



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: Rakeshkumar Patel

Heard: September 17, 2019 in Toronto, Ontario
Decision: September 17, 2019
Reasons for Decision: December 4, 2019

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Emily Cole
Matthew Onyeaju
Colleen Waring

Chair
Industry Representative
Industry Representative

Appearances:

David Barbaree)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
)	
Rakeshkumar Patel)	Respondent, in person
)	
)	

I. INTRODUCTION

1. The Mutual Fund Dealers Association of Canada (the “MFDA”) commenced a disciplinary proceeding against Mr. Rakeshkumar Patel (the “Respondent”) on March 26, 2019, by issuing a Notice of Hearing under sections 20 and 24 of MFDA By-law No. 1.
2. The Respondent entered into a Settlement Agreement with MFDA Staff on May 15, 2019, in which the Respondent agreed to a proposed settlement of the allegations against him.
3. A settlement hearing was convened September 17, 2019 under s. 24.4 of By-Law No.1 to consider whether a hearing panel of the Central Regional Council should accept the Settlement Agreement.
4. The Respondent was self-represented. He confirmed that he was aware of his right to counsel but wished to proceed without counsel. After hearing submissions from MFDA Staff and confirming that the Respondent had reviewed the materials and agreed with the proposed sanctions, we accepted the Settlement Agreement attached as Appendix “A” and signed an order reflecting our approval. These are our written reasons for doing so.

II. THE CONTRAVENTIONS

5. The Respondent admits the following contraventions of the Rules, Policies and By-law of the MFDA as set out in the Settlement Agreement:
 - a) On February 27, 2015, the Respondent, without client VB’s authorization, changed client VB’s address on the Member’s back office system from client VB’s residential address to the branch address at which the Respondent conducted business, contrary to the Member’s policies and procedures, and MFDA Rules 2.1.1, 2.10 and 1.1.2.
 - b) On April 14, 2015, the Respondent, in response to a supervisory query from the Member’s compliance staff regarding the suitability of a trade, changed client VB’s investment objectives on a Know-Your-Client (“KYC”) update form without client VB’s knowledge or authorization, and falsified client VB’s signature on the KYC update form, contrary to MFDA Rules 2.2.1 and 2.1.1.

- c) On January 13, 2016, the Respondent misled the Member during the course of its supervisory investigation into his conduct, contrary to MFDA Rule 2.1.1.

III. THE TERMS OF SETTLEMENT

6. The Respondent agreed to the following terms of settlement as set out in the Settlement Agreement:

- a) a two-year prohibition on the authority of the Respondent to conduct securities related business in any capacity while in the employ of or associated with any MFDA Member, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
- b) the Respondent shall pay a fine in the amount of \$5,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:
 - i. \$500 payable on the date that this Settlement Agreement is accepted by a Hearing Panel;
 - ii. \$500 on or before the last business day of the first month following the acceptance of the Settlement Agreement;
 - iii. \$500 on or before the last business day of the second month following the acceptance of the Settlement Agreement;
 - iv. \$500 on or before the last business day of the third month following the acceptance of the Settlement Agreement;
 - v. \$500 on or before the last business day of the fourth month following the acceptance of the Settlement Agreement;
 - vi. \$500 on or before the last business day of the fifth month following the acceptance of the Settlement Agreement;
 - vii. \$500 on or before the last business day of the sixth month following the acceptance of the Settlement Agreement;
 - viii. \$500 on or before the last business day of the seventh month following the acceptance of the Settlement Agreement;
 - ix. \$500 on or before the last business day of the eighth month following the acceptance of the Settlement Agreement; and

- x. \$500 on or before the last business day of the ninth month following the acceptance of the Settlement Agreement.
- c) 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.
- d) the Respondent shall in the future comply with MFDA Rules 2.1.1, 2.10, 2.2.1 and 1.1.2.
- e) the Respondent will attend in person, on the date set for the Settlement Hearing.

IV. AGREED FACTS

7. The Respondent agreed to the following facts as set out in the Settlement Agreement:

Registration History

8. From January 10, 2008 to January 27, 2016, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with BMO Investments Inc. (the “Member”), a Member of the MFDA.

