



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: Howard Leung

Heard: December 7, 2015 in Toronto, Ontario
Reasons for Decision: January 25, 2016

**ORAL REASONS FOR DECISION FOR ACCEPTANCE OF
SETTLEMENT AGREEMENT**

Hearing Panel of the Central Regional Council:

Paul M. Moore, Q.C.	Chair
Robert Christianson	Industry Representative
Kenneth P. Mann	Industry Representative

Appearances:

Sarah Glickman)	Counsel for the Mutual Fund Dealers
)	Association of Canada
)	
)	
Brad Moore)	Counsel for the Respondent
)	

Background

1. The Settlement Agreement and the written submission of Staff of the MFDA were provided to us last week. This morning we reviewed the Book of Authorities that Staff provided in advance of the hearing.

2. Staff's written submission was a complete submission, and was well done. We considered it and the Settlement Agreement, and we had no questions. We had no difficulty and indicated at the beginning of the hearing that we were prepared to accept the Settlement Agreement. Accordingly, we did not go in camera.

Decision

3. We accept the Settlement Agreement. We determined that it is in the public interest to accept it: the penalties are within the reasonable range for a case such as this, taking into account the precedents that were provided to us by Staff.

Reasons

Contraventions

4. The Respondent admits that in 2014 he falsified the signature of a client on a redemption form to process a transaction, contrary to MFDA Rule 2.1.1.

Facts

5. The facts are set out in part 4 of the Settlement Agreement, a copy of which is attached to these written Reasons as Schedule "1".

Penalty and costs

6. The fine is \$2,500 plus costs in the amount of \$2,500.

Considerations

7. There was just one event. A signature of a client was reproduced on a form as set out in the facts in the Settlement Agreement.
8. There was no malicious conduct on the part of the Respondent.
9. There was no client harm. Indeed, the client authorized the transaction.
10. There was no personal financial benefit beside any benefit that would normally accrue for services rendered.
11. The Respondent has been registered since 2010, and there are no past disciplinary events with the MFDA relating to the Respondent.
12. The MFDA Guidelines suggest a minimum fine of \$5,000, but in view of the limited number of transactions - namely, one - and the absence of malevolence on the part of the Respondent, and that no one was harmed and no one was misled (other than the Member perhaps because this was not conduct sanctioned by the Rules), the fine of \$2,500 plus costs of \$2,500 is appropriate.

This written version of the oral Reasons for Decision is

DATED this 25th day of January, 2016.

“Paul M. Moore”

Paul M. Moore, Q.C.
Chair

“Robert Christianson”

Robert Christianson
Industry Representative

“Kenneth P. Mann”

Kenneth P. Mann
Industry Representative

DM 462522 v1



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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, Howard Leung.

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 XI) 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 July 2010, the Respondent has been registered in the mutual fund industry in Ontario as a mutual fund salesperson (now known as a Dealing Representative) with Royal Mutual Funds Inc. (“RMFI”), a member of the MFDA.

7. At all material times, the Respondent conducted business in the Richmond Hill, Ontario area.

Falsification of Client Signature

8. At all material times, client HT was a client of RMFI and the Respondent was among the mutual fund salespeople responsible for servicing client HT’s accounts.

9. The Respondent states that on June 17, 2014, client HT instructed him to complete two redemptions. The Respondent obtained client HT's signature on one of redemption forms, but did not obtain client HT's signature on the second redemption form.

10. The Respondent submitted the redemption forms to RMFI for processing.

11. On June 18, 2014, RMFI notified the Respondent that one of the redemption forms had not been signed by client HT.

12. On June 28, 2014, the Respondent falsified the signature of client HT by cutting client HT's signature from a previously signed account form and pasting it onto the redemption form. The Respondent then resubmitted an electronic copy of the redemption form to RMFI for processing.

Post-Detection

13. RMFI's compliance staff became aware of the conduct that is the subject of this Settlement Agreement on June 30, 2014, after the hard copy of the falsified redemption form was found on a printer by another RMFI employee, who notified the Respondent's branch manager of the falsification.

14. As part of its investigation into the Respondent's conduct, RMFI contacted client HT, who confirmed that she authorized the transaction involving the falsified redemption form.

15. RMFI issued a letter of reprimand to the Respondent, reviewed the trade documents submitted by the Respondent for August and September 2014 (finding no irregularities), and placed the Respondent under close supervision from October to December 2014.

16. The Respondent states that he falsified the signature on the redemption form in order to avoid inconveniencing client HT.

Additional Factors

17. There is no evidence the Respondent received any benefit from the conduct set out above beyond the commissions or fees he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.
18. There is no evidence of client harm.
19. The Respondent co-operated with RMFI during its investigation into his conduct.
20. The Respondent has not previously been the subject of MFDA disciplinary proceedings.
21. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a full hearing on the allegations.

V. CONTRAVENTIONS

22. The Respondent admits that, on June 28, 2014, he falsified the signature of a client on a redemption form in order to process a transaction, contrary to MFDA Rules 2.1.1.

VI. TERMS OF SETTLEMENT

23. The Respondent agrees to the following terms of settlement:
 - a) the Respondent shall pay a fine in the amount of \$2,500 pursuant to section 24.1.1(b) of MFDA By-Law No. 1;
 - b) the Respondent shall pay costs in the amount of \$2,500 pursuant to section 24.2 of MFDA By-law No.1;
 - c) the Respondent shall in the future comply with MFDA Rule 2.1.1; and
 - d) the Respondent will attend in person, on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

24. 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 facts set out in Part IV and the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part XI below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and contraventions that are not set out in Parts IV and V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts IV and 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

25. 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.

26. 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 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.

27. 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.

28. 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

29. 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

30. 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.

31. 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

32. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 8th day of November, 2015.

“Jia Li”

Witness – Signature

Jia Li

Witness – Print name

“Howard Leung”

Howard Leung

“Shaun Devlin”

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



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Re: Howard Leung

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 [Respondent] (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 on June 28, 2014, the Respondent falsified the signature of client on a redemption form;

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 \$2,500 pursuant to s. 24.1.1(b) of MFDA By-Law No. 1;
2. the Respondent shall pay costs in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law;
3. the Respondent shall in the future comply with MFDA Rule 2.1.1; 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]