



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: Peter Joseph Izzio

Heard: July 3, 2014, in Toronto, Ontario
Reasons for Decision: July 30, 2014

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Frederick W. Chenoweth)	Chair
Aziz Khamisa)	Industry Representative
T. Hugh McNabney)	Industry Representative

Appearances:

Michelle Pong)	Enforcement Counsel, Mutual Fund Dealers
)	Association of Canada
)	
Peter Joseph Izzio)	Respondent, appeared in person
)	
)	

1. By Notice of Settlement Hearing dated June 12th, 2014, a Hearing Panel of the Central Regional Council of the Mutual Fund Dealers Association of Canada (“MFDA”) was convened to consider whether pursuant to section 24.4 of By-Law No. 1 of the MFDA, the Panel should accept a Settlement Agreement, dated May 21st, 2014, entered into by the Staff of the MFDA and Peter Joseph Izzio (the “Respondent”).

2. The Respondent appeared without counsel as he had through the course of the proceedings.

3. At the outset of the proceedings, the Panel considered a motion by Staff to move the proceedings “in camera”. The motion was granted. The Panel then considered the Settlement Agreement, the Submissions of Staff on behalf of the MFDA (“Staff”) made both in writing and orally, and a Brief of the applicable cases which were capably detailed by Enforcement Counsel. The above assisted this Panel in determining whether to accept or reject the Settlement Agreement.

THE ALLEGATIONS

4. In the Settlement Agreement, which is marked as Schedule “1” to these Reasons for Decision, the Respondent admits that:

- a) On or about September 27th, 2012, the Respondent performed two trades in the account of JS without the knowledge, instructions or approval of the client, JS, thereby engaging in discretionary trading contrary to MFDA Rules 2.3.1 and 2.1.1;
- b) Between March 29th, 2010 and March 12th, 2012, the Respondent used three preauthorized chequing/automatic withdrawal forms signed by a client in blank to process trades in the client’s account, contrary to MFDA Rule 2.1.1.

5. The Panel heard submissions from Enforcement Counsel and the Respondent concerning the facts of this matter and as to why this particular Settlement Agreement should be accepted by the Panel. After deliberation, the panel unanimously concluded that it was appropriate to accept

the Settlement Agreement and to execute the necessary order with respect to disposition.

THE FACTS

6. The facts with respect to the transgressions are adequately set out in paragraphs 8 to 24 of the Settlement Agreement. The Respondent admits to same.

THE SETTLEMENT AGREEMENT

7. As a Panel, we felt that the admitted conduct was serious, however, we believed that the Settlement Agreement fairly addressed the concerns arising from the facts.

8. In determining whether the Settlement Agreement should be accepted, the Panel considered a number of factors. Those factors included:

- a) the public interest and whether the penalty imposed will protect investors;
- b) whether the Settlement Agreement is reasonable and proportionate, having regard to the conduct of the Respondent as set out in the Settlement Agreement;
- c) whether the Settlement Agreement addresses the issues of both specific and general deterrence;
- d) whether the proposed settlement will prevent the type of conduct, which is set out in the Settlement Agreement, from occurring again in the future;
- e) whether the Settlement Agreement will foster confidence in the integrity of the Canadian capital markets;
- f) whether the Settlement Agreement will foster confidence in the integrity of the Mutual Fund Dealers Association of Canada;
- g) whether the Settlement Agreement will foster confidence in the regulatory process itself; and
- h) the penalty guidelines of the MFDA.

9. We believe that each and every one of those factors is dealt with in an appropriate

fashion by the Settlement Agreement.

SUBMISSIONS AS TO PENALTY

10. Enforcement Counsel confirmed a number of matters for the Panel: there was no evidence of material harm to any clients; there was no benefit to the Respondent; no clients have lost any money and the Respondent, after some initial hesitation, has both acknowledged his responsibility for his conduct and acknowledged the necessity for adherence to the proper conducts and procedures of the MFDA and the firm of Sun Life at which he carries on business.

11. Enforcement Counsel submits that there were a number of factors that should be considered as to the acceptance of the Settlement Agreement.

- a) Since August 16th, 1991, the Respondent has been registered in Ontario as a dealing representative with Sun Life Financial Investment Services (Canada) Inc., a member of the MFDA;
- b) The Respondent has never previously been the subject of a disciplinary proceeding;
- c) The Respondent's admission to the conduct described in the Settlement Agreement indicates he recognizes the seriousness of his misconduct. He entered into a Settlement Agreement, the Respondent has accepted responsibility for his misconduct and avoided the necessity of the MFDA conducting a lengthy hearing at considerable additional expense to the MFDA and ultimately to the members of the MFDA;
- d) In 2012, new procedures were put in place at the Respondent's office to deter the use of pre-signed forms. Scanners were provided to every approved person in the Respondent's office. As well, pre-fillable forms were integrated into the Respondent's practice
- e) Under the supervision of Sun Life, the Respondent has been required to take a compliance course and was put on supervision for a 12 month period. Every single mutual fund trade of the Respondent was, for a period of time, audited on a daily basis. The Respondent has experienced quarterly random file audits for a period of time; and

f) There was no client loss or harm and there was no benefit to the Respondent.

