



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: Laurina Mahendran

Heard: May 28, 2019 in Toronto, Ontario
Decision: May 28, 2019
Reasons for Decision: June 20, 2019

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

The Hon. Peter B. Hambly
Guenther W. K. Kleberg
Joseph Yassi

Chair
Industry Representative
Industry Representative

Appearances:

Shelly Feld)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
David Barbaree)	
)	
Natalia Vandervoort)	Counsel for the Respondent
)	
Laurina Mahendran)	Respondent, in person
)	
)	

I. INTRODUCTION

1. This is a settlement hearing under section 24.4 of By-Law No. 1 of the Mutual Fund Dealers Association of Canada (“MFDA”) regarding allegations made by the MFDA against Laurina Mahendran, (“Respondent”). The hearing is to determine whether the hearing panel should approve a settlement agreement dated February 21, 2019 (“Settlement Agreement”) between the staff of the MFDA and the Respondent. The Settlement Agreement is attached as Schedule “1” and the resulting Order as Schedule “2”.

Background

2. From January 20, 2016 to July 25, 2016, the Respondent was registered in Ontario as a dealing representative and was an Approved Person with TD Investment Services Inc. (“TDISI” or the “Member”), a member of the MFDA. On July 25, 2016, the Member terminated the employment of the Respondent. At all material times, the Respondent conducted business from a branch in Scarborough, Ontario.

3. RM was a client of the Member. He is an immigrant and does not speak English fluently. His son, AR, was a colleague of the Respondent at the Bank branch. AR was a Customer Service Representative at the Bank but not an Approved Person at the Member. On or about July 4, 2016, RM’s bank account was placed in the name of AR.

4. On July 4, 2016, AR told the Respondent that he urgently needed to pay his school tuition and that his father had agreed to redeem investments from his Registered Retirement Savings Plan (“RRSP”) account and to apply the proceeds to the tuition payment that was due.

5. AR led the Respondent to believe that his father had approved the transaction during a telephone conversation with AR and that his father was unable to attend at the branch that day.

6. The Respondent did not speak with RM directly about the redemption request. She did not obtain any evidence of authorization of the trade from RM before processing trades in RM’s account. However, she believed AR’s explanation to her about the reason for the redemption request and the fact that RM had authorized it.

7. On July 4, 2016, the Respondent processed four (4) redemptions of \$5,000 each, totaling \$20,000, from the RRSP account of RM. The processing of the redemptions left a nominal balance remaining in RM's RRSP account.
8. Each of the four redemptions was subject to a withholding tax of \$500, resulting in a total of \$2,000 in withholding tax. The Respondent did not discuss the tax implications of the trades with RM before processing the redemptions. The Respondent states that she understood from AR that he had explained the tax implications of the trades to his father.
9. The proceeds from the redemptions were deposited into the new bank account on record for RM which was the bank account of AR.
10. The Respondent provided her colleague AR with trade documentation specifying the details of the trades that she had processed in RM's account and asked him to confirm his father's authorization of the trades by obtaining his father's signature on the trade documentation and returning the forms to her the next day for the file.
11. On or about July 5, 2016, AR returned to the branch with signed trade documentation. The Respondent accepted the signed trade documentation from AR and believed the documents had been signed by RM.
12. The Respondent admits that she did not meet with RM in the branch or elsewhere to obtain his signature on the trade documentation.
13. The Member subsequently questioned whether the signatures on the trade documentation were authentic signatures of RM as the signatures did not match other signatures among the Member's records. The Respondent accepted AR's representation that the signatures were authentic signatures of his father.
14. During the investigation of this matter, AR admitted to Staff that unbeknownst to the Respondent, the money that he instructed the Respondent to redeem from his father's account was actually required to pay AR's personal debts and not to make tuition payments.
15. By processing redemption transactions in RM's account based upon instructions that she received from AR without obtaining signed trade documentation from RM at the branch before

processing the trades, the Respondent engaged in unauthorized trading and contravened the policies and procedures of the Member, contrary to MFDA Rules 2.1.1, 2.5.1, 2.10 and 1.1.2.

