



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: Sean William Kent Parlee

Heard: November 12, 2019 in Edmonton, Alberta

Decision: November 12, 2019

Reasons for Decision: December 6, 2019

REASONS FOR DECISION

Hearing Panel of the Prairie Regional Council:

Shelley L. Miller, QC
Kathleen Jost
Richard Sydenham

Chair
Industry Representative
Industry Representative

Appearances:

Sakeb Nazim)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
)	
Sean William Kent Parlee)	Respondent, by teleconference
)	
)	

Background

1. On October 15, 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 Sean William Kent Parlee, (the "Respondent").
2. The Respondent entered into a Settlement Agreement dated October 15, 2019 with Staff of the MFDA, dated October 15, 2019 in which the Respondent agreed to a proposed settlement of matters.
3. On November 12, 2019, after hearing submissions from Enforcement Counsel and the Respondent, this Hearing Panel approved the Settlement Agreement, and signed an Order reflecting that approval. These are our written reasons for doing so.

Agreed Facts

Registration History

4. From November 2010 to November 2018, the Respondent was registered in Alberta as a dealing representative (formerly known as a mutual fund salesperson) with Royal Mutual Funds Inc. ("the Member"), a Member of the MFDA.
5. On November 29, 2018, the Member terminated the Respondent's registration, and he is not currently registered in the securities industry in any capacity.
6. At all material times, the Respondent carried on business in the Fort McMurray, Alberta area.

Pre-Signed Account Forms

7. At all material times, the Member's policies and procedures prohibited its Approved Persons from holding, obtaining, or using pre-signed account forms.
8. The Member's policies and procedures also required its Approved Persons to discuss with clients investment options for mutual funds transferred from other financial institutions into the accounts of clients at the Member. Where the client wishes to leave advance investment instructions with the Approved Person, the Approved Person must record the client's investment

selection(s) and the amount or percentage for each investment on the Member's trade instruction form. The Approved Person must then have the client sign and date the form. When the mutual funds are received by the Member from another financial institution, the Approved Person must contact the client to review the investment selections and confirm whether the instructions remain unchanged.

9. Between December 2015 and November 2018, the Respondent obtained, possessed, and used to process transactions, 110 pre-signed account forms in respect of 35 clients.

10. Out of the 110 pre-signed forms described above, the Respondent did not record the amount or percentage of each investment on 63 account forms when obtaining advance investment instructions from clients, contrary to the requirements in the Member's policies and procedures. Instead, he obtained partially completed pre-signed forms from the clients. He then filled in the fund names and amounts in the pre-signed forms after the mutual funds were transferred from other institutions to the client accounts at the Member.

11. The pre-signed account forms consisted of Registered Plan and Investment Account Contribution, Retirement Savings Application, Account Opening Information and Registered Plan and Investment Account Withdrawal forms.

Member's Investigation

12. On November 5, 2018, the Member identified one of the pre-signed forms that are the subject of this Settlement Agreement during an onsite branch review. The Member subsequently commenced a review of all of the client files serviced by the Respondent and identified the remaining account forms that are the subject of this Settlement Agreement.

13. On November 29, 2018, the Member terminated the Respondent's registration.

Additional Factors

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

15. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above beyond any commissions and fees that he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.

16. There is no evidence of any client loss or that the transactions were unauthorized.

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

Analysis

18. The Respondent admits that he obtained, possessed, and used to process transactions, 110 pre-signed account forms in respect of 35 clients.

19. The forms were processed after the MFDA issued MFDA Bulletin #0661-E on October 2, 2015. In the Bulletin, Staff advised Members and Approved Persons that Staff will be seeking enhanced penalties at MFDA disciplinary proceedings for conduct that occurred after the publication of the Bulletin on October 2, 2015, (the “MFDA Bulletin”).

20. The conduct here was committed after the issuance of the MFDA Bulletin.

21. The Settlement Agreement provides that the Respondent has agreed to pay a fine of \$22,500 and costs of \$2,500.

22. A hearing panel should not interfere lightly in a negotiated settlement and should not reject a settlement agreement unless it views the proposed penalty as clearly falling outside the range of reasonableness. In our view, this Settlement Agreement advances the public interest and is reasonable and proportionate, having regard to all of the circumstances.

23. We have arrived at this conclusion having considered the following factors:

i. Nature of the Misconduct: Pre-signed Account Forms

24. The Respondent admits that he obtained, possessed, and used to process transactions, 110 pre-signed account forms.

ii. Post-Bulletin Misconduct

25. MFDA Hearing Panels have considered conduct of this nature committed after the issuance of the MFDA Bulletin to be an aggravating factor.

iii. The Respondent's Experience in the Securities Industry

26. The Respondent was registered as a mutual fund dealing representative since June 2010. He is an experienced dealing representative who ought to have known and respected the MFDA's and the Member's compliance requirements.

iv. The Respondent's Past Conduct

27. The Respondent has not previously been disciplined by the MFDA.

v. The Respondent's Recognition of the Seriousness of his Misconduct

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

vi. Client Harm and Benefits Received by the Respondent

29. There is no evidence of client harm. There is no evidence that the Respondent received any financial or other benefit through his conduct, and there was no client complaint.

vii. Deterrence

30. A fine of \$22,500 is necessary and sufficient to achieve the goals of specific and general deterrence, having regard to the factors described above. It demonstrates that the Respondent's misconduct in all of the circumstances is serious and has significant consequences. The penalty will also deter others in the capital markets from engaging in similar activity.

Conclusion

31. We have considered the existing precedents on penalty, as well as the MFDA's non-binding Sanctions Guidelines.

32. In summary, we find that the Settlement Agreement is in the public interest. As said, it is reasonable and proportionate, it addresses specific and general deterrence and will foster public confidence in the integrity of the Canadian capital markets, and the industry.

Order

33. For these reasons, the Settlement Agreement was approved.

34. We thank Enforcement Counsel and the Respondent for their cooperation during the hearing.

DATED this 6th day of December, 2019.

“Shelley L. Miller”

Shelley L. Miller, QC
Chair

“Kathleen Jost”

Kathleen Jost
Industry Representative

“Richard Sydenham”

Richard Sydenham
Industry Representative

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