



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: Israel (Steve) Notis

Heard: October 7, 2019 in Toronto, Ontario

Decision: October 7, 2019

Reasons for Decision: December 4, 2019

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Emily Cole
Guenther W. K. Kleberg
Joe Yassi

Chair
Industry Representative
Industry Representative

Appearances:

Alan Melamud)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
)	
Usman Sheikh)	Counsel for the Respondent
)	
)	
Israel (Steve) Notis)	Respondent, in person
)	
)	

I. INTRODUCTION

1. This was a hearing pursuant to section 24.4 of By-Law No.1 of the Mutual Fund Dealers Association of Canada (“MFDA”) to consider a settlement agreement between Staff of the MFDA (“Staff”) and the Respondent, Israel (Steve) Notis.

2. After reviewing the proposed Settlement Agreement executed October 4, 2019 and the material filed by Staff and hearing the submissions of counsel for Staff and counsel for the Respondent and considerable discussion about our concerns, the Hearing Panel accepted the Settlement Agreement attached as Appendix “A”. Here are the reasons for our decision:

II. CONTRAVENTIONS

3. The Respondent admits to the following violations of the By-laws, Rules or Policies of the MFDA:

4. Between November 2016 and March 2017, the Respondent engaged in personal financial dealings with a client of the Member by obtaining funds from the client to invest in a condominium property jointly with the client, contrary to the Member’s policies and procedures and MFDA Rules 2.1.4, 2.1.1, and 1.1.2 and 2.5.1.

5. Between June 2015 and June 2017, the Respondent had and continued in an outside activity by serving on the board of directors of a gold exploration corporation that was not disclosed to and approved by the Member, contrary to the Member’s policies and procedures and MFDA Rules 1.2.1(c) (now 1.3.2)¹, 2.1.1, and 1.1.2 and 2.5.1.

6. Between at least 2014 and 2017, the Respondent obtained, possessed and, in some instances, used to process transactions, 62 pre-signed account forms, contrary to the Member’s policies and procedures and MFDA Rules 2.1.1 and 1.1.2 and 2.5.1.

7. Between July 2014 and March 2017, the Respondent falsely indicated on the Member’s Annual Consultant Certificate that he: (i) did not possess and use pre-signed forms; (ii) was not

¹ On March 14, 2016, Rule 1.2.1(c) was revised and renumbered as Rule 1.3.2.

engaged in any outside activities; and (iii) had reviewed and was compliant with the Member's policies and procedures, contrary to MFDA Rule 2.1.1.

8. Between May 2017 and June 2017, the Respondent misled the Member during an investigation into his conduct, contrary to MFDA Rule 2.1.1.

III. TERMS OF SETTLEMENT

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

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

- a) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 4 years from the date the Settlement Agreement is accepted, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
- b) the Respondent shall pay a fine in the amount of \$35,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1, in instalments as follows:
 - i. \$10,000 in certified funds upon acceptance of the Settlement Agreement;
 - ii. \$5,000 in certified funds on or before November 29, 2019;
 - iii. \$5,000 in certified funds on or before December 31, 2019;
 - iv. \$5,000 in certified funds on or before January 31, 2020;
 - v. \$5,000 in certified funds on or before February 28, 2020; and
 - vi. \$5,000 in certified funds on or before March 31, 2020.
- c) the Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No. 1;
- d) the Respondent shall in the future comply with MFDA Rules 1.3.2, 2.1.1, 2.1.4, and 1.1.2 and 2.5.1; and
- e) the Respondent will attend in person on the date set for the Settlement Hearing.

IV. AGREED FACTS

Registration History

11. From June 1, 2006 to May 23, 2017, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a dealing representative)² with Investors Group Financial Services Inc. (the “Member”), a Member of the MFDA.
12. From January 20, 2011 to April 16, 2012, the Respondent was designated as a branch manager.
13. On July 4, 2017, the Member terminated the Respondent’s employment, effective May 23, 2017, as a result of certain of the conduct that is the subject of this proceeding.
14. At all material times, the Respondent conducted business in the Toronto, Ontario area.
15. The Respondent is not currently registered in the securities industry in any capacity.

