

**Decision (Penalty) and Reasons**

**File No. 201962**



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

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

**Re: Rebecca Wai-Chiu Li**

Heard: June 8, 2020 and June 26, 2020 by electronic hearing in Toronto, Ontario  
Decision (Misconduct): June 8, 2020  
Decision (Penalty) and Reasons: October 13, 2020

**DECISION (PENALTY) AND REASONS**

Hearing Panel of the Central Regional Council:

Paul M. Moore, QC  
Brigitte J. Geisler  
Joseph Yassi

Chair  
Industry Representative  
Industry Representative

Appearances:

David Barbaree	)	Enforcement Counsel for the Mutual Fund
	)	Dealers Association of Canada
	)	
	)	
Rebecca Wai-Chiu Li	)	Respondent, not in attendance or represented by
	)	counsel
	)	

## I. OVERVIEW

1. This was a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1 of the Mutual Fund Dealers Association of Canada (the “MFDA”) by staff of the MFDA (“Staff”) against Rebecca Wai-Chiu Li (the “Respondent”).

2. We found that the misconduct alleged against the Respondent occurred as alleged and, except as noted below, constituted violations of the rules and provisions cited in the allegations.

### *Three Categories of Misconduct*

3. The Amended Notice of Hearing, a copy of which is set out in Appendix “1” to these Reasons, sets out eight allegations of misconduct against the Respondent.

4. For the purposes of determining appropriate sanctions, we grouped the misconduct into three categories which we refer to as Groups 1, 2, and 3, violations:

(i) *Engaging in securities related business; undisclosed and unapproved outside business activities; and referral arrangements*

(Group 1 violations):

Allegations #1 and #2 concern the same conduct which constitutes both unauthorized securities business and business activities outside of and not under the auspices of the Respondent’s Member. Allegation #3 concerns unapproved referral arrangements in respect of the unauthorized business.

(ii) *Prohibited use of powers of attorney and prohibited personal financial dealings*

(Group 2 violations):

Allegations #4 and #5 concern control over, or taking for her own use and benefit, funds of clients and others.

(iii) *Providing false and misleading information to the Member and to the MFDA; failure to cooperate with the MFDA investigation*

(Group 3 violations):

Allegations #6, #7, and #8 concern misleading the Respondent’s Member and Staff, and failing to co-operate with Staff.

## ***Harm***

5. Although the full extent and nature of the financial risks and/or actual harm to others from the Respondent's misconduct remain unknown because of the Respondent's failure to cooperate and provide information as she was obligated to provide under the Rules of the MFDA, the following is clear:

- (i) The unauthorized conduct of the Respondent concerned at least \$2.2 million invested (and likely lost) by clients and others in syndicated mortgage investments, which conduct constituted securities business she was not registered to conduct and business activities outside her Member for which she had no permission to conduct and which was unsupervised by her Member.
- (ii) The Respondent received at least \$173,000 in fees or other remuneration for her unauthorized activities.
- (iii) The Respondent received at least \$480,000 into bank accounts under her control from clients and others which apparently she kept or used for her own benefit.

## ***Sanctions ordered by the panel***

6. We order the following sanctions in this matter:

- (i) That the Respondent be permanently prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member pursuant to section 24.1.1 (e) of MFDA By-law No. 1;
- (ii) That the Respondent pay a fine of \$850,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1; and
- (iii) That the Respondent pay costs of \$20,000, pursuant to section 24.2 of MFDA By-law No. 1.

## II. FINDING OF MISCONDUCT

### *Undefended*

7. The Respondent initially misled Staff of the MFDA in its investigation into her misconduct, and then refused to cooperate further in the investigation, and ultimately purported to withdraw from any further involvement with the MFDA, its investigation, or the hearing of this matter.

8. The Respondent did not file a reply or attend any hearing in this matter or otherwise take any steps to defend this matter.

9. Section 20.4 of MFDA By-law No. 1 states:

If a Member or person summoned before a Hearing Panel by way of Notice of Hearing fails to:

- a) serve a Reply in accordance with s. 20.2; or
- b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a reply may have been served;

the Hearing Panel may proceed with the hearing of the matter on the date and at the time and place set out in the Notice of Hearing (or any subsequent date, at any time and place), without further notice to and in the absence of the Member or person, and the Hearing Panel may accept the facts alleged by the Corporation in the Notice of Hearing as having been proven by the Corporation and may impose any of the penalties described in Section 24.1.

10. Rules 7.3 and 8 of the MFDA Rules of Procedures similarly empower a hearing panel, where a respondent does not file a reply or attend the hearing, to proceed with the hearing in the absence of the respondent and accept the facts alleged and conclusions drawn in the notice of hearing as proven.

11. The panel, having regard to the issues and evidence to be considered and that the Respondent would not be significantly prejudiced thereby, determined it appropriate that the hearing be held electronically in accordance with the MFDA Rules of Procedure for electronic hearings.

12. We determined that due notice had been given, and proceeded with the hearing on the merits in this matter on June 8, 2020 in the absence of the Respondent.

13. At the hearing Staff adduced in evidence the affidavit of Mike Ford, manager of the investigations group with the MFDA, which substantiated the facts and particulars set out in the amended Notice of Hearing.

