



**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: Navdeep Singh Sandhu**

Heard: April 3, 2018 in Vancouver, British Columbia

Decision: April 3, 2018

Reasons for Decision: April 16, 2018

**REASONS FOR DECISION**

Hearing Panel of the Pacific Regional Council:

Robert G. Ward, QC

Chair

Barbara E. Fraser

Industry Representative

Kathleen Jost

Industry Representative

Appearances:

Christopher Corsetti

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Counsel for the Mutual Fund Dealers  
Association of Canada

Navdeep Singh Sandhu

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Respondent, in person

## **Introduction**

1. On April 3, 2018, we approved a Settlement Agreement dated October 20, 2017 (the “Settlement Agreement”) between the Mutual Fund Dealers Association of Canada (“MFDA”) and Navdeep Singh Sandhu (“Respondent”). After submissions on behalf of counsel for the MFDA and for the Respondent we made the following order at that time:

- a) the Respondent shall be prohibited from acting in the capacity as a branch manager or supervisor while in the employ of or associated with any Member of the MFDA for a period of 12 months, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
- b) the Respondent shall successfully complete the Branch Manager Course offered by the Canadian Securities Institute prior to acting as a branch manager;
- c) the Respondent shall pay a fine in the amount of \$15,000, pursuant to section 24.1.1(b) of By-law No. 1;
- d) the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of By-law No. 1; and
- e) the Respondent shall in the future comply with MFDA Rule 2.1.1.

## **AGREED FACTS**

### **Registration History**

2. The Respondent has been registered in the securities industry since 2000.
3. Since April 29, 2016, the Respondent has been registered in British Columbia as a dealing representative with WFG Securities Inc. (“WFG”), a Member of the MFDA.
4. Between April 30, 2012 and April 25, 2016, the Respondent was registered as a mutual fund salesperson in British Columbia with Networth Financial Corp. (“Networth”), a Member of the MFDA. During this period, Networth designated the Respondent as a Branch Manager.

5. Between June 8, 2004 and April 30, 2012, the Respondent was registered as a mutual fund salesperson in British Columbia with WFG. Between June 9, 2004 and April 30, 2012, WFG designated the Respondent as a Branch Manager.

6. At all material times, the Respondent carried on business in the Surrey, British Columbia area.

### **Pre-Signed Forms**

7. At all material times, WFG's policies and procedures prohibited its Approved Persons from obtaining or maintaining pre-signed blank or partially completed account forms to conduct business.

8. Between April 2010 and June 2016, the Respondent obtained, possessed and used to process transactions, 83 pre-signed account forms with respect of 10 clients. The pre-signed account forms consisted of the following:

- a) 55 trade tickets;
- b) 11 KYC/NAAF forms;
- c) 6 Account Applications;
- d) 3 Transfer Forms; and
- e) 8 Dealer Rep Code Change Forms.

### **WFG's Investigation**

9. WFG identified the pre-signed forms that are the subject of this Settlement Agreement on June 10, 2016 during a routine audit of the client files maintained by the Respondent. WFG subsequently commenced an investigation into the Respondent's activities.

10. WFG sent letters to all of the Respondent's clients to confirm transactions in their accounts. WFG did not receive any responses to its letter raising any concerns.

11. On July 21, 2016, WFG placed the Respondent on close supervision for a period of one year.

### **Additional Facts**

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

13. There is no evidence that:

- a) the Respondent processed any trades or changes to client information without the knowledge or authorization of his clients;
- b) clients suffered any financial loss as a result of the Respondent's conduct;
- c) the Respondent received any financial benefit from engaging in the misconduct beyond the commissions or fees to which he would have been ordinarily entitled had the transactions in the clients' accounts been carried out in the proper manner; and
- d) any clients have complained about the Respondent's conduct.

### **CONSIDERATIONS OF THE PANEL**

14. The Panel recognizes that it is to accept or reject a Settlement Agreement, and that it is not to impose its own view of what the appropriate penalty should be under all of the circumstances. The Panel is not permitted to amend the Settlement Agreement or to substitute its view as to the appropriate penalty. Specifically, it is to consider whether:

- a) acceptance of the settlement agreement will be in the public interest and whether the penalties imposed will protect investors;
- b) the settlement agreement is reasonable and proportionate, having regard to the conduct of the Respondent in the settlement agreement;
- c) the settlement agreement addresses the issues of both specific and general deterrence;

- d) the proposed settlement agreement will prevent the type of conduct described in the settlement agreement from occurring again in the future;
- e) the settlement agreement will foster confidence in the integrity of the Canadian Capital Markets; and
- f) the settlement agreement will foster confidence in the integrity of the MFDA.