Personal Financial Dealings

16. At all material times, the Member’s policies and procedures prohibited its Approved Persons from engaging in any personal dealings or investment arrangements with clients.
17. On October 31, 2016, the Respondent purchased a condominium unit from a builder as an investment property. The Agreement of Purchase and Sale (“APS”) required the Respondent to make an initial deposit of \$3,000, a further deposit of \$25,495 30-days following the execution of the APS, and a further \$28,495 one-year following the execution of the APS.
18. On or around November 30, 2016, the Respondent’s client paid \$14,247.50 to the Respondent to co-invest in the purchase of the condominium. The amount of the cheque represented 50% of the deposit required under the APS within the first 30 days.
19. On March 1, 2017, the Respondent entered into an assignment agreement (the “Assignment Agreement”) to assign the purchase of the condominium to a third party. As a result of the

² In September 2009, the registration category Mutual Fund Salesperson changed to “Dealing Representative” when National Instrument 31-103 came into force.

Assignment Agreement, the Respondent and his client recovered the original deposit, and each earned a profit of \$39,915.

Outside Activity

20. At all material times, the Member's policies and procedures stated:

In the event, you wish to pursue an outside business activity (OBA), you must obtain prior approval from your Regional Director, and the Vice-President, Financial Services responsible for your area, Compliance and the regulator prior to start any activity.

21. In 2015, another client of the Respondent asked the Respondent to serve as an independent director on the board of directors of a gold exploration corporation (the "GEC"). The Respondent's client was the chief executive officer of the GEC.

22. The Respondent agreed and joined the board of directors of the GEC in June 2015. The Respondent was also appointed to the compensation committee, the governance committee, and the audit committee.

23. The Respondent received \$30,000 and 325,000 stock options, which he did not exercise, as compensation over the time he served on the board of directors of the GEC.

24. The Respondent did not disclose his position with the GEC to the Member or obtain the Member's approval in accordance with its policies and procedures.

25. The Respondent resigned from the board of directors effective June 15, 2017 after being requested by the Member to do so.

Pre-Signed Account Forms

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

27. In February 2015, the Respondent signed an attestation, stating that "he would not collect, accept from a client, maintain for future use, or submit for processing, any form that was signed by a client prior to being completed in full."

28. Between at least 2014 and 2017, the Respondent obtained, possessed and, in some instances, used to process transactions, 62 pre-signed account forms.

29. The pre-signed account forms consisted of one or more of the following forms: client application, security agreement on investments, transfer, credit application, investment instructions, know-your-client information form and know-your-client update form, Ontario LIRA addendum, declaration of spousal status, pre-authorized contribution agreement, and education savings plan grant.

False Statements on Annual Consultant Certificate

30. From 2014 to 2017, the Respondent completed the Member's Annual Consultant Certificate. Each certificate required the Approved Person to indicate: (i) whether he possessed and/or used a pre-signed form; (ii) whether he was engaged in an outside activity; and (iii) whether he had reviewed and was compliant with the Member's policies and procedures.

31. In each year, the Respondent answered "no" to questions (i) and (ii) above and "yes" to question (iii).

32. As a result of the facts set out above, some of the Respondent's answers were false in each year from 2014 to 2017.

Misleading the Member

33. Following the Member's discovery of the Respondent's outside activity as a director of the GEC, it commenced an investigation into his conduct.

34. From May 2017 to June 2017, the Member wrote the Respondent various questions concerning the conduct described above and interviewed the Respondent. In response to questioning, the Respondent failed to make full disclosure of the conduct described above until confronted by the Member with new information it had independently gathered.