14. We also heard testimony from KM, one of the Respondent's clients.

15. In brief, the Respondent recommended, sold, facilitated the sale of, or made referrals in respect of the sale of approximately \$2.2 million in syndicated mortgages to at least 13 clients and 2 other individuals who were not clients. Staff submitted that "...the entire investment scheme was at best a total failure..." and that aggregate client harm was very significant. In support Staff quoted the Respondent's statement to the police: "The investors have no clue where the money had gone from the syndicated mortgage and the construction loan. .... (the) General Manager of SVH and BBH had simply claimed that Black Bear has no money to pay back the interests and principals." We heard evidence that one husband and wife invested a total of \$100,000 and received only \$9,000 in interest payments.

16. At the conclusion of the hearing on the merits we accepted as proven the facts alleged and conclusions drawn against the Respondent in the amended Notice of Hearing and concluded that on a balance of probabilities, Staff had proven the misconduct against the Respondent alleged in the eight allegations set out in the amended Notice of Hearing (except in respect of MFDA Rules 1.1.2 and 2.5.1. which, we determined, were not applicable and were irrelevant regarding the misconduct proven with respect to the other MFDA Rules cited in the allegations).<sup>1</sup>

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<sup>1</sup>MFDA Rule 1.1.2 applies to an Approved Person who conducts or participates in any securities related business *in respect of a Member* [not the case with the Respondent whose securities related business was NOT in respect of a Member]. MFDA Rule 2.5.1 does not apply to an Approved Person [i.e. the Respondent], but only to a Member.

### III. PENALTY CONSIDERATIONS

#### *Staff's penalty proposal*

17. Counsel for Staff made submissions as to appropriate sanctions and costs against the Respondent at a penalty hearing on June 26, 2020.
18. Staff proposed the following penalties against the Respondent:
  - (i) a permanent prohibition on the Respondent's authority to conduct securities related business in any capacity while in the employ of or associated with any MFDA Member;
  - (ii) a fine of at least \$250,000; and
  - (iii) costs of \$10,000.

#### *Considerations*

19. In determining appropriate sanctions, we reviewed the precedent cases presented by Staff, the MFDA By-Law No.1, and the MFDA Sanction Guidelines.
20. We deduced that the paramount regulatory concerns that sanctions should serve in our case were: (a) the protection of the investing public; (b) the integrity of the securities market; (c) specific and general deterrence; (d) the protection of the MFDA's membership; and (e) the protection of the integrity of the MFDA's enforcement process.

#### *Precedent Cases*

21. We reviewed the precedent cases submitted by Staff.
22. In *Batac (Re)*, 2013 CanLII 46027 (Penalty)) with respect to similar allegations made against the respondent in that case that are applicable in our case, the panel stated:
  29. For the very reasons MFDA Counsel submits, it is serious misconduct for an Approved Person to conduct securities related business or outside business activity without the approval or knowledge of the Member. Investors place a lot of trust in persons who hold themselves out as Approved Persons; they place their investment capital into the hands and control of these Approved

Persons; they assume that their capital will be used to purchase investments that are not only suitable, but that are also legitimate.

30. Investors who conduct business with an Approved Person have every right to believe that the transactions are supervised and are assessed for suitability by the Member to whom the Approved Person reports. When transactions are carried out without the knowledge of the Member, the Member, the entire mutual fund industry, and more importantly, the investor stand to be harmed. 2014 CanLII 46027 (CA MFDAC) Page 12 of 24

31. It is viewed as serious misconduct when an Approved Person does not cooperate with an MFDA investigation and/or fails to comply with a request made by Staff pursuant to s. 22.1 of By-Law No. 1. This is because it sabotages the ability of the MFDA to perform its regulatory function of fully investigating a matter and determining all of the relevant facts, including the full extent and implications of the underlying events. The failure to provide information requested in an investigation undermines the integrity of the self-regulatory system and the effectiveness of its operation.

23. It should be noted that the Respondent in our case was also subject to additional allegations relating to the receipt of general powers of attorney from her clients and the receipt of personal cheques, also from her clients. Further, her failure to cooperate was of a particularly serious nature as she provided false or misleading information to her Member and the MFDA and then refused to have any further contact with the MFDA thereby significantly impeding the investigation.

24. In applying the penalty in *Batac*, (having regard for the \$600,000 U.S. and \$55,000 Cdn received by the respondent in that case from the investment scheme), the panel in *Batac* had consideration for the Discipline Powers for Approved Persons in MFDA By-law 1 s. 24.1.1 (b)(ii):

#### 24.1.1 *Approved Persons*

A Hearing Panel of the applicable Regional Council shall have power to impose upon an Approved Person or any other person under the jurisdiction of the Corporation any one or more of the following penalties:

- a) a reprimand;
- b) a fine not exceeding the greater of:
  - (i) \$5,000,000.00 per offence; and
  - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- c) suspension of the authority of the person to conduct securities related business

25. The penalty applied in *Batac* was a global fine of \$2,000,000 for circumstances having similarity to the present matter, but more egregious as the respondent in *Batac* originated the scheme, recruited other Approved Persons to participate, and required that they each sign non-disclosure agreements which significantly impaired the MFDA's investigations.