16. Following an investigation, on July 25, 2016, the Member terminated the Respondent, in part, as a result of her contravention of the Member's policies and procedures with respect to the processing of the trades described in this Settlement Agreement.

Mitigating Factors

17. At the time that she processed the transactions described above, the Respondent was 22 years old and had no prior disciplinary history.

18. There is no evidence that the Respondent personally benefited from the unauthorized trades processed in client RM's account.

19. By entering into this Settlement Agreement, the Respondent has accepted responsibility for her misconduct and avoided the need for a prolonged hearing on the merits.

20. The Respondent is no longer registered in the industry and has not conducted securities related business since July 2016.

21. As a result of her relatively young age and limited work experience, the Respondent's financial resources to pay a fine are limited.

Contraventions

22. The Respondent admits that on July 4, 2016, she processed four (4) redemptions in RM's RRSP account without first obtaining RM's authorization for the transactions and without meeting with RM at the branch office to obtain his signature on documentation authorizing the transaction, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 2.5.1, 2.10 and 1.1.2.

II. TERMS OF SETTLEMENT

23. The Respondent agreed to the following terms of settlement:

- a) The Respondent shall pay a fine in the amount of \$10,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:
 - i. \$400 payable on the date that the Settlement Agreement is accepted by a Hearing Panel; and
 - ii. \$800 payable on the first day of each month from July 1, 2019 to June 1, 2020; and
- b) The Respondent shall pay costs to the MFDA in the amount of \$2,500, pursuant to s. 24.2 of MFDA By-law No. 1 on the date that the Settlement Agreement is accepted by a Hearing Panel.

24. During the hearing counsel for the Respondent informed the hearing panel that her client would pay the amount to which she had agreed that day immediately after the hearing panel had approved the settlement. On consent the proposed order was changed and issued by the hearing panel as follows:

- 1. The Respondent shall pay a fine in the amount of \$10,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable on the date of the Order;
- 3. The Respondent shall pay costs to the MFDA in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law No. 1 on the date of the Order.

Principles to be considered by a hearing panel in considering a settlement agreement

Investor Protection and Settlement Agreements

25. In *Pezim v. British Columbia (Superintendent of Brokers)*, [1994] 2 S.C.R.557 the Supreme Court of Canada in the judgment of Justice Iacobucci upheld the authority of the British Columbia Securities Commission to discipline its members under the Securities Act. He stated at para. 59 the following:

It is important to note from the outset that the Act is regulatory in nature. In fact, it is part of a much larger framework which regulates the securities industry throughout Canada. Its primary goal is the protection of the investor but other goals include capital market efficiency and ensuring public confidence in the system: David L. Johnston, *Canadian Securities Regulation* (1977), at p. 1.

26. In *British Columbia (Securities Commission) v. Seifert*, [2006 CSLR para. 900-1156] the issue was the jurisdiction of the British Columbia Securities Commission to enter into a settlement which it sought to enforce. Justice Kellher of the British Columbia Supreme Court stated regarding settlements the following:

[49] Settlements assist the Commission to ensure that its overriding objective, the protection of the public, is met. Settlements proscribe activities that are harmful to the public. In so doing, they are effective in accomplishing the purposes of the statute. They provide means of reaching a flexible remedy that is tailored to address the interests of both the Commission and the person under investigation. Enforcement is rarely a concern because the settlement is voluntary. A person who is the subject of an investigation retains the option of refusing to settle and proceeding to a hearing. Settlements are also efficient. Both parties can forego the time and expense of a hearing. Or, they can settle some matters, and direct their resources to the matters that are in dispute, and therefore to be resolved by way of a hearing.

