



**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: Ravi Malhotra**

Heard: June 29, 2017 in Toronto, Ontario

Decision: June 29, 2017

Reasons for Decision: July 10, 2017

**REASONS FOR DECISION**

Hearing Panel of the Central Regional Council:

Paul M. Moore, Q.C.

Chair

Guenther K. Kleberg

Industry Representative

Robert C. White

Industry Representative

Appearances:

Charles Toth

)  
)  
)

Counsel for the Mutual Fund Dealers  
Association of Canada

Riaz Ahmed

)  
)

Counsel for the Respondent

## **Settlement Agreement**

1. The Hearing Panel accepted the settlement agreement dated February 9, 2017 (the “Settlement Agreement”) between the staff of the MFDA and Ravi Malhotra (the “Respondent”). A copy of the Settlement Agreement is attached to these reasons as Schedule “1”. The agreed facts are set out in Section III of the Settlement Agreement.

2. The original form of Order for the panel agreed to in the Settlement Agreement provided for one payment for the fine and costs on the hearing date. At the hearing, the parties agreed that the Order of this panel accepting the Settlement Agreement should instead provide for the payment of \$1,500 on entering into the Settlement Agreement and \$8,500 on July 28, 2017.

3. The Settlement Agreement provides that the Respondent will attend this hearing in person. He did not because his counsel mistakenly advised him that he need not attend since his counsel would be attending. It was not possible to arrange for the Respondent’s attendance without an adjournment. Staff agreed that the hearing should proceed under the circumstances and the panel agreed to this.

## **Contraventions**

4. The Respondent admitted that:

- a) between January 2010 and May 2015, he obtained, possessed, and in some instances, used to process transactions, 14 pre-signed account forms in respect of 13 clients, contrary to MFDA Rule 2.1.1.

## **Agreed penalties**

5. The agreed penalties were: i) a fine of \$7,500; ii) a costs award of \$2,500; and iii) a prohibition against acting in the capacity of a branch manager for a period of 3 months.

## **Considerations**

6. The Hearing Panel determined that it had to be satisfied regarding three considerations before it 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 contravention and taking into consideration other 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 him of the agreed penalty.

## **Nature of the Misconduct**

7. Obtaining, possessing and using unsigned account forms as admitted by the Respondent are conduct in violation of MFDA Rule 2.1.1.

## **Other considerations in determining acceptability of agreed penalties**

8. The Respondent had been designated as a branch manager for his branch.

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

10. There was no evidence of client loss or lack of authorization.

11. There was no evidence that the Respondent received any financial benefit from engaging in the misconduct beyond any commissions and fees that he would normally be entitled to receive if the transactions had been carried out in the proper manner.

12. The agreed penalties are significant and help the MFDA to send a message to the Respondent and others in the capital markets about the seriousness of the misconduct.

13. The Respondent has not previously been subject to MFDA disciplinary proceedings.

14. By entering into the Settlement Agreement, the Respondent has accepted responsibility for his misconduct and avoided the necessity of the MFDA incurring the time and expense of conducting a full disciplinary hearing.

15. The agreed penalties are within the reasonable range of appropriateness with regard to MFDA decisions submitted to us by staff, made by MFDA Hearing Panels in similar circumstances and are in accordance with the MFDA penalty guidelines.

#### **Costs**

16. The costs award is reasonable and appropriate.

## Conclusion

17. We concluded that the agreed penalties were within an acceptable range based on precedents, would serve as a specific and general deterrent, and were fair and reasonable. We concluded, therefore, that the Settlement Agreement was in the public interest and, consequently, we accepted it.

**DATED** this 10<sup>th</sup> day of July, 2017.

“Paul Moore”

---

Paul M. Moore, Q.C.  
Chair

“Guenther Kleberg”

---

Guenther K. Kleberg  
Industry Representative

“Robert White”

---

Robert C. White  
Industry Representative

## Schedule "1"

Settlement Agreement

File No. 201718



**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: Ravi Malhotra**

---

### SETTLEMENT AGREEMENT

---

#### **I. INTRODUCTION**

1. Staff of the Mutual Fund Dealers Association of Canada ("Staff") and the Respondent, Ravi Malhotra ("Respondent"), consent and agree to settlement of this matter by way of this agreement ("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 MFDA:

- a) between January 2010 and May 2015, the Respondent obtained, possessed and, in some instances, used to process transactions, 14 pre-signed account forms in respect of 13 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 \$7,500 pursuant to s. 24.1.1(b) of MFDA By-law No.1;
- b) the Respondent shall pay costs in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law No.1;
- c) the Respondent shall be prohibited from acting in the capacity of branch manager for a period of 3 months pursuant to s. 24.1.1(e) of MFDA 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. Between January 2010 and August 2015, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a Dealing Representative) with Desjardins Financial Security Investment Inc. ("Desjardins"), a Member of the MFDA.

8. Between February 2011 and June 2015, Desjardins designated the Respondent as a branch manager for his branch.

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

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

10. At all material times, Desjardins' policies and procedures prohibited its Approved Persons, including the Respondent, from obtaining, possessing or using pre-signed account forms.

11. Between January 2010 and May 2015, the Respondent obtained, possessed, and in some instances, used to process transactions 14 pre-signed account forms in respect of 13 clients.

12. The pre-signed account forms included transfer authorization forms, Letters of Direction, and change of dealer forms.

### **Desjardins' Investigation**

13. On May 8, 2015, Desjardins' compliance staff identified a pre-signed account form during a routine audit of the Respondent's branch.

14. As part of its investigation, Desjardins reviewed all client files serviced by the Respondent and identified the remainder of the pre-signed account forms described in this Settlement Agreement.

15. Desjardins called or sent letters to all of the clients affected by the Respondent's misconduct. No clients raised concerns in response to Desjardins' inquiries.

16. On or about June 12, 2015, Desjardins took the following actions:

- a) issued a warning letter to the Respondent;
- b) revoked the Respondent's branch manager's designation; and
- c) placed the Respondent under close supervision.

17. On August 10, 2015, the Respondent resigned from Desjardins.

#### **Additional Factors**

18. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above other than the commissions or fees he would ordinarily be entitled to had the transactions been completed in the proper manner.

19. There is no evidence of client loss or lack of authorization.

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

21. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a full hearing on the allegations.

#### **IV. ADDITIONAL TERMS OF SETTLEMENT**

22. 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.

23. The Settlement Agreement is subject to acceptance by the Hearing Panel which shall be sought at a hearing ("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](http://www.mfda.ca).

24. 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.

25. 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 waives any 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;
- c) Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the facts and contraventions described in this Settlement Agreement. 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 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.

26. 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.

27. 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.

28. 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 9<sup>th</sup> day of February, 2017.

“Ravi Malhotra”

\_\_\_\_\_  
Ravi Malhotra

“RA”

\_\_\_\_\_  
Witness – Signature

RA

\_\_\_\_\_  
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. 201718**



**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: Ravi Malhotra**

---

**ORDER**

---

**WHEREAS** on [date], the Mutual Fund Dealers Association of Canada (“MFDA”) issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of Ravi Malhotra (the “Respondent”);

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

**AND WHEREAS** the Hearing Panel is of the opinion that between January 2010 and May 2015, the Respondent obtained and possessed, 14 pre-signed account forms in respect of 13 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 \$7,500 pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
2. The Respondent shall pay costs in the amount of \$2,500 pursuant to s. 24.2 of MFDA By-law No. 1;
3. The Respondent shall be prohibited from acting in the capacity of branch manager for a period of 3 months pursuant to s. 24.1.1(e) of MFDA 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]