35. In particular, the Respondent:

- a) did not disclose the involvement of a Member client in his purchase of an investment property; and

- b) did not disclose his full compensation as a director of the GEC.

Additional Factors

36. The Respondent states that he considered the client with whom he purchased the condominium unit a close personal friend.
37. The Respondent states that neither he nor any of his clients traded in any of the securities of the GEC.
38. The Respondent has not previously been the subject of MFDA disciplinary proceedings.
39. The Respondent cooperated with Staff's investigation and admitted to some of the allegations at the outset of the investigation.
40. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a full hearing on the allegations.

V. ANALYSIS

Jurisdiction and Role of the Hearing Panel

41. Settlements play an important and necessary role in facilitating the MFDA's principal goal of protecting the investing public. An administrative tribunal cannot adjudicate every matter that comes before it. Settlements provide an efficient and effective way for the MFDA to proscribe conduct that is harmful to the public, while providing a flexible remedy that can be tailored to address the interests of Staff and respondents:

But the power to settle, I find, is necessary if the Commission is going to carry out its purpose under s. 4(2) and its enforcement mandate under ss. 161 and 162 in an effective and efficient manner. Administrative tribunals do not and can not adjudicate on every matter that commences before them.

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.

British Columbia (Securities Commission) v. Seifert, [2006] B.C.J. No. 225 at paras. 48-49 (S.C.), aff'd, [2007] B.C.J. No. 2186 at para. 31 (C.A), Staff's Book of Authorities [SBA], Tabs 1A & 2B.

42. Accordingly, it is generally accepted that hearing panels will not lightly interfere in a settlement agreement reached between Staff and a respondent. Section 24.4.3 of MFDA By-Law No. 1 provides that hearing panels may only accept or reject a settlement in its entirety. A hearing panel's role is therefore not to determine *the correct* sanction, but instead to ascertain whether the sanction agreed to between Staff and a respondent falls within the reasonable range of appropriateness:

In a contested Hearing, the Hearing Panel attempts to determine the correct penalty. In a Settlement Hearing, the Hearing Panel takes into account the settlement process itself and the fact that the parties have agreed to the penalties set out in the Settlement Agreement. **In our view, a Hearing Panel should not interfere lightly in a negotiated settlement and should not reject a Settlement Agreement unless it views the penalty as clearly falling outside a reasonable range of appropriateness.** As has been said: "The settlement process is one of negotiation and compromise and the penalty imposed following a settlement will often be less onerous than one imposed following a Hearing where similar findings are made.

MFDA By-law No. 1, SBA, Tab 1.

Professional Investments (Kingston) Inc. (Re), 2009 LNCMFDA 9 at para. 13, SBA, Tab 2. [Emphasis added.]

Ho (Re), 2018 LNCMFDA 21 at paras. 24-26, SBA, Tab 3.

VI. THE SERIOUSNESS OF THE MISCONDUCT

43. We agree with Staff's characterization of the misconduct as very serious. There were five separate contraventions: (1) personal financial dealings; (2) undisclosed outside activities; (3) pre-signed account forms; (4) false statements on annual consultant certificate; and (5) misleading the Member. Some of the misconduct was sustained over a prolonged three-year period. Also, the Respondent had been designated as a branch manager in the past and ought to have known his conduct contravened the MFDA Rules.

Personal financial dealings

44. In November 2016, the Respondent co-invested in a condominium with a client. Fortunately for all concerned, less than six months later, the Respondent and the client each earned a profit of \$39,915 on their investment.

45. The Respondent states that he considered the client with whom he purchased the condominium a close friend. Regardless of whether the client was or had become a friend, it was incumbent upon the Respondent to refrain from personal financial dealings with that individual because he was a client.

Outside activities

46. The Respondent served as a supposedly independent director of a gold mining exploration company from 2015 - June 15, 2017. The request to serve on the Board came from one of the Respondent's clients, who was the Chief Executive Officer of the company.