9. On January 27, 2016, the Member terminated the Respondent, in part, as a result of the events described below.

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

11. At all material times the Respondent carried on business at a branch office of the Member located in Brampton, Ontario (the “Brampton Branch”).

The Member’s Policies and Procedures

12. At all material times, the Member’s policies and procedures provided that:

- a) changes to a client’s primary or alternative address requires client authorization, and
- b) clients cannot use the Member’s branch address to receive mail, unless:
 - i. the request is made in writing;

- ii. it is not intended to be a permanent arrangement; and
- iii. a “hold mail” arrangement has been approved by the branch manager and compliance department.

Client VB’s New Account Application Form and Investment

13. On February 27, 2015, the Respondent met with client VB at the Brampton Branch. Client VB was 74 years old at the time.

14. The Respondent completed a new account application form (the “NAAF”) with client VB. The NAAF accurately recorded client VB’s residential address and provided for the delivery of paper statements to client VB’s residential address.

15. The NAAF stated that client VB had a net worth of between \$50,000 and \$100,000, an annual income between \$20,000 and \$50,000, and a “low” risk tolerance. The NAAF also stated that client VB had the following investment objectives:

Security of Capital – High

Income – Low

Balanced – Low

Growth – Low

16. The Respondent recommended that client VB invest \$39,000 in the BMO SelectTrust Fixed Income Portfolio (the “Fixed Income Fund”).

17. The Respondent was eligible to earn greater compensation if client VB invested his savings in a mutual fund product like the Fixed Income Fund rather than a Guaranteed Investment Certificate (“GIC”) or similar products that offered 100% principal protection.

Client VB’s Address Changed from Residential Address to Branch Office Address

18. On the same day that client VB indicated on the NAAF that he completed that he wanted to receive delivery of paper statements to his residential address, the Respondent changed the address of client VB on record in the Member’s back office system from the Respondent’s residential address to the address of the Brampton Branch.

19. The address change that the Respondent recorded for client VB's account was made without the knowledge or authorization of client VB and without the approval of a branch manager or compliance officer responsible for the supervision of the Respondent.

20. Because of the address change, client VB did not receive quarterly account statements or confirmation notices associated with transactions processed in his investment accounts with the Member.

The Respondent Falsifies a KYC Update Form

21. On March 2, 2015, the Respondent's Branch Compliance Officer ("BCO") contacted the Respondent and queried client VB's purchase of the Fixed Income Fund because the BCO was concerned that the Fixed Income Fund might not be a product that was suitable having regard to client VB's investment objectives.

22. In response to additional follow-up by the BCO, on April 14, 2015, the Respondent prepared a KYC update form in client VB's name which indicated that the client had changed his investment objectives as follows:

Security of Capital – Low

Income – High

Balanced – Low

Growth – Low

23. The Respondent falsified client VB's signature on the KYC update form.

24. On April 16, 2015, the Respondent submitted the KYC update form to the Member.

25. The Respondent made the changes to client VB's KYC information without the client's knowledge or authorization. Furthermore, the Respondent had not obtained any new information about client VB that justified the changes that he made to client VB's KYC information.

26. The Respondent changed client VB's investment objectives in the KYC update form in order to address the BCO's concern that the February 27, 2015 trade in client VB's account may not have been suitable.

The Value of Client VB's Mutual Fund Investment Declined

27. Client VB did not receive any statements or transaction confirmation documentation because the Respondent had changed client VB's address to the Brampton Branch address.

28. When client VB made inquiries with the Member about the content of his investment account, he was informed that the value of the investments in his account had declined during the period since the account was opened.

29. On November 13, 2015, client VB met with the Respondent's Branch Manager and made a complaint about the decline in the value of his investment account. By that time, the value of the mutual fund that had been purchased in client VB's investment account had declined by \$1,005.20. Client VB also complained that he had not received any statements concerning the activity and performance in his investment account. Furthermore, client VB told the Branch Manager that in February 2015, he had informed the Respondent that he wanted an investment with 100% principal protection.