27. A hearing panel of the MFDA does not have jurisdiction to modify or change a settlement agreement. MFDA bylaw No. 1 states the following:

24.4.3 Review and Determination by Hearing Panel

Such settlement agreement shall, on the recommendation of: the Corporation, be referred to a Hearing Panel of the applicable Regional Council which shall:

- (a) accept the settlement agreement; or
- (b) reject it.

28. In the frequently cited case of *Re Milewski*, [1999] I.D.A.C.D No. 17 the Ontario District council emphasized that it must either accept or reject a settlement agreement and it must respect the settlement process. It stated the following:

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

public interest benefits of the settlement process in its consideration of specific settlements. (p. 9-10)

29. These themes were amplified in *Re Uy*, 2018 LNCMFDA 87 where the hearing panel stated the following:

23. Hearing Panels should respect settlements worked out by the parties. A Panel does not know what led to a settlement, what was given up by one party or the other in the course of the negotiations, and what interest each party has in agreeing to resolve the matter. The Panel cannot go beyond the Settlement Agreement. There are almost always facts that play a role in the settlement which are not set out in the Settlement Agreement or brought to the attention of the Panel.

Penalties in Similar Cases for Unauthorized Trading

30. In *Re Garries*, 2016 LNCMFDA 174 the respondent was a mutual fund salesperson. He admitted to engaging in discretionary trading, failing to record and maintain evidence of client trading instructions, the use of pre-signed account forms and falsifying account forms multiple times. The clients suffered no losses. A hearing panel approved a settlement agreement which required that he pay a fine of \$25,000 and costs of \$2,500. The hearing panel stated the following:

44. An Approved Person is required to obtain express client instructions from a client with respect to each of the elements of every trade (including purchases, redemptions and switches) that are processed in a client account including:

(a) the specification of which security is to be traded;

(b) the amount of the trade (in either dollar value or the number of units to be traded); (c) the timing of the trade; and (d) the specific details of any costs for fees associated with executing the trade.

45. If an Approved Person fails to obtain instructions from a client with respect to one or more elements of the trade and exercises his or her own discretion with respect to any elements of the trade in order to process the trade, the Approved Person has engaged in discretionary trading.

46. If a trade is processed without the knowledge or approval of the client (even if it can be shown that the trade was processed with good intentions and even if the client benefits the client financially or otherwise) the trade is unauthorized and the processing of such a trade constitutes a contravention of the regulatory obligations of the Approved Person who processed it.

31. In *Re DeVuono*, 2012 LNCMFDA 103 the respondent was a mutual fund salesperson. He recommended a leveraged investment strategy to clients which they did not understand and was

unsuitable for them. He took instructions from their son. He was in breach of MFDA rules. The hearing panel held the following:

67. In the securities regulatory context, an advisor is not permitted to accept instructions with respect to a client account from a third party on the basis of a third party's "ostensible authority" to provide Know-Your-Client information or trade instructions. An advisor is only permitted to accept instructions from a third party, if the third party has trading authority or a power of attorney to act on behalf of the client. Milewski (Re), [1999] I.D.A.C.D. No. 17 (I.D.A.) ["Milewski"] Page 21 of 26 Walsh (Re), [2003] I.D.A.C.D. No. 29, (I.D.A.) ["Walsh"]

After a contested hearing in which the hearing panel found that the respondent was in breach of the MFDA rules the hearing panel imposed a fine of \$150,000, costs of \$20,000, a requirement that the respondent complete the Canadian Securities Course and upon his return to the industry that he be under close supervision for 18 months and that he be prohibited from carrying out leveraged investments for any individual.