26. In *Crackower (Re)*, MFDA File NO. 200506, July 20, 2005 the panel in that case stated at page 9:

With respect to Allegations #1 and #2, the panel was presented with past decisions regarding the quantum of fines imposed by other panels. Generally speaking, these cases suggest that, with respect to misappropriation of funds and borrowing money from clients, the fine should roughly equal the amounts misappropriated or borrowed, and we see no reason to deviate from this practice in the case now before us. (See, for instance, *Re Robert Roy Parkinson*, April 29, 2005, No. 200501, and the authorities cited therein.)

*By-law No. 1*

27. Under MFDA By-law No. 1, we are empowered to assess fines of up to the greater of \$5 million for each violation of an MFDA Rule, or an amount equal to three times the profits from or losses avoided by the misconduct. Accordingly, taking this guidance, we considered that the upper limit of any fine that we imposed in our case should not exceed the greater of \$5 million for each group of violations (i.e. a total of \$15 million), and \$1,959,000 (i.e. 3 x [173,000 + 480,000]).

28. The individual violations of MFDA Rules set out in the allegations were connected and may be viewed as spokes in the wheel driving the Respondent's ability to promote to her clients and to personally benefit from syndicated mortgage investments.

*MFDA Sanction Guidelines*

29. The MFDA Sanction Guidelines offer guidance in determining appropriate penalties. Determining the appropriate sanction in any given case is discretionary and fact specific. As the guidelines note: "Hearing Panels should always exercise judgment and discretion, and consider appropriate aggravating and mitigating factors in determining appropriate sanctions in every case."

30. The MFDA Sanction Guidelines suggest that financial hardship or ability to pay, when raised by a respondent, may be considered a limiting factor in setting financial penalties. The

Respondent did not provide any evidence regarding her inability to pay a fine. Indeed, we set the fine at the level we did to be a sufficient deterrent having a meaningful impact on her.

### Harm

31. The Respondent went to great lengths to conceal her misconduct. Providing false and misleading information, and failing to cooperate in the investigation of her misconduct made it difficult for Staff to ascertain the full nature and extent of possible or probable client losses and the full benefit to the Respondent.

32. However, Staff established that the Respondent received at least \$173,500 in compensation (commissions or referral fees) arising from her activities in respect of syndicated mortgages and therefore received a significant benefit from her Group 1 violations. Staff submitted that the fine should, at a minimum, result in disgorgement of this financial benefit to ensure that the Respondent does not profit from her misconduct.

33. The Respondent obtained and used powers of attorneys from clients. This was not disclosed to her Member. The Respondent used the powers of attorneys to effect transactions in syndicated mortgages to her benefit and to client detriment. Furthermore, the Respondent received client funds totalling \$480,071.78 in cheques made payable to her and deposited into bank accounts that she controlled. There was no evidence as to whether those client funds went into the syndicated mortgage investments. There was also no evidence that these funds were returned to clients. In the absence of evidence to the contrary, we concluded that it was reasonable to assume, and we did, that the \$480,071.78 was a benefit to the Respondent from her Group 2 violations.

34. The rules cited in allegations #6, #7, and #8 are of fundamental importance to the effectiveness and integrity of our self-regulatory system.

35. Unlike in criminal law matters where a defendant is under no obligation to defend herself, or to provide information to assist those investigating a crime, in investigations and proceedings by the MFDA a respondent has contractual and regulatory obligations. A respondent has a duty to co-operate with the MFDA in its investigation, to comply with requests for information, and to be

truthful. A respondent has an obligation to reply to allegations against her and, truthfully, to admit or deny them.

36. A respondent ought not to expect that by hiding unfavorable facts and information or that by trying to mislead the MFDA in its investigation, the respondent will successfully diminish the consequences of her misconduct. There must be unpleasant consequences to make it not worth the risk to undertake unauthorized or inappropriate activities, or assume that there will not be a downside to improper behaviour if only the facts can be hidden.

37. It is appropriate for us to make unfavorable inferences against the Respondent where there are sufficient facts on which to base the inferences.

### ***The Sanctions***

#### *Prohibition*

38. The Respondent's misconduct was egregious. A permanent prohibition is necessary to protect the public from future misconduct by her in the securities business.

#### *Fine*

39. The Respondent ignored regulatory requirements for conducting business. A significant fine is required to provide an adequate deterrent for her and for others who may be inclined to disregard the rules cited in the allegations.

40. This matter is egregious but not as egregious as *Batac*. The Respondent was not the promoter or sponsor of the syndicated mortgages. She and her family also suffered losses from their investments in the mortgages. Ours is not the case for imposition of fines at the maximum permitted limits.

41. Based on the foregoing, we determined that a global fine of \$850,000 for Groups 1, 2, and 3 violations together would be appropriate and would provide a specific and general deterrent, would reflect the seriousness of the misconduct, the harm suffered by the investors, the benefits received by the Respondent, and would protect the integrity of the MFDA's enforcement process.