47. The Respondent's outside activity is a serious breach of the prohibition against outside activity. The Respondent did not request approval from the Member or even disclose his directorship. There was no evidence that the Member would have approved such activity even with terms and conditions. Given that the request to serve on the board came from a client, and the prohibition against personal financial dealings it seems unlikely.

Pre-signed forms

48. The Respondent's contravention of the prohibition against pre-signed forms is very serious because the Respondent obtained, possessed and, in some instances used to process transactions, 62 pre-signed forms. The use of pre-signed forms adversely affects the integrity and reliability of account documents, destroys the audit trail and prevents the Member from effectively supervising its Dealing Representatives and protecting clients.

49. Staff submitted that there was no evidence of discretionary trading being done with these forms nor any evidence of any harm being done to clients from the use of any of these forms.

50. Nonetheless we were concerned about the potential for client harm given the nature of the forms the Respondent had pre-signed and the authority which they purported to provide. In our view this aggravates the seriousness of the contravention of Rule 2.1.1. The pre-signed forms consisted of one or more of the following forms:

- client application;
- security agreement on investments;
- transfer;
- credit application;
- investment instructions;
- know-your-client information form and know-your-client update form;
- Ontario LIRA addendum;
- declaration of spousal status;
- pre-authorized contribution agreement; and
- education savings plan grant.

51. The evidence was that the Respondent's pre-signed form misconduct started in at least 2014 and continued until 2017, presumably until the misconduct was revealed and the Respondent was terminated by the Member. In circumstances where a Respondent obtains, possesses and uses many pre-signed forms over a long period of time, it is reasonable to infer that pre-signing forms was the Respondent's practice and not an isolated incident for convenience. Such calculated conduct over a prolonged period is a very serious contravention of Rule 2.1.1.

52. What's more is that some of the forms post-date the Respondent's attestation in 2015 that "he would not collect, accept from a client, maintain for future use, or submit for processing, any form that was signed by a client prior to being completed in full".

False Statements on Annual Consultant Certificate

53. The seriousness of the Respondent's breach of the Member's policies and procedures and MFDA Rules 2.1.1 and 1.1.1 and 2.5.1 was further aggravated when he denied possessing or using pre-signed forms when he completed the Member's Annual Consultant certificate in 2014, 2015 and 2016.

54. The Respondent also denied he was engaged in outside activity when he completed the Member's Annual Consultant certificate in 2014, 2015 and 2016.

55. Finally, the Respondent positively affirmed that he had reviewed and was compliant with the Member's policies and procedures.

56. These falsehoods which constitute a further contravention are very serious and reflect a completely cavalier attitude towards the Member's Annual Consultant Certificate, the Member's policies and procedures and MFDA Rules.

Misleading the Member

57. To add insult to injury, the Respondent misled the Member when asked about his misconduct.

58. After the Member discovered that the Respondent was serving as a director, the Member began an investigation into his conduct. In response to the Member's inquiries, the Respondent failed to make full disclosure of his misconduct, particularly his co-investment with a client and the full compensation that he received for serving as a director. It was only when confronted by the Member with new information that it had independently gathered that the Respondent was more forthcoming.

VII. GENERAL AND SPECIFIC DETERRENCE

59. The Hearing Panel was concerned about whether the proposed sanctions would provide a general deterrent and send a loud enough message to discourage similar wrongdoing by others in the future. The misconduct was very serious. There were five separate contraventions. And some of the misconduct was sustained over a prolonged three-year period.

60. There were no comparative cases submitted to the Hearing Panel. Staff listed seven 'Previous Decisions Made in Similar Cases' at paragraph 48 in the Written Submissions of Staff of the MFDA. However, Staff submitted in oral submissions "the cases do not match".