32. In *Re Griffith*, 2014 LNCMFDA 59 the respondent was a mutual fund salesperson who took instructions from a client's husband to make redemptions from the client's account without obtaining confirmation from the client. The client sustained a substantial loss. The employer's insurer reimbursed the client and the respondent made a significant contribution. A hearing panel approved a settlement agreement which required that the client pay a fine of \$10,000 and costs of \$5,000. The hearing panel stated the following:

7. As set out in the MFDA written submissions, MFDA Rules and securities legislation as well as Sterling's policies and procedures prohibit Approved Persons ("APs") from discretionary trading in a client's account, but do permit the use of LTAs ("Limited Trading Authorities") in order to avoid the necessity of obtaining the client's signature in order to do a trade. Where the client has signed an LTA, the AP must still obtain the consent of the client although not his signature, and must maintain a written record of the client's instructions. An AP is not permitted to take instructions from anyone other than the client unless that person has trading authority or a POA to act on behalf of the client. The foregoing is supported by the cases cited in the MFDA written submissions. In this case, the Respondent took instructions from a person other than the client, a person who did not have trading authority over CD's account or a POA to trade in CD's account. Though only one client was affected, the impact was repeated and serious. There were 9 redemptions over 2 years resulting in a loss to the client of approximately \$39,516. The Panel agrees with the MFDA that this was serious misconduct by the Respondent because it undermines the ability of the client to make decisions for and control his/her account.

33. In *Milewski* a registered representative opened an account for a husband and wife solely on instructions from the husband. He took instructions only from the husband in purchasing investments for both of them. The investments were unsuitable for them and there were substantial losses. A hearing panel of the Investment Dealers Association of Canada (predecessor of IIROC) held that he had violated the rules of the association. It imposed a total fine of \$20,000, costs of \$1,500, disgorgement of commissions earned, a requirement that he rewrite a conduct examination and that he be under strict supervision for 6 months.

Regarding taking instructions from anyone other than the client the hearing panel stated the following:

The issue is simply one of the due diligence required by a registered representative when opening a new account. In the District Council's view, it is not sufficient to take another person's word, even a husband's. Due diligence requires that the information relating to a new client's investment experience and objectives must be obtained directly from the client. (p.8)

Regarding penalty the hearing panel stated the following:

A penalty must be appropriate for the conduct in question. In the District Council's view, the purpose of a penalty is not primarily punishment but the protection of the investing public, the Association's membership and the integrity of the securities market. Its main concerns are prevention of a repetition of conduct of the type under consideration, that is, deterrence. The penalty should reflect the District Council's view of the measures necessary in the specific case to accomplish this goal, ranging from a reprimand to an absolute bar. (p.8)

34. In *Re Stutz*, 2019 LNCMFDA 64 the respondent was a mutual fund salesperson and a branch manager of Scotia Securities Inc. For over 3 years she took instructions from 3rd parties in conducting trades for clients without confirming those instructions with the clients and thereby engaged in unauthorized trading. She was not registered in the securities industry when the matter came before a hearing panel. Although she had no history of misconduct and she did not benefit from her misconduct the hearing panel held that engaging in unauthorized trading is serious. The panel approved a settlement of a fine of \$15,000, costs of \$5,000 and suspension for 6 months from engaging in securities related business.

35. In *Re Franco*, 2015 LNCMFDA 75 the respondent was a mutual fund salesperson employed by Aegon Services Canada. He sold investments through a private company controlled

by him contrary to his agreement with Aegon and MFDA rules. A hearing panel stated the following:

38. The obligation of the Approved Persons to comply with the policies and procedures of the Members that they are registered with is a cornerstone of the self-regulatory system. MFDA Members are expected to be aware of their regulatory obligations and to implement policies and procedures to ensure compliance. When Approved Persons disregard those obligations, the Member's ability to supervise the conduct of such Approved Persons and protect the interests of clients and the public is undermined.

39. The hearing panel approved a settlement agreement which provided that the respondent be suspended for 5 years, pay a fine of \$40,000 and costs of \$5,000.