### Costs

42. Staff presented a detailed Bill of Costs totaling just over \$20,000.
43. It did not include charges for several items that would have been reasonable to include.
44. Furthermore, allowances were made in the bill of costs for the fact that there had been some change of staffing during the investigation.
45. Although expenses were undoubtedly less than they might have been if the Respondent had attended and defended at the hearing, additional time and expenses were incurred by Staff due to the difficulties of finding and serving the Respondent with materials and the difficulties and delays encountered by Staff through the misleading of Staff by the Respondent and the non-cooperation by the Respondent.
46. We found the Bill of Costs to be fair and reasonable and considered that there was no reason to discount the amount.

### **IV. ORDER**

47. We order the following sanctions:
  - (i) The Respondent is permanently prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member pursuant to section 24.1.1 (e) of MFDA By-law No. 1;
  - (ii) The Respondent shall pay a fine of \$850,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1; and
  - (iii) The Respondent shall pay costs in the amount of \$20,000, pursuant to section 24.2 of MFDA By-law No. 1.

**DATED** this 13<sup>th</sup> day of October, 2020.

“Paul M. Moore”

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Paul M. Moore, QC  
Chair

“Brigitte J. Geisler”

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Brigitte J. Geisler  
Industry Representative

“Joseph Yassi”

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Joseph Yassi  
Industry Representative

DM 771815

**Appendix “1”**

**Amended Notice of Hearing**

**File No. 201962**



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

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

**Re: Rebecca Wai-Chiu Li**

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**AMENDED<sup>2</sup> NOTICE OF HEARING**

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**NOTICE** is hereby given that a first appearance will take place by teleconference before a hearing panel of the Central Regional Council (“Hearing Panel”) of the Mutual Fund Dealers Association of Canada (“MFDA”) in the hearing room at the MFDA offices, 121 King Street West, Suite 1000, Toronto, Ontario on December 10, 2019 at 10:00 a.m. (Eastern), or as soon thereafter as the hearing can be held, concerning a disciplinary proceeding commenced by the MFDA against Rebecca Wai-Chiu Li (“Respondent”).

**DATED** this 1<sup>st</sup> day of October, 2019. Amended on the 8<sup>th</sup> day of June, 2020.

“Michelle Pong”

\_\_\_\_\_  
Michelle Pong  
Director, Regional Councils

Mutual Fund Dealers Association of Canada  
121 King Street West, Suite 1000  
Toronto, ON M5H 3T9  
Telephone: 416-945-5134  
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<sup>2</sup> Notice of Hearing amended by Order of the Hearing Panel at Hearing on the Merits of June 8, 2020

NOTICE is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

**Allegation #1:** Between July 2013 and November 2015, the Respondent engaged in securities related business that was not carried on for the account of the Member or conducted through its facilities by recommending, selling or facilitating the sale of syndicated mortgage investments to clients and other individuals, contrary to the Member's policies and procedures and MFDA Rules 1.1.1, 2.1.1, 2.5.1 and 1.1.2.

**Allegation #2:** Between July 2013 and November 2015, the Respondent engaged in an outside activity which was not disclosed to or approved by the Member, by recommending, selling, or facilitating the sale of syndicated mortgage investments to clients and other individuals, contrary to MFDA Rules 1.2.1(c) (now MFDA Rule 1.3), 2.1.1, 2.5.1 and 1.1.2.

**Allegation #3:** Between July 2013 and November 2015, the Respondent participated in an unapproved referral arrangement by making referrals in respect of the sale of syndicated mortgage investments to clients and other individuals, contrary to the Member's policies and procedures, MFDA Rules 2.4.2, 2.1.1, 2.5.1 and 1.1.2, and the requirements of sections 13.7 to 13.10 of National Instrument 31-103.

**Allegation #4:** Between July 2013 and November 2016, the Respondent accepted or acted upon general powers of attorney in respect of ~~five~~ four clients, and failed to inform the Member that she held these powers of attorney over the financial affairs of clients whose accounts she serviced, contrary to the Member's policies and procedures and MFDA Rules ~~2.1.4~~ 2.3.1(a) and 2.1.1.

**Allegation #5:** Between June 2014 and May 2015, the Respondent engaged in personal financial dealings with clients by accepting cheques from clients payable to her and co-mingling client monies with her own monies by depositing the cheques in bank accounts that she could access or control, contrary to Member's policies and procedures and MFDA Rules 2.1.4, 3.3.1 and 3.3.2(a).

**Allegation #6:** Between October 2013 and August 2016, the Respondent provided false and misleading information in response to Member supervisory questionnaires, thereby misleading

the Member and interfering with its ability to supervise the Respondent's conduct, contrary to MFDA Rule 2.1.1.

**Allegation #7:** Between April 2017 and March 2018, the Respondent provided false or misleading information to Staff during its investigation of her conduct, contrary to MFDA Rule 2.1.1.

**Allegation #8:** Commencing no later than December 13, 2018, the Respondent failed to cooperate with Staff's investigation of her conduct, contrary to section 22.1 of MFDA By-law No. 1.

