



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: Lucas Stemshorn-Russell

Heard: January 22, 2018 in Vancouver, British Columbia

Decision: January 22, 2018

Reasons for Decision: March 7, 2018

REASONS FOR DECISION

Hearing Panel of the Pacific Regional Council:

Stephen D. Gill
Holly A. Millar
Richard Sydenham

Chair
Industry Representative
Industry Representative

Appearances:

Sakeb Nazim)	Counsel for the Mutual Fund Dealers
)	Association of Canada
)	
Lucas Stemshorn-Russell)	Respondent, in person
)	
)	

Introduction

1. On November 27, 2017, Lucas Stemshorn-Russell (the “Respondent”) entered into a Settlement Agreement dated November 27, 2017 (the “Settlement Agreement”) with the Mutual Fund Dealers Association of Canada (“MFDA”) Staff (“Staff”) pursuant to which the Respondent agreed to be disciplined under sections 20, 24.1.1, 24.1.4, 24.2, and 24.4 of MFDA By-law No. 1.

2. In the Settlement Agreement the Respondent admits to the following violations of the By-laws, Rules or policies of the MFDA: in or about June, 2016, the Respondent cut and pasted client’s signatures from account forms previously signed by two clients, onto two new account forms, contrary to MFDA Rule 2.1.1.

3. The Settlement Agreement provides that the Respondent would:

- a) pay a fine in the amount of \$2,500;
- b) pay costs in the amount of \$2,500; (the fine and costs to be paid according to a schedule set out therein)
- c) be prohibited from conducting securities related business in any capacity while in the employ of or associated with an MFDA Member for a period of six months, pursuant to section 24.1.1 (b) MFDA By-law No. 1. The Respondent also agrees that he shall in the future comply with MFDA Rules 2.1.1, and would attend the settlement hearing in person, which he did. The Settlement Agreement is attached to this decision as Appendix A.

4. This matter came before the Hearing Panel as a settlement hearing on January 22, 2017. The Respondent attended the settlement hearing in person and did not have legal counsel.

5. At the commencement of the hearing, the panel granted Staff’s motion to conduct the proceedings in camera while the Panel considered the Settlement Agreement. The request, which is typically made by Staff at the commencement of a Settlement Hearing, is to ensure that

Members of the public do not become privy to the confidential contents of the Settlement Agreement unless and until it is accepted by the Panel. After hearing submissions by counsel for the MFDA, and the Respondent having declined to make any submissions, the Panel, having considered the submissions, the Settlement Agreement, and the authorities, accepted the Settlement Agreement and issued an order to that effect. These are the written reasons for the Panels' acceptance.

Agreed Facts

6. The Settlement Agreement contains the following agreed facts:

Registration History

7. The Respondent was registered in the mutual fund industry commencing in March 2009.

8. Between January 2015 and June 2016, the Respondent was registered in the British Columbia as a mutual fund salesperson (now known as a dealing representative) with Worldsource Financial Management Inc. ("Worldsource"), a Member of the MFDA.

9. Between March 2009 and January 2015, the Respondent was registered in British Columbia as a mutual fund salesperson (now known as a dealing representative) with two other mutual fund dealers.

10. On June 9, 2016, Worldsource terminated the Respondent's registration for the matters described below, and the Respondent is not currently registered in the securities industry in any capacity.

11. At all material times, the Respondent carried on business in [the] Sydney, British Columbia area.

The Respondent Cut and Pasted Client Signatures

12. At all material times, Worldsource's policies and procedures prohibited its Approved Persons, including the Respondent, from holding, obtaining, or using photocopies of previously signed trading instructions or forms.

13. In or about June 2016, Worldsource staff completed a sales review of client files serviced by the Respondent and identified that two account forms were missing.

14. In response to the deficiencies identified in the sales review, in or about June 2016, the Respondent cut and pasted the signatures of 2 clients from account forms previously signed by the clients onto 2 new account forms, rather than having the clients sign the account forms.

15. The account forms consisted of an Engagement Letter and an Investment Guide.

Worldsource's Investigation

16. In June 2016, Worldsource identified the forms described above in paragraph 14 during an onsite branch review. Worldsource subsequently reviewed all files for clients that were serviced by the Respondent and identified no further instances of the Respondent copying and pasting client signatures.