61. The proposed monetary penalty was \$35,000, which did not disgorge the Respondent's entire gain of \$69,915. Paragraph 14 of the Settlement Agreement states that the Respondent

earned a profit of \$39,915 from his personal financial dealings, namely the Respondent's co-investment with his client in a condo. Paragraph 18 states that the Respondent earned \$30,000 from his outside activity, namely his service on the board of directors. Further there was evidence in paragraph 18 of the Settlement Agreement that the Respondent had received 325,000 stock options (which he did not exercise). The Settlement Agreement was silent about whether those stock options continued to exist.

62. The proposed sanctions included a four-year prohibition. Paragraph 8 and 10 of the Settlement Agreement stated that the Respondent had been terminated by the Member in 2017 and was not currently registered in the securities industry but there was no evidence about whether the Respondent was working in the insurance or other industry.

63. Given the lack of evidence about the Respondent's current occupation, if any, and the lack of evidence that he had an inability to pay, the Hearing Panel was also concerned that the proposed sanctions would not provide specific deterrence to the Respondent.

64. We raised these concerns at the hearing. Staff invited us to balance the \$35,000 fine with the four-year prohibition. Staff submitted that the four-year prohibition is a significant period. Staff also noted that the Respondent has been out of the industry for two years since he was terminated in 2017. Further, Staff stated that if after the four-year prohibition, the Respondent were to try to return to the industry, he would essentially have to start anew. We considered the additional safeguard provided by the fact that the Respondent would have to re-educate himself and persuade another Member to support his registration, employ and supervise him. Under all the circumstances, Staff submitted that the amount of the fine and the four-year prohibition strikes the right balance.

65. Staff provided *Re Sarang*, a previous MFDA settlement which considered personal financial dealings with the client, in addition to two other allegations of misconduct. The sanctions accepted in *Re Sarang* were a permanent prohibition, a \$7500 fine and \$2500 in costs. In *Re Sarang*, the Respondent borrowed money from a client for an investment. At the hearing, the panel queried whether borrowing money from a client was as serious misconduct as co-investing with a client as the Respondent had done in the case at hand. Staff stated that he did not see a difference between the two.

66. Staff also provided *Re Snelson*, a previous MFDA settlement which considered outside business activity in addition to two other allegations. The sanctions accepted in *Re Snelson* were a permanent prohibition, a \$20,000 fine and \$2500 in costs. In *Re Snelson*, much like the case at hand, the outside activity was serving on a Board of Directors of a junior mining company - Threegold. But in our view, the similarities stop there.

67. The second allegation was that Mr. Snelson raised \$310,000 for Threegold by selling debentures in Threegold to at least 15 clients and four individuals and raised \$310,000. In other words, Mr. Snelson used his Member clients to raise \$310,000 for Threegold to advance his own interests and that of Threegold. This is a clear conflict of interest and an example of precisely the investor harm that the outside business activity rule is designed to protect against.

68. The panel raised its concerns at the hearing. Staff submitted that we should consider the number of clients harmed and the amount of money involved. In *Re Snelson*, 15 clients and 4 individuals were harmed by the Respondent engaging in outside business activity and engaging in securities related business not carried out for the Member and the amount raised was \$310,000. In the case at hand of Mr. Notis, one client was harmed by his personal dealings with the client, Mr. Notis earned a profit of \$39,915 from his co-investment with his client and the compensation earned by his outside activity, serving on the board were \$30,000.

VIII. AGGRAVATING AND MITIGATING FACTORS

69. We considered the following aggravating factors:

- there were five contraventions;
- one of the contraventions included misleading a Member which further concealed the contraventions which falsehood the Respondent did not confess until confronted with independent evidence to the contrary;
- one of the contraventions included falsifying statements; and
- the misconduct occurred over a sustained period of three years.

70. We also took into consideration the following mitigating factors:

- there was no financial harm to the clients as a result of the Respondent's misconduct;
- the Respondent has not previously been the subject of an MFDA disciplinary procedures;
- by entering into the Settlement Agreement, the Respondent has saved the MFDA the time resources and expenses associated with conducting a full hearing into the allegations.

