



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: Pieter Hendrik Leendert Lindhout

Heard: May 25, 2022 by electronic hearing in Toronto, Ontario

Decision: May 25, 2022

Reasons for Decision: July 21, 2022

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Paul M. Moore, Q.C.
Selwyn Kossuth
Colleen Waring

Chair
Industry Representative
Industry Representative

Appearances:

Michael A. M. Mantle)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
Pieter Hendrik Leendert Lindhout)	Respondent
)	
)	

I. SETTLEMENT AGREEMENT

1. We accepted the settlement agreement dated March 14, 2022 (“Settlement Agreement”) between the staff of the MFDA (“Staff”) and Pieter Hendrik Leendert Lindhout (“Respondent”) at an electronic settlement hearing held in accordance with MFDA rules for an electronic hearing.
2. A copy of the Settlement Agreement is attached to these Reasons as Schedule “1”. The agreed facts are set out in Part III of the Settlement Agreement.

II. CONTRAVENTIONS

1. The Respondent admits that:
 - a) between April 2015 and November 2018, the Respondent photocopied signature pages from account forms that had been signed by clients and re-used the signature pages to complete 23 additional forms in respect of 14 clients, contrary to MFDA Rule 2.1.1;
 - b) between October 2015 and November 2018, the Respondent altered and used to process transactions 17 account forms in respect of 6 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1; and
 - c) between April 2015 and November 2018, the Respondent obtained and possessed 6 pre-signed account forms in respect of 2 clients, contrary to MFDA Rule 2.1.1.

III. PROPOSED SANCTION

3. The Settlement Agreement provides that:
 - a) the Respondent shall pay a fine of \$30,000;
 - b) the Respondent shall pay costs of \$5,000;
 - c) the Respondent shall successfully complete the Ethics and Professional Conduct Course offered by the IFSE Institute, or an industry course acceptable to Staff of the MFDA, within 12 months of the acceptance of the Settlement Agreement; and
 - d) the Respondent shall in the future comply with MFDA Rule 2.1.1.

IV. CONSIDERATIONS

4. We determined that we had to be satisfied regarding three considerations before we could accept the Settlement Agreement. First, the agreed penalty had to be within an acceptable range taking into account similar cases. Secondly, the agreed penalty had to be fair and reasonable (i.e. proportional to the seriousness of the contraventions taking into consideration relevant circumstances) and should appear to be so to members of the public and industry. Thirdly, the agreed penalty should serve as a deterrent to the Respondent and to industry. To be satisfied on these three considerations required an understanding of the particular facts of the case, the circumstances of the Respondent, and the impact on the Respondent of the agreed penalty.

V. MISCONDUCT

5. The Respondent's conduct was in violation of the standard of conduct codified by MFDA in Rule 2.1.1. This rule requires that Members and Approved Persons 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 unbecoming or detrimental to the public interest. A multitude of MFDA disciplinary cases have found conduct similar to that of the Respondent in our case to be a contravention of MFDA Rule 2.1.1.

VI. OTHER CONSIDERATIONS

6. The Respondent has paid a total of \$5,200 to the Member in respect of the period of close supervision imposed by the Member.

7. There was no evidence that the Respondent received any financial 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.

8. There was no evidence of client complaints or client loss.

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

10. The agreed penalties are within the recommendations of the MFDA Sanction Guidelines and the reasonable range of appropriateness with regard to MFDA decisions submitted to us by Staff, made by MFDA Hearing Panels in similar circumstances. They are fair and reasonable and will serve as a specific and general deterrent.

VII. COSTS

11. The costs award is reasonable.

VIII. CONCLUSION

12. We concluded that the Settlement Agreement was in the public interest and, consequently, we accepted it.

DATED this 21st day of July, 2022.

“Paul M. Moore”

Paul M. Moore, Q.C.
Chair

“Selwyn Kossuth”

Selwyn Kossuth
Industry Representative

“Colleen Waring”

Colleen Waring
Industry Representative



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Re: Pieter Hendrik Leendert Lindhout

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada ("Staff") and the Respondent, Pieter Hendrik Leendert Lindhout (the "Respondent"), consent and agree to settlement of this matter by way of this agreement (the "Settlement Agreement").