*Re Jacobson*, [2007] MFDA 27 File No. 200712

15. The role of a Hearing Panel has been definitively stated and followed in numerous authorities including:

*Sterling Mutuals Inc. (Re)*, [2008] MFDA 16, File No. 200820  
*Re Milewski* (1999) 1 I.D.A.C.D. No. 17, a decision of the Ontario District Council

16. Moreover, the primary objective in protecting the public<sup>1</sup> may be addressed in a flexible and efficient manner through a settlement agreement. It may be tailored to address the interests of both the Commission and the person under investigation; it may be used to settle some matters and direct resources to matters that are truly in dispute; and they may do so in a manner that is cost effective.<sup>2</sup>

17. MFDA Rule 2.1.1 prescribes the standard of conduct applicable to each Registrant in the mutual fund industry. Thus, the Rule prescribes (inter alia) that each registrant shall deal fairly, honestly and in good faith with his clients, observe high standards of ethics and conduct in the transaction of business and refrain from engaging in any business conduct or practice which is unbecoming or detrimental to the public interest.

18. Pre-signed documents may have serious consequences including (but not limited to) affecting the integrity and reliability of documents, destroying the audit trail, and potentially facilitating other misconduct such as unauthorized trading, fraud and misappropriation of funds.

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<sup>1</sup> *Pezim v. British Columbia (Superintendent of Brokers)* [1994] 2 S.C.R. 577 paras. 59 and 68.

<sup>2</sup> *British Columbia Securities Commission v. Seifert*, 2007 BCCA 484, para 31, citing from *R. v. 974649 Ontario Inc.* 2001 [3 S.C.R. 575].

Using such forms generally reflects a business practice which is unbecoming or detrimental to the public interest.

19. The MFDA has been warning Approved Persons against the use of pre-signed documents for a number of years.

MFDA Staff Notice #MSN-0035 dated December 10, 2004 (updated in 2015); MFDA Staff Notice #MSN-0066 dated October 31, 2007 (updated March 4, 2013 and January 26, 2017); MFDA Bulletin #00661-E dated October 2, 2015.

20. The latter notice expressly warned Members and mutual fund salespersons that the MFDA has recently been and will continue to seek increased penalties in upcoming cases involving signature falsification. Despite that, the use of pre-signed documents appears to be ongoing and a common form of misconduct which is frequently being considered by various Hearing Panels.

21. The prohibition on the use of pre-signed documents applies, regardless of whether or not the client has given verbal authorization, and whether or not the documents are actually used by Approved Persons for discretionary trading or other improper purposes.

MFDA Notice #MSN-0066 dated October 31, 2007 (updated March 4, 2013 and January 26, 2017).

22. There are a number of authorities which have been considered by the Panel and while each turns on its particular facts and to that extent may be argued to be distinguishable, it is clear to the Panel that the Settlement Agreement is well within the range of propriety based on the precedents and Notices from the MFDA to its Members and Approved Persons. Cases considered are:

*Re Claude Armand Vaillancourt*, [2016] MFDA File No. 201643  
*Re Leslie Marie Gilchrist*, [2017] MFDA File No. 2016100  
*Re Adeolu Akinbola Durotoye* [2014] MFDA File No 201328  
*Gerard Van Schothorst*, [2017] MFDA File No. 201678j  
*Phillip Anthony Lewin*, [2017] MFDA File No. 201656  
*Re Gurpreet Singh Bansal*, [2016] MFDA File No. 201664

## **FACTORS APPLICABLE TO THE RESPONDENT**

23. The Respondent obtained, processed and used to process transactions, 83 pre-signed account forms (including 55 trade tickets) in respect of 10 clients contrary to MFDA Rule 2.1.1.

24. The Registrant was a Branch Manager and subject to a higher standard of care. He should be setting an example for others.

*Re Adeolu Akinbola Durotoye, [2014] MFDA File No 201328*

25. There is no evidence that clients suffered any financial loss, or that the Respondent received any financial benefit than those he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.

26. The Respondent has been registered in the mutual fund industry since 2000.

27. There is no previous disciplinary history and no evidence of client harm or a complaint.

28. The prohibition breached by the Respondent is well known and has been the subject of numerous warnings by the MFDA.

29. The Respondent has been cooperative and has accepted responsibility for his misconduct.

30. With respect to applicable factors that the Panel should consider (and has here considered):

- a) the seriousness of the allegations proved against the Respondent;
- b) the Respondent's past conduct, including prior sanctions;
- c) the Respondent's experience and level of activity in the capital markets;
- d) whether the Respondent recognizes the seriousness of the improper activity;
- e) the harm suffered by investors as a result of the Respondent's activities;
- f) the benefits received by the Respondent as a result of the improper activity;
- g) the risk to investors and the capital markets in the jurisdiction, were the Respondent to continue to operate in capital markets in the jurisdiction;

- h) the damage caused to the integrity of the capital markets in the jurisdiction by the Respondent's improper activities;
- i) the need to deter not only those involved in the case being considered, but also any others who participate in the capital markets, from engaging in similar improper activity;
- j) the need to alert others to the consequences of inappropriate activities to those who are permitted to participate in the capital markets; and previous decisions made in similar circumstances.

*Re Headley*, 2006 MFDA File No. 200509

31. The penalties are significant and adequate to address both specific and general deterrence, to maintain confidence in the integrity of the MFDA and regulatory process, and in the public interest. Thus, the Settlement Agreement is approved.

**DATED** this 16<sup>th</sup> day of April, 2018.

"Robert G. Ward"

Robert G. Ward, QC  
Chair

"Barbara E. Fraser"

Barbara E. Fraser  
Industry Representative

"Kathleen Jost"

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