17. On June 9, 2016, Worldsource terminated the Respondent's registration.

Additional Factors

18. 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.

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

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

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

Admission

7. Based on the facts set out above, the Respondent admitted that in or about June, 2016, the Respondent cut and pasted client signatures from account forms previously signed by two clients onto two new accounts form, contrary to MFDA Rule 2.1.1.

Analysis

8. At a settlement hearing, a Hearing Panel has only two options with respect to a Settlement Agreement referred to it on the recommendation of Staff. The Hearing Panel may either accept the Settlement Agreement or reject it. (MFDA By-law No. 1)

9. It is clear that the role of the Hearing Panel at a settlement hearing is fundamentally different than its role at a contested hearing. As stated by the MFDA Hearing Panel in *Re Sterling Mutuals Inc.*, citing the IDA Ontario District Counsel decision in *Re Milewski*:

“We also note that while in a contested hearing the Panel attempts to determine the correct penalty, in a settlement hearing the Panel “will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness.”

(*Re Sterling Mutuals Inc.*, MFDA File No. 200820, Decision and Reasons dated August 21, 2008 at para. 37; citing *Re Milewski* (1999) IDACD No. 17 at page 12)

10. Staff submitted, and we agree, that settlements assist the MFDA in meeting its regulatory objective of protecting the public by proscribing activities that are harmful to the public, and by enabling flexible remedies tailored to the interests of both the MFDA and a respondent. The ability of the MFDA to enter into settlements is enhanced where Hearing Panels do not reject a settlement agreement unless the proposed penalty clearly falls outside the reasonable range of appropriateness. (see *British Columbia Securities Commission v Seifert*, 2007 BCCA 484 at para. 31)

11. We adopt the views expressed by the Hearing Panel in *Re Sterling Mutuals Inc.* (*supra* at para. 34) and the views of past hearing panels that, in general, settlement agreements should be accepted, bearing in mind the following criteria:

- “1. That it is in the public interest to do so and that the penalty proposed will be sufficient to protect investors;
2. That the agreement is reasonable and proportionate, having regard to the conduct of the Respondent;
3. That the agreement addresses the issues both specific and general deterrence;
4. That the agreement is likely to prevent the type of conduct set out in the facts;

5. That the agreement will foster confidence in the integrity of the Canadian Markets;
6. That the agreement will foster confidence in the integrity of the MFDA; and
7. That the agreement will foster confidence in the regulatory process itself.”

12. Staff submitted, and we agree, that the MFDA Penalty Guidelines are an additional resource that a Hearing Panel may consult when determining the appropriateness of the penalty to be imposed pursuant to a settlement agreement. The penalty types and ranges stated in the Penalty Guidelines are not mandatory or binding; they are intended to provide a basis upon which a Hearing Panel’s discretion can be exercised consistently in like circumstances.

13. In cases involving misconduct of the type admitted to in the present case, the Penalty Guidelines recommend consideration of the following penalties and factors:

Breach	Penalty Type & Range	Specific Factors to Consider
Standard of Conduct (Rule 2.1.1) (Guidelines, p. 27)	<ul style="list-style-type: none"> • Fine (AP): Minimum of \$5,000 • Write or rewrite an appropriate industry course (e.g. IFIC Officers’, Partners’ and Directors’ Course or Canadian Investment Funds Course) • Suspension • Permanent prohibition in egregious cases 	<ul style="list-style-type: none"> • Nature of the circumstances and conduct • Number of individuals affected • Whether the conduct is likely to bring the individual, the Member or the mutual fund industry into disrepute

14. In considering the appropriateness of the proposed penalty, it is clear that a primary goal of securities regulation, whether in the context of a settlement hearing or a contested hearing, is protection of the investor (*Pezim v. British Columbia (Superintendent of Brokers)* 1994 2 S.C.R. 557 (FCC) at paras. 59, 68.)