2. Staff conducted an investigation of the Respondent's activities which disclosed 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.

II. JOINT SETTLEMENT RECOMMENDATION

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

4. The Respondent admits to the following violations of the By-laws, Rules or Policies of the Mutual Fund Dealers Association of Canada ("MFDA"):

- a) between April 2015 and November 2018, the Respondent photocopied signature pages from account forms that had been signed by clients and re-used the signature

pages to complete 23 additional forms in respect of 14 clients, contrary to MFDA Rule 2.1.1;

- b) between October 2015 and November 2018, the Respondent altered and used to process transactions 17 account forms in respect of 6 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1; and
- c) between April 2015 and November 2018, the Respondent obtained and possessed 6 pre-signed account forms in respect of 2 clients, contrary to MFDA Rule 2.1.1.

5. Staff and the Respondent agree and consent to the following terms of settlement:

- a) the Respondent shall pay a fine in the amount of \$30,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
- b) the Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.2 of MFDA By-law No. 1;
- c) the Respondent shall successfully complete the Ethics and Professional Conduct Course offered by the IFSE Institute, or an industry course acceptable to Staff of the MFDA, within 12 months of the acceptance of the Settlement Agreement, pursuant to section 24.1.1(f) of By-law No. 1;
- d) the Respondent shall in the future comply with MFDA Rule 2.1.1; and
- e) the Respondent will attend in person, on the date set for the Settlement Hearing.

6. Staff and the Respondent agree to the settlement on the basis of the facts set out in Part III herein and consent to the making of an Order in the form attached as Schedule “A”.

III. AGREED FACTS

Registration History

7. Since approximately August 12, 1997, the Respondent has been registered in Ontario as a dealing representative with Quadrus Investment Services Ltd. (the “Member”), a Member of the MFDA.

8. At all material times, the Respondent conducted business in the Sarnia, Ontario area.

Re-Used Client Signatures

9. At all material times, the Member's policies and procedures prohibited Approved Persons from photocopying a document to re-use a client's signature.
10. Between April 2015 and November 2018, the Respondent photocopied signature pages from account forms that had been signed by clients and re-used the signature pages to complete 23 additional forms in respect of 14 clients.
11. The account forms consisted of:
 - a) 4 Quadrus Registered Education Savings Plan (RESP) Educational Assistance Payment Forms;
 - b) 3 Quadrus Redemption Forms;
 - c) 3 Quadrus Transfer Authorization For Registered Investments Forms;
 - d) 3 Quadrus Know Your Client (KYC) Forms;
 - e) 2 Quadrus Switch Forms;
 - f) 2 RESP Letter of Direction Forms;
 - g) 2 Quadrus Subsequent Investment Forms;
 - h) 1 Mackenzie Investments Family RESP Add Beneficiary Form;
 - i) 1 Quadrus Non-Financial Change Form;
 - j) 1 Fidelity Investments Formulaire de rachat de REEE Form; and
 - k) 1 Quadrus Household Eligible Assets Form.

Altered Account Forms

12. At all material times, the Member's policies and procedures prohibited Approved Persons from altering or correcting any information on a signed document, without having the client initial the document to show that the change was approved.
13. Between October 2015 and November 2018, the Respondent altered and used to process transactions 17 account forms in respect of 6 clients by altering information on the account forms without having the client initial the alterations.
14. The account forms consisted of:
 - a) 12 Quadrus Transfer Authorization For Registered Investments Forms;
 - b) 3 Quadrus Subsequent Investment Forms;

- c) 1 Quadrus Switch Form; and
- d) 1 Quadrus Transfer Authorization For Non-Registered Investments.

15. The Respondent altered information on various sections of the account forms described above, including: client investment instructions, the relinquishing institution, investment descriptions, client account numbers, policy numbers, fund names, fund numbers, order numbers, transfer section content, including instructions, and investment description fields.

Pre-Signed Forms

16. At all material times, the Member's policies and procedures prohibited Approved Persons from obtaining or using pre-signed account forms.