## V. PARTICULARS

**NOTICE** is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

### ***Registration History***

1. Between June 20, 2006 and May 17, 2013, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with W.H. Stuart Mutuals Ltd., a Member of the MFDA.
2. Between May 17, 2013 and December 6, 2018, the Respondent was registered in Ontario as a dealing representative with Keybase Financial Group Inc. (the "Member"), a Member of the MFDA.
3. The Member terminated the Respondent on December 6, 2018. The Respondent is not currently registered in the securities industry in any capacity.
4. At all material times, the Respondent conducted business in Richmond Hill, Ontario.

### ***Respondent's Activities Relating to the Sale of Syndicated Mortgages***

5. Starboard View Homes Ltd. ("SVH") and Black Bear Homes Ltd. ("BBH") were corporations that purported to be in the business of developing properties in or around Crystal

Beach and Port Colborne, Ontario, utilizing funds raised through syndicated mortgage investment products (the “Syndicated Mortgages”).

6. SVH and BBH engaged DH, a mortgage broker, and Global Choice Alliance Group (“GCA”) to secure third party investors to invest in the Syndicated Mortgages.

7. DH is a friend of the Respondent.

8. Starting in or about July 2013, the Respondent recommended, sold, facilitated the sale of, or made referrals in respect of the sale of approximately \$2.2 million in Syndicated Mortgages to at least ~~14~~13 clients and ~~1~~2 other individuals who ~~was~~ were not a clients of the Member (collectively, the “Investors”). The particulars of these investments are described in the table below.

	<b>Investor Name</b>	<b>Member Client?</b>	<b>Amount Invested</b>	<b>Date mortgage registered</b>	<b>Borrower</b>
1	CL	Yes	<del>\$100,000</del> \$105,000	July 13, 2013	SVH
	CL	Yes	\$125,000	August 15, 2014	BBH
	CL	Yes	\$150,000	September 23, 2014	BBH
	CL	Yes	\$50,000	August 7, 2015	BBH
2	WY	Yes	\$100,000	July 31, 2013	SVH
3	SYC	Yes	\$100,000	August 27, 2013	SVH
	SYC	Yes	\$100,000	April 10, 2015	BBH
4	KBG	Yes	\$100,000	September 4, 2013	SVH
	KBG	Yes	\$50,000	April 10, 2015	BBH
5	EC	Yes	\$100,000	July 29, 2014	BBH
6	MC	Yes	\$440,000	October 29, 2014	BBH
	MC	Yes	\$100,000	July 23, 2015	BBH
	MC	Yes	\$200,000	August 7, 2015	BBH
7	PPC/KM	Yes	\$100,000	December 20, 2014	BBH
8	TL/BL	Yes	\$50,000	February 6, 2015	BBH
9	TL/CT	Yes	\$25,000	June 1, 2015	BBH
10	DL	Yes	\$30,000	April 10, 2015	BBH
11	HM	Yes	\$30,000	April 25, 2015	BBH
12	PY	No	\$50,000	May 29, 2015	BBH
		Yes	\$49,450		
13	IL	Yes	\$150,000	July 23, 2015	BBH
14	JL	Yes	\$25,000	October 30, 2015	BBH
15	PT	No	\$25,000	July 23, 2015	BBH

	<b>Investor Name</b>	<b>Member Client?</b>	<b>Amount Invested</b>	<b>Date mortgage registered</b>	<b>Borrower</b>
	Total		<u>\$2,200,000</u> \$2,204,450		
	<b>Investor Name</b>	<b>Member Client?</b>	<b>Amount Invested</b>	<b>Date mortgage registered</b>	<b>Borrower</b>
1	CL	Yes	\$105,000	July 13, 2013	SVH
	CL	Yes	\$125,000	August 15, 2014	BBH
	CL	Yes	\$150,000	September 23, 2014	BBH
	CL	Yes	\$50,000	August 7, 2015	BBH
2	WY	Yes	\$100,000	July 31, 2013	SVH
3	SYC	Yes	\$100,000	August 27, 2013	SVH
	SYC	Yes	\$100,000	April 10, 2015	BBH
4	KBG	Yes	\$100,000	September 4, 2013	SVH
	KBG	Yes	\$50,000	April 10, 2015	BBH
5	EC	Yes	\$100,000	July 29, 2014	BBH
6	MC	Yes	\$440,000	October 29, 2014	BBH
	MC	Yes	\$100,000	July 23, 2015	BBH
	MC	Yes	\$200,000	August 7, 2015	BBH
7	PPC/KM	Yes	\$100,000	December 20, 2014	BBH
8	TL/BL	Yes	\$50,000	February 6, 2015	BBH
9	TL/CT	Yes	\$25,000	June 1, 2015	BBH
10	DL	Yes	\$30,000	April 10, 2015	BBH
11	HM	Yes	\$30,000	April 25, 2015	BBH
12	PY	Yes	\$49,450	May 29, 2015	BBH
13	IL	Yes	\$150,000	July 23, 2015	BBH
14	JL	Yes	\$25,000	October 30, 2015	BBH
15	PT	No	\$25,000	July 23, 2015	BBH
	Total		\$2,204,450		

9. The Respondent earned, or directly or indirectly received, at least \$42,500 in fees from GCA or DH in respect of her activities relating to the Syndicated Mortgages.