15. In addition to protection of the investor, the goals of securities regulation include fostering public confidence in the capital markets and the securities industry. (*Pezim v. British Columbia Supra* at paras. 59, 68; *Re Breckenridge*, MFDA File No. 200718; Decision and Reasons dated November 14, 2007 at para. 74)

16. Previous Hearing Panels have set out a number of additional factors which should be considered when determining an appropriate penalty. These include:

- a) The seriousness of the allegation proved against the Respondent;
- b) The Respondent's past conduct including prior sanctions;
- c) The Respondent's experience and level of the Respondent's activity in the capital markets;
- d) The harm suffered by investors as a result of the Respondent's activities;
- e) The benefits received by the Respondent as a result of the improper activity;
- f) The risk to investors and the capital markets in the jurisdiction, were the Respondent to continue to operate in capital markets in the jurisdiction;
- g) The damage caused to the integrity of the capital markets in the jurisdiction by the Respondent's improper activities;
- h) 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 and improper activities;
- i) The need to alert others to the consequences of inappropriate activities to those who are permitted to participate in the capital market; and
- j) Previous decisions made in similar circumstances."

(Re Breckenridge, MFDA File No. 200718, Decision and Reasons dated November 14, 2007 at para. 74 and decisions cited therein)

17. Further, Staff submitted, and we agree, that there is an additional consideration for the Hearing Panel to take into account namely, MFDA Bulletin No. 0661-E, dated October 2, 2015. In that Bulletin Staff reminded Members and Approved Persons that "signature falsification" is not permissible under MFDA Rules. This term includes conduct like pre-signed account forms, altered account forms and the falsification of a client signature. 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 Bulletin gave the following examples of signature falsification pointing out that falsification may include, but are not limited to:

- a) having a client sign a form which is blank or only partially completed ("pre-signed form");
- b) signing a client's name to a document;
- c) cutting and pasting, photocopying or using correction fluid on a document to "reuse" a previous signature;
- d) altering any information on a signed document, without the client initialing the document to show the change was approved.

18. Further, the Bulletin pointed it out that any falsification is unacceptable whether or not it is done for the purpose of client convenience; the client instructs or otherwise consents to the Approved Person falsifying the document; the client complains or there is financial harm to the client; it was the Approved Person's intention to deceive a client or other person; and the document is used to commit a further breach of the Rules.

19. Staff submitted, and we agree, that the falsification of a client's signature or initials is particularly serious. In *Re Barnai*, MFDA File No. 201325, Decision and Reasons dated March 17, 2015, the Hearing Panel, citing earlier decisions, summarized the principles with respect to falsifying client signatures:

“6. Falsifying client signatures or initials is serious misconduct. Signature falsification (like the use of pre-signed forms) adversely affects the integrity and reliability of account documents, leads to the destruction of the audit trail, has a negative impact on Member complaint handling, and has the potential for misuse in the form of unauthorized trading, fraud and misappropriation.

7. As a Hearing Panel of the Investment Dealers Association (now IIROC) stated in *Bell (Re)*:

“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 and 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.”

Bell Re, [2005] LD. A.C.D. No. 15, Alberta District Council, Panel Decision dated March 21, 2005, at para. 35.

8. *Lamontagne (Re)* reiterated the principle set out in *Bell (Re)*, but went on to state that, where warranted, hearing panels may distinguish between serious and less egregious instances of falsification:

“Forgery is always a serious regulatory matter because it shows that the Respondent lacks the honesty required of a professional in the securities industry...forgery often attracts severe sanctions. While there is no such things as a “minor case” of forgery, hearing panels may distinguish between more and less egregious examples of forgery.”

Lamontatagne (Re), [2009] IIROC No. 6, Alberta District Council, Panel Decision dated January 27, 2009, at para. 14 and 45. *Wise (Re)*, 2012 LNCMFDA 79.

20. It is accepted that MFDA Rule 2.1.1 sets the standard of conduct to be followed by all Approved Persons. The Rule is designed to protect the public interest by requiring Approved Persons to adhere to a high standard of ethical conduct. The Rule has been interpreted and applied in a purposive manner in a wide range of circumstances. As stated by the MFDA Hearing Panel in *Re Breckenridge*:

“The Rule articulates the most fundamental obligations of all registrants in the securities industry.”

(*Re Breckenridge, supra*, para. 71)

21. Further, MFDA Rule 2.1.1 requires that each Member and Approved Person deal fairly, honestly, and in good faith with 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.

22. MFDA Staff submitted, and we agree, that on the basis of the foregoing, by falsifying client’s signatures on account forms, as described in the Settlement Agreement, the Respondent engaged in conduct prohibited by MFDA Rule 2.1.1, and thus engaged in misconduct that should be regarded as serious.

