



**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: Jovan Knezevic**

Heard: April 29, 2019 in Toronto, Ontario

Decision: April 29, 2019

Reasons for Decision: June 11, 2019

**REASONS FOR DECISION**

Hearing Panel of the Central Regional Council:

Joan Smart  
Paige Wadden  
Selwyn Kossuth

Chair  
Industry Representative  
Industry Representative

Appearances:

Alan Melamud	)	Enforcement Counsel for the Mutual Fund
	)	Dealers Association of Canada
	)	
	)	
Steven Canto	)	Counsel for the Respondent
	)	
	)	
Jovan Knezevic	)	Respondent, in person
	)	
	)	

## **I. INTRODUCTION**

1. Proceedings were commenced by the Mutual Fund Dealers Association of Canada (“MFDA”) against Jovan Knezevic (the “Respondent”) by Notice of Hearing, dated September 14, 2018. On April 2, 2019 the MFDA issued a press release indicating that, as a result of a settlement agreement entered into between MFDA Staff and the Respondent (the “Settlement Agreement”), a settlement hearing would be held on April 29, 2019.

2. At the settlement hearing on April 29, 2019, the Hearing Panel considered the Settlement Agreement and, at the conclusion of the hearing, decided to accept it. These are our reasons for that decision.

## **II. RESPONDENT’S ADMITTED VIOLATIONS**

3. The Respondent admitted to the following violations of MFDA Rule 2.1.1:

- a) between June 2009 and December 2015, he altered and, in some instances, used to process transactions, 29 account forms in respect of 18 clients by altering information on the account forms without having the client initial the alterations; and
- b) between January 2010 and March 2017, he obtained, possessed, and in some instances, used to process transactions, 16 pre-signed account forms in respect of 15 clients.

## **III. AGREED SANCTION**

4. Staff and the Respondent agreed to the following sanction:

- a) the Respondent shall pay a fine in the amount of \$13,500 in installments as follows:
  - i) \$3,500 in certified funds upon acceptance of the Settlement Agreement; and
  - ii) \$5,000 in certified funds on or before the last business day of each of the first and second months following the acceptance of the Settlement Agreement;
- b) the Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement; and

- c) the Respondent shall in the future comply with MFDA Rule 2.1.1.

#### **IV. AGREED FACTS**

##### **Registration History**

5. The Respondent was registered in the mutual fund industry commencing in March 1997 and since September 2009, he has been registered in Ontario as a mutual fund salesperson (now known as a Dealing Representative) with Investia Financial Services Inc. (“Investia”), a Member of the MFDA.

##### **Altered Forms**

6. Beginning in November 2013, Investia’s policies and procedures required that any material changes made to a client’s trade documents must be initialed by the client.

7. Between June 2009 and December 2015, the Respondent altered and, in some instances, used to process transactions, 29 account forms in respect of 18 clients by altering information on the account forms without having the client initial the alterations. Those forms consisted of new account application, Registered Education Savings Plan (“RESP”) withdrawal, Know-Your-Client (“KYC”) update, and fund order forms.

8. The Respondent stated that 16 of the altered forms were altered prior to the clients signing the forms and 2 of the altered forms were not used to process a transaction.

##### **Pre-Signed Account Forms**

9. At all material times, Investia’s policies and procedures prohibited its Approved Persons from using pre-signed account forms.

10. Between January 2010 and March 2017, the Respondent obtained, possessed, and in some instances, used to process transactions, 16 pre-signed account forms in respect of 15 clients. Those forms consisted of new account application, RESP withdrawal, KYC update, change of dealer, and fund order forms.

11. The Respondent stated that 11 of the pre-signed forms were not used to process a transaction.

### **Investia's Response**

12. On May 1, 2017, Investia's compliance staff identified the subject altered and pre-signed forms as a result of a routine branch audit.

13. As part of its investigation, Investia conducted a review of all client files serviced by the Respondent and sent letters to all clients serviced by the Respondent to determine whether he had engaged in any unauthorized trading. No clients reported any concerns.

14. On May 30, 2017, Investia placed the Respondent under strict supervision and on March 7, 2018, issued a warning letter to him.

### **V. CONSIDERATIONS**

15. Section 24.4.3 of MFDA By-law No. 1 provides that a hearing panel may only accept or reject a settlement agreement in its entirety, and it is generally accepted that a hearing panel will not lightly interfere in a settlement agreement entered into between MFDA Staff and a respondent. See, for example, *Sterling Mutuals Inc. (Re)*, 2008 LNCMFDA 16 at para. 37.

16. In determining whether to accept the Settlement Agreement we considered:

- a) whether the facts admitted by the Respondent constituted a breach of MFDA Rule 2.1.1; and
- b) whether the proposed sanction was proportionate and fell within a reasonable range of appropriateness having regard to the Respondent's conduct and circumstances, the MFDA Sanction Guidelines and previous cases; and whether it would serve as a specific and general deterrent.