10. Between September 10, 2013 and November 6, 2015, the Respondent earned, or indirectly received, an additional \$131,000 from GCA or DH in respect of her activities relating to the Syndicated Mortgages which was deposited into joint accounts the Respondent held with her friend, JLA, her children, CL and VL, and husband, BL. As detailed below, the Respondent has

failed to cooperate with Staff in the investigation into her conduct and has refused to provide information in respect of these deposits.

11. The Respondent did not disclose to the Member, and the Member was not otherwise aware, that she was recommending, selling, facilitating the sale of, or making referrals in respect of the sale of the Syndicated Mortgages to clients of the Member and other individuals who were not clients of the Member.

12. The Member did not approve the Syndicated Mortgages for sale to its clients by its Approved Persons including the Respondent, and none of the investments in the Syndicated Mortgages were carried on for the account of the Member or through its facilities.

***Allegation #1– Securities Related Business***

13. At all material times, the Member’s policies and procedures required that its Approved Persons only offer products approved for sale by the Member, and conduct all securities related business on behalf of the Member and through its facilities.

14. The Respondent recommended, sold or facilitated the sale of approximately \$100,000 in Syndicated Mortgages to clients PPC and KM.

15. The Respondent recommended, sold or facilitated the sale of the Syndicated Mortgages to some or all of the other clients and ~~one~~ two individuals as described in paragraph 8 above.

16. The Respondent engaged in one or more of the following activities in relation to the investments in the Syndicated Mortgages:

- a) introduced the Investors to the opportunity to invest in the Syndicated Mortgages;
- b) provided the Investors with investment documents for the Syndicated Mortgages;
- c) discussed the terms and features, including purported rates of return, of the Syndicated Mortgages with the Investors;
- d) provided the Investors with an assessment of the risks and merits of investing in the Syndicated Mortgages;
- e) recommended the Syndicated Mortgages to the Investors; and

f) attended and participated in GCA seminars about the Syndicated Mortgages.

17. The Member did not approve the Syndicated Mortgages for sale to its clients.

18. None of the investments in the Syndicated Mortgages were carried on for the account of the Member or through its facilities.

19. By virtue of the foregoing, the Respondent engaged in securities related business that was not carried on for the account of the Member and conducted through its facilities, contrary to the Member's policies and procedures and MFDA Rules 1.1.1, 2.1.1, 2.5.1 and 1.1.2.

***Allegation #2 – Undisclosed and Unapproved Outside Activities***

20. At all material times, the Member's policies and procedures required its Approved Persons to disclose to the Member, and obtain approval from the Member in order to engage in, any outside activities.

21. To the extent the Respondent's activities with respect to the sale of the Syndicated Mortgages described above does not constitute securities related business, then the Respondent had and continued in an outside activity that was not disclosed to and approved by the Member, contrary to the Member's policies and procedures, MFDA Rules 1.2.1(c) (now MFDA Rule 1.3), 2.1.1, 2.5.1 and 1.1.2.

***Allegation # 3 – Referral Fee Arrangement***

22. At all material times, the Member's policies and procedures required, among other things, that its Approved Persons only participate in referral arrangements that it had approved, that the Member be a party to a written referral arrangement, and that all fees or commissions must flow through the books and records of the Member.

23. To the extent that the Respondent purported to engage in the activities described above relating to the Syndicated Mortgages pursuant to a referral arrangement, the Respondent failed to disclose to or obtain approval from the Member to have any referral arrangement with GCA or DH, or in relation to the Syndicated Mortgages.

24. The Member was not a party to any referral arrangements with GCA or DH, or in relation to the Syndicated Mortgages.

25. None of the fees the Respondent received relating to the Syndicated Mortgages flowed through the books and records of the Member.

26. By virtue of the foregoing, the Respondent participated in an unapproved referral arrangement to which the Member was not a party, contrary to the Member's policies and procedures, MFDA Rules 2.4.2, 2.1.1, 2.5.1 and 1.1.2, and the requirements of sections 13.7 to 13.10 of National Instrument 31-103.

***Allegation #4 – Respondent was Power of Attorney***

27. At all material times, the Member's policies and procedures prohibited its Approved Persons from accepting or acting upon a general power of attorney or similar authorization in favour of the Member or Approved Person.

28. The Respondent accepted and acted upon powers of attorney that granted her authority over the financial affairs of the following ~~five~~ four clients:

<b>Name of Client</b>	<b>Date POA Granted</b>
WY	July 16, 2013
CL	November 21, 2014
JL	December 3, 2014
PNY	May 14, 2015
VL	November 19, 2016

29. The Respondent did not disclose to the Member that she held powers of attorney for clients.

30. By virtue of the foregoing, the Respondent contravened the Member's policies and procedures and MFDA Rules 2.3.1(a) and 2.1.1.

***Allegation #5 – Accepted Cheques From Clients and Co-mingled Client Funds***

31. At all material times the Member's policies and procedures stated that under no circumstances should a cheque from a client be made payable to an Approved Person.