Ability to Pay

71. The Respondent's misconduct would ordinarily warrant that the \$35,000 fine be paid in a lump sum. In this case, we were asked to approve an installment payment plan. The MFDA Sanction Guidelines provide that a Respondent's ability to pay a fine is a consideration when imposing an appropriate monetary sanction including whether to approve an installment payment plan.

Ability to pay – the Respondent's ability to pay may be a consideration in determining the appropriate monetary sanction to be imposed. However, it is only one of the factors to be weighed in relation to all other applicable factors including general and specific deterrence and the need to ensure public confidence in the MFDA's disciplinary processes.

The burden is on the Respondent to raise the issue and to provide evidence of inability to pay, such as tax returns or audited financial statements. Evidence of a *bona fide* inability to pay may result in the reduction or waiver of a fine, **or in the imposition of an instalment payment plan**. In cases in which Hearing Panels impose a lesser monetary sanction based on a *bona fide* inability to pay, the Reasons for Decision should so indicate.

MFDA Sanction Guidelines, p.5 para. 11

72. There were no written submissions which addressed why the imposition of an instalment plan was appropriate. The written submissions also did not indicate that Staff was satisfied based on evidence provided by the Respondent that the Respondent had a *bona fide* inability to pay. This evidence is necessary to enable a Hearing Panel to determine whether the proposed monetary sanction is within "a reasonable range of appropriateness."

73. Paragraph 8 of the Settlement Agreement states that on July 4, 2017, the Member terminated the Respondent's employment, effective May 23, 2017, as a result of certain of the conduct that is the subject of this proceeding. Paragraph 10 of the Settlement Agreement states the Respondent is not currently registered in the securities industry in any capacity.

74. Without further evidence it would be unreasonable for a Hearing Panel to infer from paragraphs 8 and 10 of the Settlement Agreement that the Respondent had an inability to pay a \$35,000 fine in a lump-sum.

75. It is entirely possible that the Respondent had savings at the time of his termination. There was evidence at paragraph 14 of the Settlement Agreement that the Respondent earned a profit of \$39,915 from his personal financial dealings, namely the Respondent's co-investment with his client in a condo. There was also evidence at paragraph 18 that the Respondent earned \$30,000 from his outside activity, namely his service on the board of directors.

76. It is also possible that the Respondent was gainfully employed in another industry and was able to pay a lump sum. It is also within the realm of possibilities that the Respondent might have saved the necessary funds to pay a fine. He would have known since July 2017, when he was terminated by the Member that he would likely have to pay a \$35,000 fine or greater for his misconduct.

77. At the hearing, we raised our concern about the absence of evidence of a *bona fide* inability to pay without which we were unable to determine whether an instalment plan was appropriate.

78. Staff advised us that they were satisfied that the Respondent had a legitimate inability to pay that warranted a lump sum penalty.

79. Staff also advised us that the stock options no longer existed.

80. In addition, Staff advised us that the Respondent was no longer licensed in the insurance industry and that his license expired on January 5, 2019.

81. We accept that a fine of \$35,000 to be paid by installments is appropriate given the Respondent's *bona fide* inability to pay.

IX. CONCLUSION

82. After raising our concerns set out above, we could not conclude that the proposed penalties, including the four-year prohibition of the Respondent’s authority to work in the industry, the \$35,000 fine and \$5,000 in costs fell outside a reasonable range of appropriateness.

83. We therefore accepted the Settlement Agreement and made an Order reflecting the agreed upon penalties against Mr. Notis.

DATED this 4th day of December, 2019.

“Emily Cole”

Emily Cole
Chair

“Guenther W. K. Kleberg”

Guenther W. K. Kleberg
Industry Representative

“Joe Yassi”

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THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Israel (Steve) Notis

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, Israel (Steve) Notis.