30. The Branch Manager presented client VB with the KYC update form dated April 14, 2015 that the Respondent had submitted on behalf of client VB which purported to change client VB's investment objectives. Client VB told the Branch Manager that the signature on the KYC update form was not his signature. Client VB also told the Branch Manager that he had not met with the Respondent to discuss the changes on the form and had not been informed about or authorized the changes to his investment objectives at any time.

31. On December 2, 2015, in response to client VB's complaint, the Member reversed the mutual fund purchase transaction that had been processed in client VB's account on February 27, 2015 and reimbursed client VB for his loss.

The Respondent Misled the Member during its Investigation

32. The Member conducted a supervisory investigation following client VB's complaint. On January 13, 2016, the Respondent was interviewed by compliance staff of the Member. During that interview, the Respondent falsely claimed that client VB signed the KYC update form dated April 14, 2015.

33. It was only when staff of the Member showed the Respondent that surveillance footage for the branch revealed no record of client VB attending at the branch on April 14, 2015, that the Respondent admitted that he had personally completed the KYC update form without communicating or meeting with client VB concerning the changes that he recorded on the KYC update form and had falsified client VB's signature on the form.

V. ANALYSIS

Jurisdiction and Role of the Hearing Panel

34. Settlements make a significant contribution to meeting the primary objective of investor protection by providing a practical and efficient way of addressing misconduct in the securities industry. Where the parties can agree upon the misconduct and the appropriate sanctions, settlements save time and valuable resources. Settlements provide certainty and are likely to result in greater compliance with the sanctions imposed. Settlements are to be encouraged.

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.)

35. A Hearing Panel is authorized to either accept or reject a settlement agreement.

MFDA By-law No 1, s.24.4.3.

Sterling Mutuals Inc. (Re), 2008 LNCMFDA 16 at para. 37

36. The role of a hearing panel is to determine whether the proposed sanctions agreed to by Staff and the Respondent fall within a reasonable range of appropriateness. A Hearing Panel must consider a settlement agreement on its face without speculating or inquiring of the parties about what each party may have given up to reach that agreement or having regard to any other extraneous circumstance.

Sterling Mutuals Inc. (Re), 2008 LNCMFDA 16 at para. 37

Uy (Re), 2018 LNCMFDA 87 at para. 23

VI. AGGRAVATING AND MITIGATING FACTORS

The Seriousness of the Misconduct

37. We agree with Staff's submission that this is a more serious forgery case. The Respondent deliberately changed the client's address on back office documents so the client would not receive information about his investment. Indeed, the client was unaware when the investment subsequently declined in value.

Forgery is always serious. It is unequivocally condemned because it is fundamentally dishonest and dangerous. Any act of forgery is a step onto a steep slippery slope of deception that is always potentially harmful to clients and actually harmful to the Member firm and the securities industry as a whole. While there is no such thing as a "minor case" of forgery, we can distinguish between more and less egregious examples of forgery.

Peters (Re), 2012 LNCMFDA 27, quoting *Bell (Re)*, [2005] I.D.A.C.D. No 15.

38. Falsification of client signatures is inherently unethical and not acceptable in any circumstances. In this case, when the Dealer, BMO Investments Inc., in performing its routine supervisory role, properly questioned the suitability of the investment, the Respondent blatantly tried to cover up his misconduct by changing the investor objectives and forging the client's signature on a KYC update form. Deliberate misconduct directed at concealing wrongdoing is highly unethical.

Gill (Re), 2018 LNCMFDA 49 at para 12.

39. Further aggravating the seriousness of the situation, the Respondent misled the Member by falsely stating to the Member in response to questioning about client VB's complaint until he was confronted by the Dealer with video evidence that did not corroborate the Respondent's false assertion that the client had attended at the branch to sign the KYC update form on the day that it was prepared and submitted.

40. Such egregious behavior demonstrates a flagrant disregard for the client, the Dealer and the MFDA Rules. It not only reflects the Respondent's dishonesty and lack of integrity but also damages the reputation and integrity of the Dealer and the securities' industry.