23. Further, it should be noted that all of the signature falsifications were committed after the MFDA issued Bulletin No. 0661-E on October 2, 2015. Staff submitted, and we agree, that this is an aggravating factor which has been discussed by hearing panels in several MFDA decisions: *Re Techer*, MFDA File No. 201662, December 5, 2016, para. 44; *Re Ackerman*, MFDA File No. 201734, September 13, 2017, para. 29; see also *Re Owen*, MFDA File No. 201325, Reasons dated November 23, 2017, at para. 35.

24. We note that the same principles, with respect to an “aggravating factor,” were reiterated in the recent decision *Re Kakkar*, MFDA File No. 201708, Decision and Reasons dated November 17, 2017, at paras. 46, 50 and 51. That Panel stated “...Respondent engaged in conduct prohibited by MFDA Rule 2.1.1, and therefore, engaged in misconduct that should be regarded as serious.” (para. 51)

25. Considering whether the Hearing Panel should accept or reject the Settlement Agreement, it should be noted that the Respondent has not previously been disciplined by the MFDA. We note the Respondent was registered as a mutual fund dealing representative from May 2009 to June 2016. Further, by entering into the Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a full hearing of the allegations. (Settlement Agreement at para. 20, 7, 21)

26. We also note that there is no evidence in this case of client harm. There is no evidence the Respondent received any financial or other benefits through his conduct; and there was no client complaint. (Settlement Agreement at para. 18 and 19)

27. With respect to the goals of specific and general deterrence, it is our view that the fine of \$2,500.00, coupled with a six month prohibition, is sufficient to achieve the goals of specific and general deterrence. In our view the penalty 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.

28. With respect to the Penalty Guidelines, we note that the \$2,500.00 fine is lower than the minimum fine recommended by the Penalty Guidelines for an Approved Person’s breach of the standard of conduct. However, when the \$2,500.00 fine is coupled with the six month prohibition, in our view that combination is appropriate in the present case having regard to the factors present.

29. Staff cited four previous decisions in similar cases and we note that all were pre-Bulletin cases:

Case	Facts	Outcome
<i>Barnai (Re), supra.</i>	<ul style="list-style-type: none"> • The Respondent falsified the signatures of two clients on trading and KYC account forms 	The Hearing Panel approved the Settlement Agreement with the following terms: <ul style="list-style-type: none"> • 9 month suspension • Costs of \$1,500

Case	Facts	Outcome
<i>Wise (Re)</i> , MFDA File No. 201213, Hearing Panel of the Central Regional Council, Decision and Reasons dated October 16, 2012.	<ul style="list-style-type: none"> • The Respondent falsified the signature of one client on an account form. • The Respondent immediately admitted to the falsification when confronted. 	<p>The Hearing Panel approved the Settlement Agreement with the following terms:</p> <ul style="list-style-type: none"> • 6 month suspension • Costs of \$2,500
<i>Li (Re)</i> , MFDA File No. 201527, Hearing Panel of the Central Regional Council, Decision and Reasons dated September 11, 2015.	<ul style="list-style-type: none"> • The Respondent submitted a single falsified form with a falsified client signature and misled the Member regarding the form when it was noticed that the signatures did not match. 	<p>The Hearing Panel approved the Settlement Agreement with the following terms:</p> <ul style="list-style-type: none"> • 4 month suspension
<i>Foley (Re)</i> , MFDA File No. 201547, Hearing Panel of the Central Regional Council, Decision and Reasons dated February 19, 2016.	<ul style="list-style-type: none"> • The Respondent falsified two client signatures on two KYC forms. 	<p>The Hearing Panel approved the Settlement Agreement with the following terms:</p> <ul style="list-style-type: none"> • Fine of \$6,000 • Costs of \$2,500

Conclusion

30. Having regard to all the foregoing circumstances, and the authorities cited to and considered by us, it is our view that the proposed penalty is reasonable and proportionate, will have a significant deterrent effect, and is in keeping with the MFDA's mandate to enhance investor protection and strengthen public confidence in the Canadian mutual fund industry by ensuring high standards of conduct by Members and Approved Persons.

31. Thus this Hearing Panel unanimously accepted the Settlement Agreement. The Settlement Agreement is attached as Schedule "1" to these Reasons.

DATED this 5th day of March, 2018.