17. We found that the Respondent's conduct in obtaining and possessing pre-signed account forms, and sometimes using the forms to process transactions, as described above, constituted a serious breach of MFDA Rule 2.1.1. That rule requires Approved Persons to: deal fairly, honestly and in good faith with clients; observe high standards of ethics and conduct in the transaction of

business; and refrain from engaging in any business conduct or practice which is detrimental to the public interest.

18. The fact that, as submitted by the Respondent, he did not use 11 of the 16 pre-signed forms, while possibly being a mitigating factor in respect of those forms, does not absolve him of culpability. As was indicated in MFDA Staff Notice MSN-0066, dated October 31, 2007 and updated in 2013 and 2017, and MFDA Bulletin #0661-E, dated October 2, 2015, “signature falsification” is not permissible under MFDA Rule 2.1.1 and includes, among other things: “having a client sign a form which is blank or only partially completed (‘pre-signed form’)”. We have also taken note of the case of *Davis (Re)*, 2016 LNCMFDA 172 at paras. 75-78, which held that mere possession of pre-signed forms is contrary to MFDA Staff Notice 0066.

19. We note that the Respondent’s conduct in respect of using pre-signed account forms also contravened Investia’s policies and procedures which prohibited the use of pre-signed account forms. The Respondent’s failure to follow his firm’s policies and procedures is also a contravention of the standard of conduct codified by MFDA Rule 2.1.1.

20. We also found that the Respondent’s conduct in altering information on signed account forms without having the client initial the alterations, and sometimes using those forms to process transactions, was contrary to MFDA Rule 2.1.1.

21. MFDA Staff Notice MSN-0066 and MFDA Bulletin #0661-E, referred to above, both indicate that “signature falsification” includes, among other things: “altering any information on a signed document, without the client initialing the document to show the change was approved”.

22. The Respondent submitted that 16 of the 29 forms were altered prior to the clients signing. While that would not appear technically to contravene the above-referenced MFDA Staff Notice and Bulletin which refers to changes on a signed document, it is still of concern as it is not possible to determine from a review of the forms whether the changes were made before or after the clients signed the forms. However, for the purpose of deciding whether to accept the Settlement Agreement in this case, we did not believe it was necessary to conclude on whether or not failing to have a client initial changes to a document before signing the document rose to the level of a breach of MFDA Rule 2.1.1.

23. We note that the Respondent's misconduct would have also contravened Investia's policies and procedures that required material changes to a client's trade documents be initialed by the client if in fact the changes that were made to the RESP withdrawal and fund order forms were material. However, there was no evidence before us as to the materiality of the changes. If indeed they were material, the Respondent, having breached his firm's policies and procedures, would have also contravened MFDA Rule 2.1.1.

24. Obtaining and using pre-signed account forms and altering account forms may, among other things, affect the integrity of account documents, destroy the audit trail, impede the ability of a Member to supervise accounts and address client complaints, and possibly facilitate other misconduct such as unauthorized trading and misappropriation.

25. There were several aggravating factors that we considered in reaching our decision, including that:

- a) the misconduct took place over an extended period of time; and
- b) some of the misconduct occurred after the MFDA issued Bulletin #0661-E in which it reminded Approved Persons that "Signature Falsification", which included pre-signed and altered account forms, was not permitted under MFDA Rules and that MFDA Staff would thereafter be seeking enhanced sanctions in MFDA disciplinary hearings relating to such matters.

26. We took into consideration several mitigating factors in reaching our decision, including that:

- a) there was no evidence that the Respondent received any financial benefit from engaging in the subject misconduct, other than commissions or fees he would ordinarily be entitled to had the transactions been carried out in a proper manner;
- b) there was no evidence of client loss or lack of authorization;
- c) the Respondent had not previously been the subject of MFDA disciplinary proceedings;
- d) the Respondent's firm had taken some actions against the Respondent in respect of the misconduct; and

e) by entering into the Settlement Agreement, the Respondent accepted responsibility for his actions and saved the MFDA the time and expense of a full hearing..

27. The proposed sanction was within a reasonable range of appropriateness in light of prior decisions of MFDA hearing panels in similar circumstances.

28. We were of the view that a fine of \$13,500 was sufficient to send a message to the Respondent and others in the mutual fund industry that this kind of conduct will not be tolerated by the MFDA.

## VI. CONCLUSION

29. We concluded that the agreed sanction was proportionate and fell within a reasonable range of appropriateness, having regard to the Respondent's misconduct, MFDA guidance and precedents and should serve as a specific and general deterrent. We decided in the circumstances it was appropriate to accept the Settlement Agreement and we did so.

**DATED** this 11<sup>th</sup> day of June, 2019.

“Joan Smart”

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Joan Smart  
Chair

“Paige Wadden”

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Paige Wadden  
Industry Representative

“Selwyn Kossuth”

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Selwyn Kossuth  
Industry Representative

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