41. Another aggravating factor is that the Respondent altered the client's address and forged the client's signature after the publication of MFDA Bulletin # 0661- E (the "Bulletin"). The Bulletin and MFDA Staff Notice MSN-0066 put the Respondent on notice that Staff would seek enhanced penalties at MFDA disciplinary proceedings for conduct that occurred after publication of the Bulletin. Other hearing panels have accepted that such misconduct is now an established aggravating factor.

Owen (Re), 2017 LNCMFDA 287, at para.44

42. Mitigating factors included:

- a) the Respondent has not previously been the subject of MFDA disciplinary proceedings;
- b) the Respondent cooperated with the MFDA investigation into these matters;
- c) the Respondent accepted responsibility for his actions and saved the MFDA the time and expense of a contested disciplinary hearing by admitting his misconduct and entering into the Settlement Agreement.

43. Other relevant considerations include that the Dealer reimbursed the client for their loss. The Respondent's employment was terminated, in part, as a result of this misconduct and the Respondent has demonstrated to Staff that he has limited financial means to pay a fine.

VII. CONCLUSION

44. We are satisfied that the penalties imposed in the Settlement Agreement, particularly the two year prohibition of the Respondent's authority to work in the industry will serve as a specific deterrence to Mr. Patel and a general deterrence to others in the industry who may contemplate engaging in similar misconduct in the future.

45. Staff directed us to several previous MFDA decisions which addressed similar misconduct, particularly *Re Peters*, supra, *Re Gill*, supra and *Re Pattison*, 2017 LNCMFDA 77. Based on a review of these cases, we are satisfied the proposed settlement falls within a reasonable range of appropriateness.

46. We therefore accepted the Settlement Agreement and made an order reflecting the agreed upon penalties against Mr. Patel.

47. We would like to thank counsel for Staff of the MFDA for his able assistance with this matter.

DATED this 4th day of December, 2019.

“Emily Cole”

Emily Cole
Chair

“Matthew Onyeaju”

Matthew Onyeaju
Industry Representative

“Colleen Waring”

Colleen Waring
Industry Representative

DM 704739



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Re: Rakeshkumar Patel

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, Rakeshkumar Patel (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 10, 2008 to January 27, 2016, the Respondent was registered in Ontario as a mutual fund salesperson (now known as a dealing representative) with BMO Investments Inc. (the “Member”), a Member of the MFDA.

7. On January 27, 2016, the Member terminated the Respondent, in part, as a result of the events described below.

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

9. At all material times the Respondent carried on business at a branch office of the Member located in Brampton, Ontario (the “Brampton Branch”).

The Member’s Policies and Procedures

10. At all material times, the Member’s policies and procedures provided that:

- a) changes to a client’s primary or alternative address requires client authorization, and
- b) clients cannot use the Member’s branch address to receive mail, unless:

- i. the request is made in writing;
- ii. it is not intended to be a permanent arrangement; and
- iii. a “hold mail” arrangement has been approved by the branch manager and compliance department.

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15. The Respondent was eligible to earn greater compensation if client VB invested his savings in a mutual fund product like the Fixed Income Fund rather than a Guaranteed Investment Certificate (“GIC”) or similar products that offered 100% principal protection.

Client VB’s Address Changed From Residential Address to Branch Office Address

16. On the same day that client VB indicated on the NAAF that he completed that he wanted to receive delivery of paper statements to his residential address, the Respondent changed the

address of client VB on record in the Member's back office system from the Respondent's residential address to the address of the Brampton Branch.

17. The address change that the Respondent recorded for client VB's account was made without the knowledge or authorization of client VB and without the approval of a branch manager or compliance officer responsible for the supervision of the Respondent.

18. As a consequence of the address change, client VB did not receive quarterly account statements or confirmation notices associated with transactions processed in his investment accounts with the Member.

The Respondent Falsifies a KYC Update Form

19. On March 2, 2015, the Respondent's Branch Compliance Officer ("BCO") contacted the Respondent and queried client VB's purchase of the Fixed Income Fund because the BCO was concerned that the Fixed Income Fund might not be a product that was suitable having regard to client VB's investment objectives.