"Stephen D. Gill"

Stephen D. Gill
Chair

"Holly A. Millar"

Holly A. Millar
Industry Representative

"Richard Sydenham"

Richard Sydenham
Industry Representative

DM 597700

Schedule “1”

Settlement Agreement

File No. 201792



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: Lucas Stemshorn-Russell

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Staff of the Mutual Fund Dealers Association of Canada (“Staff”) and Lucas Stemshorn-Russell, (“Respondent”), consent and agree to settlement of this matter by way of this agreement (“Settlement Agreement”).

2. Staff conducted an investigation of the Respondent’s activities which disclosed activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No. 1.

II. JOINT SETTLEMENT RECOMMENDATION

3. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

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

- a) in or about June 2016, the Respondent cut and pasted client signatures from account forms previously signed by 2 clients onto 2 new account forms, contrary to MFDA Rule 2.1.1.

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

- a) the Respondent shall pay a fine in the amount of \$2,500 pursuant to section 24.1.1(b) of By-law No. 1 (the “Fine”);
- b) the Respondent shall pay costs in the amount of \$2500 pursuant to section 24.2 of By-law No. 1 (the “Costs”);
- c) the payment by the Respondent of the Fine and Costs shall be made to and received by MFDA Staff in certified funds as follows:
 - i. \$2,500 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - ii. \$250 on or before the last business day of the first month following the date of Settlement Agreement;
 - iii. \$250 on or before the last business day of the second month following the date of Settlement Agreement;
 - iv. \$250 on or before the last business day of the third month following the date of Settlement Agreement;
 - v. \$250 on or before the last business day of the fourth month following the date of Settlement Agreement;
 - vi. \$250 on or before the last business day of the fifth month following the date of Settlement Agreement;
 - vii. \$250 on or before the last business day of the sixth month following the date of Settlement Agreement;

- viii. \$250 on or before the last business day of the seventh month following the date of Settlement Agreement;
 - ix. \$250 on or before the last business day of the eighth month following the date of Settlement Agreement;
 - x. \$250 on or before the last business day of the ninth month following the date of Settlement Agreement;
 - xi. \$250 on or before the last business day of the tenth month following the date of Settlement Agreement;
- d) if the Respondent fails to make any of the payments described in subparagraph 5(c):
- i. any outstanding balance of the Fine and Costs owed by the Respondent shall become immediately due and payable to the MFDA; and
 - ii. the Respondent shall be prohibited from conducting securities related business while in the employ of or associated with a Member of the MFDA until such time as the total amount outstanding of the Fine and Costs owed by the Respondent is paid to the MFDA, pursuant to s. 24.3.13(c) of MFDA By-law No. 1.
- e) the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with a MFDA Member for a period of 6 months pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
- f) the Respondent shall in the future comply with MFDA Rules 2.1.1; and
- g) the Respondent will attend the Settlement Hearing in person.

6. Staff and the Respondent agree to the settlement on the basis of the facts set out in Part III herein and consent to the making of an Order in the form attached as Schedule "A".

III. AGREED FACTS

Registration History

7. The Respondent was registered in the mutual fund industry commencing in March 2009.

8. Between January 2015 and June 2016, the Respondent was registered in British Columbia as a mutual fund salesperson (now known as a dealing representative) with Worldsource Financial Management Inc. (“Worldsource”), a Member of the MFDA.

9. Between March 2009 and January 2015, the Respondent was registered in British Columbia as a mutual fund salesperson (now known as a dealing representative) with two other mutual fund dealers.

10. On June 9, 2016, Worldsource terminated the Respondent’s registration for the matters described below, and the Respondent is not currently registered in the securities industry in any capacity.

11. At all material times, the Respondent carried on business in Sydney, British Columbia area.

The Respondent Cut and Pasted Client Signatures

12. At all material times, Worldsource’s policies and procedures prohibited its Approved Persons, including the Respondent, from holding, obtaining, or using photocopies of previously signed trading instructions or forms.

13. In or about June 2016, Worldsource staff completed a sales review of client files serviced by the Respondent’s and identified that two account forms were missing.

14. In response to the deficiencies identified in the sales review, in or about June 2016, the Respondent cut and pasted the signatures of 2 clients from account forms previously signed by the clients onto 2 new account forms, rather than having the clients sign the account forms.