36. In *Re Wallace*, 2017 LNCMFDA 7 the respondent was a mutual fund salesperson. He invested \$5,889.90 for a client without first obtaining the client's instructions. The client suffered a nominal loss of \$6.26. The respondent had been in the mutual fund industry for 9 years. He had not previously been the subject of disciplinary proceedings. The hearing panel stated the following:

36. The prohibition on discretionary trading advances investor protection in two principal respects. First, it guards against potential abuses by ensuring that a client must give clear and complete directions to an Approved Person prior to a trade being executed in a client's account. Second, it seeks to prevent clients from being victimized by poor investment decisions being made on their behalf by those who do not possess the necessary proficiencies, training and experience to exercise discretionary trading authority over a client's investments.

47. The Respondent engaged in serious misconduct. The seriousness of discretionary trading as a form of misconduct arises from the fact that discretionary trading undermines the ability of a client to make decisions for and control his or her account.

The hearing panel approved a settlement agreement in which the respondent was required to pay a fine of \$10,500 and costs of \$2,500.

37. In *Re Tobac*, 2018 LNCMFDA 166 the respondent was a mutual fund salesperson of 17 years' experience with Investors Group Financial Services ("IG"). He had clients who were husband and wife. He received a request from the husband to withdraw \$20,000 from his accounts. On his own initiative he assessed whether it would be advantageous to withdraw the money from the wife's account. He informed the husband that it would be. On the husband's instructions alone,

he withdrew the money from the wife's account and deposited in a joint account. When the wife discovered what had happened, she objected. The respondent reversed the transaction without loss to either party. The matter came before an MFDA panel on an allegation that the respondent had processed a redemption in a client account based on the instructions from someone other than the client contrary to MFDA Rules 2.2.1 and 2.3.1. The respondent admitted the facts. The issue was the appropriate penalty.

The MFDA panel noted the following:

38. Accordingly, it has been well settled law in the securities industry since 1999 that it is not sufficient to take one spouse's word for another, a proposition that this Hearing Panel considers was or should have been within the knowledge of the Respondent during the 15 years he provided services to Clients #1 and #2 and certainly well before 2016 when the subject transaction occurred.

The MFDA panel imposed a fine of \$20,000 and costs of \$2,500. The respondent appealed to the Manitoba Securities Commission. It reduced the fine to \$10,000.

38. In *Re Stolarz*, 2016 LNCMFDA 129 the respondent was a mutual fund salesperson of 30 years' experience. He opened a RIF account in the name of a wife to which the husband was the sole contributor. He took instructions from the husband without consulting the wife to increase previously agreed amounts of withdrawals from the account. The matter came before a MFDA panel on an allegation against the respondent of unauthorized trading. The respondent had not previously been the subject of MFDA disciplinary proceedings. The panel approved a settlement agreement which required that the respondent pay a fine of \$15,000 and costs of \$2,500.

Result

39. Unauthorized trading by an Approved Person is a serious breach of MFDA rules as the above cases demonstrate. Given the mitigating factors and taking into account the penalties imposed in similar cases we approve the Settlement Agreement as modified on the day of the hearing.

DATED this 20th day of June, 2019.

“Peter B. Hambly”

The Hon. Peter B. Hambly
Chair

“Guenther W. K. Kleberg”

Guenther W. K. Kleberg
Industry Representative

“Joseph Yassi”

Joseph Yassi
Industry Representative



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: Laurina Mahendran

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, Laurina Mahendran (the "Respondent").

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. From January 20, 2016 to July 25, 2016, the Respondent was registered in Ontario as a dealing representative and was an Approved Person with TD Investment Services Inc. (“TDISI” or the “Member”), a member of the MFDA.

7. On July 25, 2016, the Member terminated the Respondent’s employment, partly as a result of the conduct of the Respondent that is described below.