20. In response to additional follow-up by the BCO, on April 14, 2015, the Respondent prepared a KYC update form in client VB's name which indicated that the client had changed his investment objectives as follows:

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21. The Respondent falsified client VB's signature on the KYC update form.

22. On April 16, 2015, the Respondent submitted the KYC update form to the Member.

23. The Respondent made the changes to client VB's KYC information without the client's knowledge or authorization. Furthermore, the Respondent had not obtained any new information about client VB that justified the changes that he made to client VB's KYC information.

24. The Respondent changed client VB's investment objectives in the KYC update form in order to address the BCO's concern that the February 27, 2015 trade in client VB's account may not have been suitable.

The Value of Client VB's Mutual Fund Investment Declined

25. Client VB did not receive any statements or transaction confirmation documentation because the Respondent had changed client VB's address to the Brampton Branch address.

26. When client VB made inquiries with the Member about the content of his investment account, he was informed that the value of the investments in his account had declined during the period since the account was opened.

27. On November 13, 2015, client VB met with the Respondent's Branch Manager and made a complaint about the decline in the value of his investment account. By that time, the value of the mutual fund that had been purchased in client VB's investment account had declined by \$1,005.20. Client VB also complained that he had not received any statements concerning the activity and performance in his investment account. Furthermore, client VB told the Branch Manager that in February 2015, he had informed the Respondent that he wanted an investment with 100% principal protection.

28. The Branch Manager presented client VB with the KYC update form dated April 14, 2015 that the Respondent had submitted on behalf of client VB which purported to change client VB's investment objectives. Client VB told the Branch Manager that the signature on the KYC update form was not his signature. Client VB also told the Branch Manager that he had not met with the Respondent to discuss the changes on the form and had not been informed about or authorized the changes to his investment objectives at any time.

29. On December 2, 2015, in response to client VB's complaint, the Member reversed the mutual fund purchase transaction that had been processed in client VB's account on February 27, 2015 and reimbursed client VB for his loss.

The Respondent Misled the Member during its Investigation

30. The Member conducted a supervisory investigation following client VB's complaint. On January 13, 2016, the Respondent was interviewed by compliance staff of the Member. During that interview, the Respondent falsely claimed that client VB signed the KYC update form dated April 14, 2015.

31. It was only when staff of the Member showed the Respondent that surveillance footage for the branch revealed no record of client VB attending at the branch on April 14, 2015, that the Respondent admitted that he had personally completed the KYC update form without communicating or meeting with client VB concerning the changes that he recorded on the KYC update form and had falsified client VB's signature on the form.

Additional Factors

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

33. The Respondent has demonstrated to Staff that he has limited financial resources to pay a fine.

34. The Respondent has cooperated with the MFDA's investigation into these issues.

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

V. CONTRAVENTIONS

36. The Respondent admits the following contraventions of the Rules, Policies and By-law of the MFDA:

- a) On February 27, 2015, the Respondent, without client VB's authorization, changed client VB's address on the Member's back office system from client VB's residential address to the branch address at which the Respondent conducted

business, contrary to the Member's policies and procedures, and MFDA Rules 2.1.1, 2.10 and 1.1.2.

- b) On April 14, 2015, the Respondent, in response to a supervisory query from the Member's compliance staff regarding the suitability of a trade, changed client VB's investment objectives on a Know-Your-Client ("KYC") update form without client VB's knowledge or authorization, and falsified client VB's signature on the KYC update form, contrary to MFDA Rules 2.2.1 and 2.1.1.
- c) On January 13, 2016, the Respondent misled the Member during the course of its supervisory investigation into his conduct, contrary to MFDA Rule 2.1.1.