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. ACKNOWLEDGMENT

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 IX) 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 June 1, 2006 to May 23, 2017, the Respondent was registered in Ontario as a mutual fund sales person (now known as a dealing representative)³ with Investors Group Financial Services Inc. (the “Member”), a Member of the MFDA.

7. From January 20, 2011 to April 16, 2012, the Respondent was designated as a branch manager.

8. On July 4, 2017, the Member terminated the Respondent’s employment, effective May 23, 2017, as a result of certain of the conduct that is the subject of this proceeding.

9. At all material times, the Respondent conducted business in the Toronto, Ontario area.

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

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20. The Respondent resigned from the board of directors effective June 15, 2017 after being requested by the Member to do so.

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False Statements on Annual Consultant Certificate

25. From 2014 to 2017, the Respondent completed the Member's Annual Consultant Certificate. Each certificate required the Approved Person to indicate: (i) whether he possessed and/or used a pre-signed form; (ii) whether he was engaged in an outside activity; and (iii) whether he had reviewed and was compliant with the Member's policies and procedures.

26. In each year, the Respondent answered "no" to questions (i) and (ii) above and "yes" to question (iii).

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Misleading the Member

28. Following the Member's discovery of the Respondent's outside activity as a director of the GEC, it commenced an investigation into his conduct.

29. From May 2017 to June 2017, the Member wrote the Respondent various questions concerning the conduct described above and interviewed the Respondent. In response to questioning, the Respondent failed to make full disclosure of the conduct described above until confronted by the Member with new information it had independently gathered.

30. In particular, the Respondent:

- a) did not disclose the involvement of a Member client in his purchase of an investment property; and
- b) did not disclose his full compensation as a director of the GEC.

Additional Factors

31. The Respondent states that he considered the client with whom he purchased the condominium unit a close personal friend.

32. The Respondent states that neither he nor any of his clients traded in any of the securities of the GEC.

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

34. The Respondent cooperated with Staff's investigation and admitted to some of the allegations at the outset of the investigation.

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

V. CONTRAVENTIONS

36. The Respondent admits that between November 2016 and March 2017, he engaged in personal financial dealings with a client of the Member by obtaining funds from the client to invest in a condominium property jointly with the client, contrary to the Member's policies and procedures and MFDA Rules 2.1.4, 2.1.1, and 1.1.2 and 2.5.1.

37. The Respondent admits that between June 2015 and June 2017, he had and continued in an outside activity by serving on the board of directors of a gold exploration corporation that was not disclosed to and approved by the Member, contrary to the Member's policies and procedures and MFDA Rules 1.2.1(c) (now 1.3.2)⁴, 2.1.1, and 1.1.2 and 2.5.1.

38. The Respondent admits that between at least 2014 and 2017, he obtained, possessed and, in some instances, used to process transactions, 62 pre-signed account forms, contrary to the Member's policies and procedures and MFDA Rules 2.1.1 and 1.1.2 and 2.5.1.

39. The Respondent admits that between July 2014 and March 2017, he falsely indicated on the Member's Annual Consultant Certificate that he: (i) did not possess and use pre-signed forms; (ii) was not engaged in any outside activities; and (iii) had reviewed and was compliant with the Member's policies and procedures, contrary to MFDA Rule 2.1.1.

40. The Respondent admits that between May 2017 and June 2017, he misled the Member during the course of an investigation into his conduct, contrary to MFDA Rule 2.1.1.

VI. TERMS OF SETTLEMENT

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

- a) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 4 years from the date the Settlement Agreement is accepted, pursuant to section 24.1.1(e) of MFDA By-law No. 1;

⁴ On March 14, 2016, Rule 1.2.1(c) was revised and renumbered as Rule 1.3.2.