12. For all of these reasons, the Panel has concluded that the Settlement Agreement is reasonable. In our considerations, the Panel has been mindful of the decision in *Re Milewski* [1999] I.D.A.C.D. No. 17 decided on July 28, 1999. That particular Panel made the following comments on page 9:

Although a settlement agreement must be accepted by a District Council before it can become effective, the standards for acceptance are not identical to those applied by a District Council when making a penalty determination after a contested hearing. In a contested hearing, the District Council attempts to determine the correct penalty. A District Council considering a settlement agreement will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness. Put another way, the District Council will reflect the public interest benefits of the settlement process in its consideration of specific settlements.

13. Accordingly, the following penalties and other terms of settlement are imposed upon the Respondent:

- a) The Respondent shall pay a fine of \$4,000.00, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
- b) The Respondent shall pay \$2,000.00 in respect of costs of the investigation and settlement of this matter, pursuant to section 24.2 of MFDA By-law No. 1;
- c) The Respondent shall in the future comply with MFDA Rules 2.1.1 and 2.3.1; and
- d) If at any time a non-party to this proceeding requests production of, or access to, any material filed, 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 30th day of July, 2014.

“Frederick W. Chenoweth”

Frederick W. Chenoweth
Chair

“Aziz Khamisa”

Aziz Khamisa
Industry Representative

“T. Hugh McNabney”

T. Hugh McNabney
Industry Representative



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Re: Peter Joseph Izzio

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the "MFDA") will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of 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, Peter Joseph Izzio.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff conducted an investigation of the Respondent's activities. The investigation disclosed that the Respondent had engaged in 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.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A”.

4. Staff and the Respondent agree that the terms of this 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.

III. ACKNOWLEDGEMENT

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part IX) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is accepted by the Hearing Panel.

IV. AGREED FACTS

Registration History

6. Since August 16, 1991, the Respondent has been registered in Ontario as a mutual fund salesperson with Sun Life Financial Investment Services (Canada) Inc. (“Sun Life”), a Member of the MFDA.¹

7. At all material times, the Respondent conducted business in Kitchener, Ontario.

¹ From August 16, 1991 to June 25, 2005, the Respondent was registered with Clarica Investco Inc. (“Clarica”), a subsidiary of Sun Life. On June 25, 2007, Clarica changed its name to Sun Life.

Discretionary Trading

8. On or about September 27, 2012, client JS, who is an employee of Sun Life, attended a presentation by the Respondent for Sun Life's head office employees. Following the presentation, client JS gave the Respondent a cheque for \$5,000 and asked him to deposit it into her Registered Education Savings Plan ("RESP") account. Client JS did not provide any trade instructions to the Respondent at that time.

9. Upon the Respondent's return to his office, the Respondent processed two trades in the RESP account of client JS. First, the Respondent invested the \$5,000 contribution received from client JS in the CI Signature High Income Fund. Second, the Respondent transferred \$4,000 of existing grant monies held in the RESP account from the CI Money Market Fund to the CI Signature High Income Fund.²

10. The Respondent did not discuss either of the trades with client JS or obtain the client's authorization prior to executing the trades.

11. At all material times, Sun Life's policies and procedures (the "Policies and Procedures") prohibited its Approved Persons from executing trades without prior authorization by the clients. The Respondent was aware that the Policies and Procedures prohibited the execution of trades without prior authorization by the clients.

12. On October 1, 2012, the Respondent received an email from client JS questioning why the Respondent had transferred \$4,000 from the CI Money Market Fund into the CI Signature High Income Fund. The Respondent immediately replied that the new fund had a "lower expense cost", "excellent returns", and it was "appropriate to diversify further" given the existing investments held in the RESP account.

13. On October 15, 2012, the Respondent received an email from client JS in which she

² This transaction was processed as a "switch". As a result, client JS did not incur any sales charges with respect to this transaction.

advised:

Unfortunately since I did not approve the trade ahead of time, this is considered discretionary trading. As a result, I do have an obligation to report this incident to Compliance...

I also understand subsequent to your email, my new \$5,000 deposit was also placed in the same fund. We should have discussed this purchase prior to the fund selection however I also recognize I should have provided direction when I handed you the cheque. This was an oversight on my part. I am okay with the purchase you made for this deposit.

As for the grant money that was in [CI Money Market Fund], given the current market situation, I would prefer to keep the grant money in [CI Money Market Fund]. Could you please arrange to have the switch reversed?

14. The Respondent immediately replied to client JS by email stating, "J, I don't need this b@llshit in my life. I was doing you a favour. You can find yourself another advisor."