15. The account forms consisted of an Engagement Letter and an Investment Guide.

Worldsource's Investigation

16. In June 2016, Worldsource identified the forms described above in paragraph 14 during an onsite branch review. Worldsource subsequently reviewed all files for clients that were serviced by the Respondent and identified no further instances of the Respondent copying and pasting client signatures.

17. On June 9, 2016, Worldsource terminated the Respondent's registration.

Additional Factors

18. 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.

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

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

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

IV. ADDITIONAL TERMS OF SETTLEMENT

22. This settlement is agreed upon in accordance with section 24.4 of MFDA By-law No. 1 and Rules 14 and 15 of the MFDA Rules of Procedure.

23. The Settlement Agreement is subject to acceptance by the Hearing Panel which shall be sought at a hearing ("Settlement Hearing"). At, or following the conclusion of, the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of

MFDA By-law No. 1 and Rule 15.2(2) of the MFDA Rules of Procedure. If the Hearing Panel accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at www.mfda.ca.

24. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately, and any suspensions, revocations, prohibitions, conditions or other terms of the Settlement Agreement shall commence, upon the effective date of the Settlement Agreement.

25. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel:

- a) the Settlement Agreement will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter;
- b) the Respondent waives any rights to a full hearing, a review hearing before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction;
- c) Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in this Settlement Agreement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations;
- d) the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.2 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1; and

- e) neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against the Respondent.

26. If, for any reason, this Settlement Agreement is not accepted by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1, unaffected by the Settlement Agreement or the settlement negotiations.

27. Staff and the Respondent agree that the terms of the Settlement Agreement, including the attached Schedule “A”, will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

28. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement. A facsimile copy of any signature shall be effective as an original signature.

DATED this 27th day of November, 2017.

“Lucas Stemshorn-Russell”

Lucas Stemshorn-Russell

“MN”

Witness – Signature

MN

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. 201792



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: Lucas Stemshorn-Russell

ORDER

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

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

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

- a) between March 2016 and April 2016, the Respondent cut and pasted the signatures of 2 clients from account forms previously signed by the clients onto 2 new account forms, contrary to MFDA Rule 2.1.1.

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1. the Respondent shall pay a fine in the amount of \$2,500 pursuant to section 24.1.1(b) of By-law No. 1 (the “Fine”);
2. the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of By-law No. 1 (the “Costs”);
3. the payment by the Respondent of the Fine and Costs shall be made to and received by MFDA Staff in certified funds as follows:
 - i. \$2,500 (Costs) upon acceptance of the Settlement Agreement by the Hearing Panel;
 - ii. \$250 on or before the last business day of the first month following the date of Settlement Agreement;
 - iii. \$250 on or before the last business day of the second month following the date of Settlement Agreement;
 - iv. \$250 on or before the last business day of the third month following the date of Settlement Agreement;
 - v. \$250 on or before the last business day of the fourth month following the date of Settlement Agreement;
 - vi. \$250 on or before the last business day of the fifth month following the date of Settlement Agreement;
 - vii. \$250 on or before the last business day of the sixth month following the date of Settlement Agreement;
 - viii. \$250 on or before the last business day of the seventh month following the date of Settlement Agreement;
 - ix. \$250 on or before the last business day of the eighth month following the date of Settlement Agreement;
 - x. \$250 on or before the last business day of the ninth month following the date of Settlement Agreement;

- xii. \$250 on or before the last business day of the tenth month following the date of Settlement Agreement.
- 4. if the Respondent fails to make any of the payments described in paragraph 3:
 - i. any outstanding balance of the Fine and Costs owed by the Respondent shall become immediately due and payable to the MFDA; and
 - ii. the Respondent shall be prohibited from conducting securities related business while in the employ of or associated with a Member of the MFDA until such time as the total amount outstanding of the Fine and Costs owed by the Respondent is paid to the MFDA, pursuant to s. 24.3.13(c) of MFDA By-law No. 1.
 - 5. the Respondent shall be prohibited from conducting securities related business in any capacity while in the employ of or associated with a MFDA Member for a period of 6 months pursuant to s. 24.1.1(b) of MFDA By-law No. 1;
 - 6. the Respondent shall in the future comply with MFDA Rules 2.1.1; and
 - 7. 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]