- b) the Respondent shall pay a fine in the amount of \$35,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1, in instalments as follows:
 - i. \$10,000 in certified funds upon acceptance of the Settlement Agreement;
 - ii. \$5,000 in certified funds on or before the last business day of the first month following the acceptance of the Settlement Agreement;
 - iii. \$5,000 in certified funds on or before the last business day of the second month following the acceptance of the Settlement Agreement;
 - iv. \$5,000 in certified funds on or before the last business day of the third month following the acceptance of the Settlement Agreement;
 - v. \$5,000 in certified funds on or before the last business day of the fourth month following the acceptance of the Settlement Agreement;
 - vi. \$5,000 in certified funds on or before the last business day of the fifth month following the acceptance of the Settlement Agreement.
- c) the Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No. 1;
- d) the Respondent shall in the future comply with MFDA Rules 1.3.2, 2.1.1, 2.1.4, and 1.1.2 and 2.5.1; and
- e) the Respondent will attend in person on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

42. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not continue any proceeding under the By-laws of the MFDA against the Respondent in respect of 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 contraventions that are not set out in Part V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the contraventions set out in Part 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

43. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent. 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.

44. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive his rights to a full hearing, a review hearing before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction.

45. 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 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.

46. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against him.

47. 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.

IX. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

48. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule "A" is not made by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

49. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

X. DISCLOSURE OF AGREEMENT

50. 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.

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

XI. EXECUTION OF SETTLEMENT AGREEMENT

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

53. An electronic copy of any signature shall be effective as an original signature.

DATED this 4th day of October, 2019.

“Israel (Steve) Notis”

Israel (Steve) Notis

“US”

Witness – Signature

US

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. 201953



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: Israel (Steve) Notis

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a News Release announcing 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 MFDA should accept the settlement agreement entered into between Staff of the MFDA (“Staff”) and the Respondent, Israel (Steve) Notis (the “Respondent”);;

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

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

- a) between November 2016 and March 2017, engaged in personal financial dealings with a client of the Member by obtaining funds from the client to invest in a condominium property jointly with the client, contrary to the Member’s policies and procedures and MFDA Rules 2.1.4, 2.1.1, and 1.1.2 and 2.5.1;

- b) between June 2015 and June 2017, had and continued in an outside activity by serving on the board of directors of a gold exploration corporation that was not disclosed to and approved by the Member, contrary to the Member's policies and procedures and MFDA Rules 1.2.1(c) (now 1.3.2), 2.1.1, and 2.5.1 and 1.1.2;
- c) between at least 2014 and 2017, obtained, possessed and, in some instances, used to process transactions, 62 pre-signed account forms, contrary to the Member's policies and procedures and MFDA Rules 2.1.1 and 1.1.2 and 2.5.1;
- d) between July 2014 and March 2017, falsely indicated on the Member's Annual Consultant Certificate that he: (i) did not possess and use pre-signed forms; (ii) was not engaged in any outside activities; and (iii) had reviewed and was compliant with the Member's policies and procedures, contrary to MFDA Rule 2.1.1; and
- e) between May 2017 and June 2017, misled the Member during the course of an investigation into his conduct, 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 be prohibited from conducting securities related business in any capacity while in the employ of or associated with any MFDA Member for a period of 4 years from the date the Settlement Agreement is accepted, pursuant to section 24.1.1(e) of MFDA By-law No. 1.

2. The Respondent shall pay a fine in the amount of \$35,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1, in instalments as follows:

- a) \$10,000 in certified funds upon acceptance of the Settlement Agreement;
- b) \$5,000 in certified funds on or before [Date];
- c) \$5,000 in certified funds on or before [Date];
- d) \$5,000 in certified funds on or before [Date];
- e) \$5,000 in certified funds on or before [Date]; and
- f) \$5,000 in certified funds on or before [Date].

3. The Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No. 1.

4. The Respondent shall in the future comply with MFDA Rules 1.3.2, 2.1.1, 2.1.4, and 1.1.2 and 2.5.1.

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]

DM 706188