15. Client JS reported the events described above to Sun Life.

16. On or about October 23, 2012, Sun Life issued an apology to client JS with respect to the Respondent's conduct, agreed to reverse both trades, and provided client JS with \$100 to compensate her for any lost opportunity cost as a result of the unauthorized transactions.

17. On or about January 29, 2013, Sun Life sent letters, which included copies of account transaction histories for 2011 and 2012, to a sample of 50 of the clients whose accounts were serviced by the Respondent to determine whether the Respondent had processed unauthorized transactions in their accounts. Sun Life did not receive any complaints from these clients with respect to the Respondent's conduct.

Pre-signed Forms

18. The Respondent had a system in place whereby he relayed client instructions to his assistant who actually completed the forms signed in blank by the clients. The Respondent

acknowledges that he remains responsible for all trades processed in the accounts using the pre-signed forms notwithstanding the fact that his assistant was the individual that handled the paperwork.

19. On March 2, 2010, the MFDA issued a cautionary letter to the Respondent for maintaining pre-signed forms previously found in his client files.

20. On November 29, 2012, Sun Life conducted a client file review at the Respondent's office. During the review, Sun Life identified three Sun Life pre-authorized chequing/automatic withdrawal ("PAC/AWD") forms which had been signed by client PG prior to the information on the form being populated. The three PAC/AWD forms were dated March 29, 2010, April 27, 2011 and March 12, 2012, respectively.

21. On or about March 29, 2010, March 31, 2011 and March 12, 2012, the Respondent (or his assistant on his behalf) received instructions from client PG by email to process a one-time purchase of mutual funds in client PG's account using client PG's tax refund monies from the Canada Revenue Agency. The Respondent's assistant on his behalf sent a blank PAC/AWD form to client PG which client PG signed and then scanned and returned as an attachment to an email. The Respondent's assistant on his behalf populated the rest of the information on the pre-signed PAC/AWD form.

22. There have been no client complaints against the Respondent and there is no evidence of client harm arising out of the Respondent's possession and use of pre-signed forms.

23. There is no evidence that the Respondent received any benefits as a result of his possession and use of pre-signed forms.

24. In 2012, new procedures were put in place at the Respondent's office to deter the use of pre-signed forms. Scanners were provided to every Approved Person in the Respondent's office. As well, pre-fillable forms were integrated into the Respondent's practice.

V. CONTRAVENTIONS

25. The Respondent admits that:

- a. on or about September 27, 2012, the Respondent performed two trades in the account of client JS without the knowledge, instructions or approval of client JS, thereby engaging in discretionary trading, contrary to MFDA Rules 2.3.1 and 2.1.1; and
- b. between March 29, 2010 and March 12, 2012, the Respondent used three pre-authorized chequing/automatic withdrawal forms signed by a client in blank to process trades in the client's account, contrary to MFDA Rule 2.1.1.

VI. TERMS OF SETTLEMENT

26. The Respondent agrees to the following terms of settlement:

- (a) the Respondent shall pay a fine of \$4,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
- (b) the Respondent shall pay \$2,000 in respect of the costs of the investigation and settlement of this matter, pursuant to section 24.2 of MFDA By-law No. 1; and
- (c) the Respondent shall in the future comply with MFDA Rules 2.1.1 and 2.3.1.

VII. STAFF COMMITMENT

27. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part IX below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in Part V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the contraventions set out in Part V, 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.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

28. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent.

29. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the settlement hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive its his 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.

30. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then 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.

31. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, 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 him.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

32. 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 Part IV of the 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.

X. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

33. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule "A" is not made 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 this Settlement Agreement or the settlement negotiations.

34. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

XI. DISCLOSURE OF AGREEMENT

35. 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.

36. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

XII. EXECUTION OF SETTLEMENT AGREEMENT

37. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

38. A facsimile copy of any signature shall be effective as an original signature.

Dated this 21st day of May, 2014.

“Stephen Bentley”
Witness – Signature

Stephen Bentley
Witness – Print name

“Peter Joseph Izzio”
Peter Joseph Izzio

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

Schedule "A"

Order

File No. 201355



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: Peter Joseph Izzio

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 Peter Joseph Izzio (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:

- a) on or about September 27, 2012, the Respondent performed two trades in the account of client JS without the knowledge, instructions or approval of client JS, thereby engaging in discretionary trading, contrary to MFDA Rules 2.3.1 and 2.1.1; and

b) between March 29, 2010 and March 12, 2012, the Respondent used three pre-authorized chequing/automatic withdrawal forms signed by a client in blank to process trades in the client's account, 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 of \$4,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1;
2. The Respondent shall pay \$2,000 in respect of the costs of the investigation and settlement of this matter, pursuant to section 24.2 of MFDA By-law No. 1;
3. The Respondent shall in the future comply with MFDA Rules 2.1.1 and 2.3.1; and
4. 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]

DM 385190 v1