8. At all material times, the Respondent conducted business from a branch in Scarborough, Ontario.

9. The Respondent is not currently registered in the securities industry in any capacity.

TDISI’s Policies and Procedures

10. At all material times, the Member’s Mutual Funds Compliance Manual provided that:

Mutual fund trade orders may be accepted via the following methods:

- **In-Branch:** Customers may visit their local branch to complete and sign the appropriate TDIS form ...
- **Phone Channel:** Customers may place trades through TD Canada Trust EasyLine, where phone lines are taped.
- **Internet:** Customers with access to TD Canada Trust EasyLine Web may conduct mutual fund transactions in their TDIS accounts.
- **By mail ...** Whether purchasing, redeeming or switching, customers must provide signed clear and full instructions and the customer's signature must be verified against their signed account application form on file before the transaction is processed.

...

Mutual fund orders cannot be accepted over the phone unless the call is being recorded.

Redemptions Processed From Client RM's RRSP Account

11. At all material times, client RM was a client of the Member. Client RM is an immigrant to Canada who does not speak English fluently. In July 2016, client RM was 57 years old.

12. Client RM's son, AR, was a colleague of the Respondent who worked at the same branch as the Respondent. AR was not an Approved Person. He was a customer service representative who was able to process banking transactions at the branch.

13. On July 4, 2016, the banking information of client RM that was on record with the Member was updated and changed from a bank account in RM's name to a bank account of his son, AR.

14. On July 4, 2016, AR told the Respondent that he urgently needed to pay his school tuition and that his father client RM had agreed to redeem investments from his registered retirement savings plan ("RRSP") account and to apply the proceeds to the tuition payment that was due.

15. AR led the Respondent to believe that his father had approved the transaction during a telephone conversation with AR and that his father was unable to attend at the branch that day.

16. The Respondent did not speak with client RM directly about the redemption request and she did not obtain any evidence of client authorization of the trade from client RM before

processing trades in client RM's account. However, she believed AR's explanation to her about the reason for the redemption request and the fact that client RM had authorized it.

17. On July 4, 2016, the Respondent processed four (4) redemptions of \$5,000 each, totaling \$20,000, from the RRSP account of client RM. The processing of the redemptions left a nominal balance remaining in client RM's RRSP account.

18. Each of the four redemptions was subject to a withholding tax of \$500, resulting in a total of \$2,000 in withholding tax. The Respondent did not discuss the tax implications of the trades with client RM before processing the redemptions. The Respondent states that she understood from AR that he had explained the tax implications of the trades to his father.

19. The proceeds from the redemptions were deposited into the new bank account on record for client RM which was the bank account of AR.

20. The Respondent provided her colleague AR with trade documentation specifying the details of the trades that she had processed in client RM's account and asked him to confirm his father's authorization of the trades by obtaining his father's signature on the trade documentation and returning the forms to her the next day for the file.

21. On or about July 5, 2016, AR returned to the branch with signed trade documentation. The Respondent accepted the signed trade documentation from AR and believed the documents had been signed by client RM.

22. The Respondent admits that she did not meet with client RM in the branch or elsewhere to obtain his signature on the trade documentation.

23. The Member subsequently questioned whether the signatures on the trade documentation were authentic signatures of client RM as the signatures did not match other signatures among the Member's records. The Respondent accepted AR's representation that the signatures were authentic signatures of his father, client RM.

24. During the investigation of this matter, AR admitted to Staff that unbeknownst to the Respondent, the money that he instructed the Respondent to redeem from client RM's (his father's) account was actually required to pay AR's personal debts and not to make tuition payments.

25. Client RM did not request a reversal of the transaction.

26. By processing redemption transactions in client RM's account based upon instructions that she received from AR without obtaining signed trade documentation from client RM at the branch before processing the trades, the Respondent engaged in unauthorized trading and contravened the policies and procedures of the Member, contrary to MFDA Rules 2.1.1, 2.5.1, 2.10 and 1.1.2.

27. Following an investigation, on July 25, 2016, the Member terminated the Respondent, in part, as a result of her contravention of the Member's policies and procedures with respect to the processing of the trades described in this Settlement Agreement.

Additional Factors

28. At the time that she processed the transactions described above, the Respondent was 22 years old and had no prior disciplinary history.