32. The Respondent received cheques from clients that were payable to her, and deposited the funds into a bank account that she held jointly with other individuals and which she controlled. The particulars are set out in the chart below:

<b>Client</b>	<b>Date of Cheque</b>	<b>Amount of Cheque</b>
WPY	June 24, 2014	\$100,000
WPY	June 27, 2014	\$100,000
VY	October 15, 2014	\$20,000
SYC	April 13, 2015	\$100,071.78
DL	April 2, 2015	\$30,000
WPY	May 2, 2015	\$100,000
WPY	May 16, 2015	\$50,000

33. By virtue of the forgoing, the Respondent contravened the Member’s policies and procedures and MFDA Rules 2.1.4 ~~and 2.1.1~~, 3.3.1 and 3.3.2(a).

***Allegation #6 – False and Misleading Information to the Member***

34. As set out in the table below, starting in October 2013, the Respondent made false and misleading statements to the Member.

<b>Date</b>	<b>Communication</b>	<b>False and Misleading Statement by the Respondent</b>
10/2/2013	In response to questions on a Sub-Branch Review Interview	Stated that she only offered mutual funds to clients through the Member and that no other products are offered.  Stated that she does not have any referral arrangements.
11/9/2014	In response to questions on the Member’s Approved Person Fact Sheet	Answered ‘No’ in response to a question asking whether she has power of attorney for any clients.  Answered ‘No’ in response to a question asking whether she has a power of attorney for any family members that are clients.  Answered ‘No’ in response to a question asking whether she has a referral arrangement.

		<p>Answered ‘No’ in response to a question asking whether she has accepted any cheques payable to herself.</p>
10/17/2015	In response to questions on the Member’s Annual Registration Renewal form	<p>Answered ‘No’ in response to a question asking whether she has a power of attorney for any clients.</p> <p>Answered ‘No’ in response to a question asking whether she has a power of attorney for any family members that are clients.</p> <p>Answered ‘No’ in response to a question asking whether she has a referral arrangement.</p> <p>Answered ‘No’ in response to a question asking whether she has accepted any cheques payable to herself.</p>
11/10/2015	In response to questions on the Member’s Advisor – Periodic Visit Fact Sheet.	<p>Answered ‘No’ in response to a question asking whether she has a power of attorney for any clients.</p> <p>Answered ‘No’ in response to a question asking whether she has a power of attorney for any family members that are clients.</p> <p>Answered ‘No’ in response to a question asking whether she has a referral arrangement.</p> <p>Answered ‘No’ in response to a question asking whether she has accepted any cheques payable to herself.</p>
08/31/2016	In response to the Member’s Advisor Audit Questionnaire form	<p>Stated that she only offered mutual funds and that no other products are offered.</p> <p>Answered ‘No’ in response to a question asking whether she has a referral arrangement.</p> <p>Answered ‘No’ in response to a question asking whether she has accepted any cheques payable to herself.</p>

35. The Respondent’s statements set out in the above chart were false and misleading.

36. By virtue of the foregoing, the Respondent misled the Member in the course of the Member carrying out its supervision functions, contrary to MFDA Rule 2.1.1.

***Allegation #7 – False and Misleading Information to the MFDA***

37. In or about March 2017, Staff of the MFDA (“Staff”) commenced its investigation into the Respondent’s conduct.

38. On April 2, 2017 the Respondent stated in a letter to Staff that she “did not receive any referral fee or commission by referring people to the seminars or investing in the [Syndicated Mortgages].”

39. On August 16, 2017, the Respondent stated in a letter to the Staff that she did not refer or recommend syndicated mortgages to her mutual fund clients, and she did not receive any commission or referral fee in relation to the Syndicated Mortgages. The Respondent provided a list of 8 individuals and stated that she “only introduced them [to] syndicated mortgages”.

40. On January 18, 2018, the Respondent stated in a letter to Staff that she did not receive any referral fee or commission for “referring friends to attend the seminar or invest in the [Syndicated Mortgages]”.

41. On January 28, 2018 the Respondent provided Staff with a “Letter of Undertaking” dated December 12, 2017, in which she stated:

I did not advise or refer [clients] to invest [in the Syndicated Mortgages], just to attend the seminar. Their decision to invest or not to invest was between the individuals and the syndicated mortgage promotor. I also declare that I did not receive commission or referral fee in the syndicated mortgage investments.

42. On March 20, 2018, Staff interviewed the Respondent. During her interview, the Respondent stated, among other things:

- a) she did not receive any referral fee or commission in relation to the Syndicated Mortgages;
- b) neither DH nor GCA paid her any fees;
- c) she did not receive a marketing fee; and

d) she did not receive a cheque from GCA.

43. The above statements by the Respondent were false and misleading.

44. By virtue of the foregoing, the Respondent engaged in conduct contrary to MFDA Rule 2.1.1.

***Allegation #8 – Failing to Cooperate with the MFDA***

45. On March 20, 2018, the Respondent attended an interview with Staff. During the interview, the Respondent gave undertakings to provide certain information to Staff. The Respondent, through her counsel, terminated the interview before Staff was able to complete it.

46. On March 29, 2018, Staff sent a letter to the Respondent's counsel listing the undertakings given by the Respondent at her interview before it was terminated and requested copies of bank statements of the bank accounts in which the Respondent is a joint account holder or any account in her name or under her control, from June 1, 2013 to March 1, 2016, with corresponding copies of cheques, transfers and e-transfers over \$5,000. Staff also requested the Respondent's counsel contact Staff to schedule the continuation of the Respondent's interview within 10 days.