17. Between April 2015 and November 2018, the Respondent obtained and possessed 6 pre-signed account forms in respect of 2 clients.

18. The account forms consisted of:

- a) 2 Quadrus Investment Application Forms;
- b) 2 Quadrus Know Your Client (KYC) Information Forms; and
- c) 2 Quadrus Transfer Authorizations For Registered Investment Forms.

The Member's Investigation

19. On or about January 29, 2020, during a branch audit, the Member conducted a review of client files maintained by the Respondent and discovered some of the account forms described above.

20. On or about February 4, 2020, the Member commenced a full audit of the client files maintained by the Respondent and discovered the remaining account forms.

21. As a result of the Respondent's conduct, on or about February 28, 2020, the Member issued a disciplinary letter to the Respondent which was effective March 2, 2020. The Member placed the Respondent under close supervision for a minimum period of one year.

22. The Member also imposed a \$400 monthly fee on the Respondent for his close supervision. The Respondent has paid a total of \$5,200 to the Member in respect of the close supervision.

23. As part of its investigation, the Member sent letters to the clients whose account the Respondent serviced in order to confirm that the transactions in their accounts were accurate and authorized by the client.

24. The Member contacted the affected clients, updated their KYC information, and had the clients sign new KYC forms. No clients reported any concerns to the Member.

25. The Member completed its close supervision of the Respondent on March 31, 2021, and did not identify any further concerns regarding the Respondent's business practices during the close supervision period.

Additional Factors

26. There is no evidence that the Respondent received any financial 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.

27. There is no evidence of client loss, client complaints, or lack of authorization.

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

29. 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.

IV. ADDITIONAL TERMS OF SETTLEMENT

30. This settlement is agreed upon in accordance with section 24.4 of MFDA By-law No. 1 and Rules 14 and 15 of the MFDA Rules of Procedure.

31. The Settlement Agreement is subject to acceptance by the Hearing Panel which shall be sought at a hearing (the "Settlement Hearing"). At, or following the conclusion of, the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 and Rule 15.2(2) of the MFDA Rules of Procedure. If the Hearing Panel accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at www.mfda.ca.

32. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately, and any suspensions, revocations, prohibitions, conditions or other terms of the Settlement Agreement shall commence, upon the effective date of the Settlement Agreement.

33. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel:

- a) the Settlement Agreement will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter;
- b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction;
- c) Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in this Settlement Agreement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations;
- d) the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to 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; and
- e) neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against the Respondent.

34. If, for any reason, this Settlement Agreement is not accepted by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1, unaffected by the Settlement Agreement or the settlement negotiations.

35. Staff and the Respondent agree that the terms of the 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.

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

DATED this 14th day of March, 2022.

“Pieter Hendrik Leendert Lindhout”

Pieter Hendrik Leendert Lindhout

“MA”

Witness – Signature

MA

Witness – Print name

“Charles Toth”

Staff of the MFDA

Per: Charles Toth

Vice-President, Enforcement



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Re: Pieter Hendrik Leendert Lindhout

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 MFDA By-law No. 1 in respect of Pieter Hendrik Leendert Lindhout (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated [date] (the "Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of MFDA By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that the Respondent:

- a) between April 2015 and November 2018, the Respondent photocopied signature pages from account forms that had been signed by clients and re-used the signature pages to complete 23 additional forms in respect of 14 clients, contrary to MFDA Rule 2.1.1;
- b) between October 2015 and November 2018, the Respondent altered and used to process transactions 17 account forms in respect of 6 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1; and

- c) between April 2015 and November 2018, the Respondent obtained and possessed 6 pre-signed account forms in respect of 2 clients, 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 in the amount of \$30,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
2. The Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.2 of MFDA By-law No. 1;
3. The Respondent shall successfully complete the Ethics and Professional Conduct Course offered by the IFSE Institute, or an industry course acceptable to Staff of the MFDA, within 12 months of the acceptance of the Settlement Agreement, pursuant to section 24.1.1(f) of By-law No. 1;
4. The Respondent shall in the future comply with MFDA Rule 2.1.1; and
5. If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the *MFDA Rules of Procedure*.

DATED this [day] day of [month], 20[].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]