29. There is no evidence that the Respondent personally benefited from the unauthorized trades processed in client RM's account.

30. The Respondent is no longer registered in the industry and has not conducted securities related business since July 2016.

31. As a result of her relatively young age and limited work experience, the Respondent's financial resources to pay a fine are limited.

32. By entering into this Settlement Agreement, the Respondent has accepted responsibility for her misconduct and avoided the need for a prolonged hearing on the merits.

V. CONTRAVENTIONS

33. The Respondent admits that on July 4, 2016, she processed four (4) redemptions in client RM's RRSP account without first obtaining the client's authorization for the transactions and without meeting with the client at the branch office to obtain his signature on documentation authorizing the transaction, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 2.5.1, 2.10 and 1.1.2.

VI. TERMS OF SETTLEMENT

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

- a) The Respondent shall pay a fine in the amount of \$10,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:
 - i. \$400 payable on the date that this Settlement Agreement is accepted by a Hearing Panel; and
 - ii. \$800 payable on the first day of each month from July 1, 2019 to June 1, 2020; and
- b) The Respondent shall pay costs to the MFDA in the amount of \$2,500, pursuant to s. 24.2 of MFDA By-law No. 1 on the date that this Settlement Agreement is accepted by a Hearing Panel.

VII. STAFF COMMITMENT

35. 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 IX 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

36. Acceptance of this Settlement Agreement shall be sought at a hearing of the (Pacific/Prairie/Central/Atlantic) Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent. 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.

37. 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 her 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.

38. 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. 24.1.1 of MFDA 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.

39. 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 her.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

40. 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

41. 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 MFDA By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

42. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that she 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

43. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 21st day of February, 2019.

“Laurina Mahendran”

Laurina Mahendran

“AH”

Witness – Signature

AH

Witness – Print Name

“Shaun Devlin”

Shaun Devlin

Staff of the MFDA

Per: Shaun Devlin

Senior Vice-President,

Member Regulation – Enforcement

Schedule “A”

Order

File No. 201911



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: Laurina Mahendran

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 Laurina Mahendran (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 on the basis of the admissions made by the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that on July 4, 2016, she processed four (4) redemptions in client RM’s RRSP account without first obtaining the client’s authorization for the transactions and without meeting with the client at the branch office to obtain his signature on documentation authorizing the transaction, contrary to the Member’s policies and procedures and MFDA Rules 2.1.1, 2.5.1, 2.10 and 1.1.2.

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 \$10,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:

- (a) \$400 payable on the date of this Order; and
- (b) \$800 payable on the first day of each month from July 1, 2019 to June 1, 2020;

2. The Respondent shall pay costs to the MFDA in the amount of \$2,500, pursuant to s. 24.2 of MFDA By-law No. 1 on the date of this Order.

3. 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]

Schedule “2”

Order

File No. 201911



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: Laurina Mahendran

ORDER

(ARISING FROM SETTLEMENT HEARING ON MAY 28, 2019)

WHEREAS on February 13, 2019, 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 Laurina Mahendran (the “Respondent”);

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated February 21, 2019 (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 on the basis of the admissions made by the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that on July 4, 2016, she processed four (4) redemptions in client RM’s RRSP account without first obtaining the client’s authorization for the transactions and without meeting with the client at the branch office to obtain his signature on documentation authorizing the transaction, contrary to the Member’s policies and procedures and MFDA Rules 2.1.1, 2.5.1, 2.10 and 1.1.2.

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 \$10,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable on the date of this Order;
2. The Respondent shall pay costs to the MFDA in the amount of \$2,500, pursuant to s. 24.2 of MFDA By-law No. 1 on the date of this Order; and
3. 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 28th day of May, 2019.

“Peter Hambly”

Peter Hambly
Chair

“Joseph Yassi”

Joseph Yassi
Industry Representative

“Guenther Kleberg”

Guenther Kleberg
Industry Representative

DM 684490