47. On April 4, 2018, the Respondent's counsel advised that she was no longer representing the Respondent, and that she had provided a copy of Staff's March 29, 2018 letter to the Respondent.

48. On April 12, 2018 Staff wrote to the Respondent, reiterating its request for banking information outlined in Staff's March 29 letter, and requested production by April 20, 2018. Staff also advised that the Respondent was required to attend a continuation of her interview with Staff on April 25, 2018. The letter was hand delivered to the Respondent on April 12, 2018.

49. On April 24, 2018 the Respondent wrote an email to Staff stating, "I have no more documents to submit."

50. On April 25, 2018, the Respondent failed to attend the continuance of her interview.

51. On May 14, 2018, Staff wrote to the Respondent reiterating its request that she answer her undertakings and provide the banking information outlined in Staff's March 29 letter. Staff requested production by May 24, 2018. Staff also advised the Respondent that she was to contact Staff to schedule the continuation of her interview by May 24, 2018.

52. In June 2018, the Respondent retained new counsel.

53. In July 2018, the Respondent, through her counsel, provided Staff with copies of banking information for joint accounts the Respondent held with her children (CL, VL), her husband (BL), and JLA. The information disclosed additional cheques from GCA totaling \$131,000 payable to the Respondent's children or JLA, which were deposited into the bank accounts jointly held with the Respondent.

54. On August 14, 2018, Staff sent a series of questions to the Respondent concerning the \$131,000 in deposits and asked for her response by August 28, 2018.

55. The Respondent's counsel advised that she required additional time to respond to Staff's questions, and stated that she expected to be in a position to respond by September 11, 2018.

56. Neither the Respondent, nor her counsel, responded by September 11, 2018.

57. On September 17, 2018, the Respondent sent an email to Staff stating that she had terminated her counsel and would provide an update to Staff on October 9, 2018.

58. On October 9, 2018, the Respondent sent an email to Staff advising that she continued to be in the process of finding a new lawyer. She also stated that she was experiencing various health issues and would provide an update to Staff on November 12, 2018.

59. On October 17, 2018, Staff advised the Respondent that a date for the continuation of the Respondent's interview would need to be set by November 12, 2018. Staff also advised that they would provide accommodations for any mobility issues during the interview.

60. On October 18, 2018 the Respondent wrote to Staff stating, "I will get back to you, thanks."

61. The Respondent failed to contact Staff and schedule the continuation of her interview by November 12, 2018.

62. On November 29, 2018, Staff wrote to the Respondent stating that its investigation had been escalated to the MFDA's litigation group. Staff's November 29 letter was served on the Respondent by a process server.

63. On December 9, 2018, the Respondent wrote to Staff stating the MFDA's investigation has "affected my health", and that she had resigned from the Member and would not be working in the mutual fund business in the future. The Respondent also provided documentation indicating that she had experienced an "undisplaced fracture" in her foot.

64. On December 13, 2018, Staff advised that the MFDA's enforcement proceeding will continue regardless of her resignation from the Member. Staff asked what dates the Respondent was available for an interview in January 2019, and again noted they would make accommodations for any mobility issues she had at the interview.

65. On December 13, 2018, the Respondent wrote to Staff stating:

This matter with MFDA has significantly impacted my health negatively and because of this, does not allow me to participate in the investigation. I would like to withdraw my participation from this entire process going forward and I would very much appreciate if you and staff from MFDA and Ontario Securities Commission do not contact me further.

66. The Respondent has not communicated with Staff since December 13, 2018.

67. The Respondent has refused to provide further information about the deposits identified in the joint accounts held with her children, husband and JLA, and she has refused to re-attend for the continuation of her interview with Staff. As a result of her failure to cooperate with Staff's investigation, Staff has been unable to determine the full nature and extent of her conduct, including the amount of referral fees she earned from GCA or DH.

68. By virtue of the foregoing, the Respondent has failed to cooperate with Staff's investigation of her conduct, contrary to section 22.1 of MFDA By-law No. 1.

**NOTICE** is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

**NOTICE** is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with the MFDA;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- a) a reprimand;
- b) a fine not exceeding the greater of:
  - (i) \$5,000,000.00 per offence; and
  - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- d) revocation of the authority of such person to conduct securities related business;
- e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time; and
- f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel.

**NOTICE** is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

**NOTICE** is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary within twenty days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada  
121 King Street West, Suite 1000  
Toronto, ON M5H 3T9  
Attention: David Barbaree  
Email: dbarbaree@mfd.ca

A **Reply** shall be **filed** by:

- a) providing four copies of the **Reply** to the Office of the Corporate Secretary by personal delivery, mail or courier to:

The Mutual Fund Dealers Association of Canada  
121 King Street West, Suite 1000  
Toronto, ON M5H 3T9  
Attention: Office of the Corporate Secretary; or

- b) transmitting one electronic copy of the **Reply** to the Office of the Corporate Secretary by e-mail at corporatesecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

**NOTICE** is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

**NOTICE** is further given that if the Respondent fails:

- a) to **serve** and **file** a **Reply**; or
- b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-laws.

**END.**

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