (“TFSA”)	U.S. Market Index Fund	\$66,848.22
3	Company	Non-registered	Canadian Bond Fund	\$500,000
4	BD	TFSA	U.S. Market Index Fund	\$66,848.22

14. During the meeting, RD made notations on the Fund Facts documents specifying the mutual funds that were discussed during the meeting, and left the Fund Facts documents with the Respondent. RD informed the Respondent that he had to leave the meeting to attend to other business, and the Respondent did not obtain signed NAAFs or other signed account forms from RD authorizing the opening of new accounts in the names of RD, the Company or BD. The Respondent informed RD that, based on the information provided by RD during the meeting, she would complete the NAAFs and other account forms (collectively, the “Account Opening Documents”) that RD and BD were required to sign in order to open the Accounts and complete the mutual fund purchases described above. The Respondent also informed RD that following the meeting, she would send RD the Account Opening Documents so that RD and BD could sign them.

15. As described above, BD did not attend the meeting, and the Respondent never met BD in person and did not have any discussions with BD about opening an investment account or purchasing mutual funds in a TFSA.

16. On November 25, 2019, after the meeting with RD, the Respondent opened the Accounts and processed the mutual fund purchases set out above in paragraph 13:

- a) prior to sending the Account Opening Documents to RD;
- b) without communicating with or obtaining any authorization from BD; and
- c) without receiving any signed NAAFs from RD or BD.

17. On November 25, 2019, the Respondent sent the Account Opening Documents to RD, and requested that RD return the Account Opening Documents to the Respondent signed by RD and BD by November 28, 2019.

18. Prior to providing the Account Opening Documents to RD, the Respondent recorded KYC information on them.

19. The Respondent states that she completed the KYC information that she recorded for the Accounts of RD and the Company based on the discussion that she had with RD during the November 25, 2019 meeting. The Respondent acknowledges that she did not specifically discuss RD's investment knowledge, risk tolerance, investment objectives or time horizon with RD before documenting KYC records for RD and the Company on the Account Opening Documents.

20. The Respondent acknowledges that she did not confirm with RD that the KYC information that she recorded on RD's and the Company's NAAFs was accurate.

21. The Respondent acknowledges that she did not communicate with BD about BD's KYC information before documenting the KYC information that she recorded on the NAAF that she used to open BD's TFSA.

22. Without communicating with BD, the Respondent states that she intended to record KYC information for BD's TFSA to match the KYC information that she recorded for RD's TFSA but that she accidentally recorded a higher risk tolerance for BD than she recorded for RD.²

23. On November 27, 2019, RD informed the Respondent that the Account Opening Documents that she had sent to him contained errors, and RD and BD did not ultimately sign the Account Opening Documents.

24. On or about November 28, 2019, RD became aware that the purchases of mutual funds in the Accounts set out above in paragraph 13 had occurred. RD then contacted the Respondent and requested that she reverse these transactions as he had not signed any Account Opening Documents.

25. The Respondent then processed redemptions of the mutual funds that had been purchased in the Accounts, and closed the Accounts.

26. RD and BD subsequently complained to the Member that the Respondent had opened the Accounts and processed the mutual fund purchases set out above in paragraph 13 even though RD and BD had not signed Account Opening Documents or documentation.

² The Respondent states that she intended to record the risk tolerance on BD's TFSA NAAF as "Medium" (consistent with the risk tolerance of RD's TFSA NAAF) in order to match RD's TFSA, but she mistakenly recorded it as "High".

27. The Member and its bank affiliate credited the bank accounts of RD, the Company and BD in the total amount of approximately \$4,000 to compensate RD and BD for market losses and lost interest on GICs that they had incurred as a result of the mutual fund purchase transactions described above.

Failure to Learn Essential Facts Relative to Clients and Opening Accounts Without Signed NAAFs

28. As described above at paragraph 16, the Respondent opened the Accounts for RD, the Company, and BD without first obtaining signed NAAFs from RD or BD.

29. By failing to communicate with BD, failing to receive any signed NAAFs from RD or BD, and failing to confirm with RD that the KYC information that the Respondent recorded on RD's and the Company's NAAFs was accurate, the Respondent failed to use due diligence to learn the essential facts relative to RD, the Company and BD when opening accounts for them.

Unauthorized Trading

30. As described above at paragraph 16, the Respondent processed the purchase of mutual funds in BD's TFSA without communicating with or otherwise receiving any authorization from BD to process transactions on her behalf. The Respondent thereby engaged in unauthorized trading.

Additional Factors

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

32. By entering into the Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a contested hearing of the allegations.

V. ADDITIONAL TERMS OF SETTLEMENT

33. 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.

34. The Settlement Agreement is subject to acceptance by the Hearing Panel. 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.

35. 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.

36. 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 at the settlement hearing, subject to Rule 15.3 of the MFDA Rules of Procedure;
- b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal 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) except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement, 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, whether known or unknown at the time of settlement. 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 section 24.1.1 of MFDA By-law No. 1 for the purpose of giving notice to the public thereof in accordance with section 24.5 of MFDA 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.

37. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against the Respondent based on, but not limited to, the facts set out in this Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

38. 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 MFDA By-law No. 1, unaffected by the Settlement Agreement or the settlement negotiations.

39. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law. The terms of the Settlement Agreement, including the attached Schedule “A”, will be released to the public if and when the Settlement Agreement is accepted by the Hearing Panel.

40. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement. A facsimile or electronic copy of any signature shall be as effective as an original signature.

DATED this 29th day of July, 2022.

“Dessislava Hristova”

Dessislava Hristova

“ME”

Witness – Signature

ME

Witness – Print name

“Charles Toth”

Staff of the MFDA

Per: Charles Toth

Vice-President, Enforcement



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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: Dessislava Hristova

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") provided notice to the public of a Settlement Hearing in respect of Dessislava Hristova (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 MFDA By-law No. 1;

AND WHEREAS based upon the admissions of the Respondent, the Hearing Panel is of the opinion that:

- a) on November 25, 2019, the Respondent failed to use due diligence to learn the essential facts relative to three clients when opening accounts for the clients, and opened the clients' accounts without obtaining signed New Account Application Forms from the clients, contrary to the Member's policies and procedures and MFDA Rules 2.2.2(b), 2.2.1, 2.5.1, 1.1.2 and 2.1.1; and
- b) on November 25, 2019, the Respondent processed the purchase of a mutual fund in a client's account without communicating with the client, thereby engaging in

unauthorized trading, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 2.5.1 and 1.1.2.

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 \$10,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1, which shall be payable in certified funds as follows:

- a) \$5,000 on or before [date]; and
- b) \$5,000 on or before [date];

2. The Respondent shall pay costs in the amount of \$5,000, pursuant to s. 24.2 of MFDA By-law No. 1, which shall be payable in certified funds on the date that this Settlement Agreement is accepted by the Hearing Panel;

3. The Respondent shall in the future comply with MFDA Rules 2.2.2(b), 2.2.1, 2.5.1, 1.1.2 and 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]