VI. TERMS OF SETTLEMENT

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

- (a) a two year prohibition on the authority of the Respondent to conduct securities related business in any capacity while in the employ of or associated with any MFDA Member, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
- (b) The Respondent shall pay a fine in the amount of \$5,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:
 - i. \$500 payable on the date that this Settlement Agreement is accepted by a Hearing Panel;
 - ii. \$500 on or before the last business day of the first month following the acceptance of the Settlement Agreement;
 - iii. \$500 on or before the last business day of the second month following the acceptance of the Settlement Agreement;
 - iv. \$500 on or before the last business day of the third month following the acceptance of the Settlement Agreement;
 - v. \$500 on or before the last business day of the fourth month following the acceptance of the Settlement Agreement;
 - vi. \$500 on or before the last business day of the fifth month following the acceptance of the Settlement Agreement;
 - vii. \$500 on or before the last business day of the sixth month following the acceptance of the Settlement Agreement;

- viii. \$500 on or before the last business day of the seventh month following the acceptance of the Settlement Agreement;
 - ix. \$500 on or before the last business day of the eighth month following the acceptance of the Settlement Agreement; and
 - x. \$500 on or before the last business day of the ninth month following the acceptance of the Settlement Agreement.
- (c) 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.
- (d) The Respondent shall in the future comply with MFDA Rules 2.1.1, 2.10, 2.2.1 and 1.1.2.
- (e) The Respondent will attend in person, on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

38. 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

39. 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.

40. 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.

41. 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.

42. 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.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

43. 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

44. 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.

45. 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.

XI. DISCLOSURE OF AGREEMENT

46. 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.

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

XII. EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 15th day of May, 2019.

“Rakeshkumar Patel”

Rakeshkumar Patel

“BS”

Witness – Signature

BS

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. 201921



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PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
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Re: Rakeshkumar Patel

ORDER

WHEREAS on March 26, 2019, the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Hearing pursuant to section 20 and 24 of By-law No. 1 in respect of Rakeshkumar Patel (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:

- (a) On February 27, 2015, the Respondent, without client VB’s authorization, changed client VB’s address on the Member’s back office system from client VB’s residential address to the branch address at which the Respondent conducted business, contrary to the Member’s policies and procedures, and MFDA Rules 2.1.1, 2.10 and 1.1.2.

- (b) On April 14, 2015, the Respondent, in response to a supervisory query from the Member's compliance staff regarding the suitability of a trade, changed client VB's investment objectives on a Know-Your-Client ("KYC") update form without client VB's knowledge or authorization, and falsified client VB's signature on the KYC update form, contrary to MFDA Rules 2.2.1 and 2.1.1.
- (c) On January 13, 2016, the Respondent misled the Member during the course of its supervisory 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. 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*;

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

- a. a two year prohibition on the authority of the Respondent to conduct securities related business in any capacity while in the employ of or associated with any MFDA Member, pursuant to section 24.1.1(e) of MFDA By-law No. 1;
- b. The Respondent shall pay a fine in the amount of \$5,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1 which shall be payable in instalments as follows:
 - i. \$500 payable on the date that this Settlement Agreement is accepted by a Hearing Panel;
 - ii. \$500 on or before the last business day of the first month following the acceptance of the Settlement Agreement;
 - iii. \$500 on or before the last business day of the second month following the acceptance of the Settlement Agreement;
 - iv. \$500 on or before the last business day of the third month following the acceptance of the Settlement Agreement;

- v. \$500 on or before the last business day of the fourth month following the acceptance of the Settlement Agreement;
 - vi. \$500 on or before the last business day of the fifth month following the acceptance of the Settlement Agreement;
 - vii. \$500 on or before the last business day of the sixth month following the acceptance of the Settlement Agreement;
 - viii. \$500 on or before the last business day of the seventh month following the acceptance of the Settlement Agreement;
 - ix. \$500 on or before the last business day of the eighth month following the acceptance of the Settlement Agreement; and
 - x. \$500 on or before the last business day of the ninth month following the acceptance of the Settlement Agreement.
- c. 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.
 - d. The Respondent shall in the future comply with MFDA Rules 2.1.1, 2.10, 2.2.1 and 1.1.2.
 - e. The Respondent will attend in person, on the date set for the Settlement Hearing.

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

Per: _____
 [Name of Public Representative], Chair

Per: _____
 [Name of Industry Representative]

Per: _____
 [Name of Industry Representative]