

Re Stokes

IN THE MATTER OF:

The Mutual Fund Dealer Rules

and

Megan Lynn Stokes

2023 CIRO

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: March, 23, 2023 by electronic hearing in Toronto, Ontario

Decision: March 23, 2023

Reasons for Decision: October 19, 2023

Hearing Panel:

Paul M. Moore, K.C., Chair

Kenneth Mann, Industry Representative

Brigitte Geisler, Industry Representative

Appearances:

Michael A.M. Mantle, Enforcement Counsel for the New Self-Regulatory Organization of Canada (Mutual Fund Division)

Brad Moore, Counsel for Respondent

Megan Lynn Stokes, Respondent

REASONS FOR DECISION

I. INTRODUCTION

¶ 1 Effective January 1, 2023 the Mutual Fund Dealers Association of Canada (“MFDA”) and the Investment Industry Regulatory Organization of Canada consolidated to form the New Self-Regulatory Organization of Canada (“New SRO”).

¶ 2 Pursuant to Mutual Fund Dealer Rule 1A and s. 14.6 of By-law No. 1 of the New SRO, contraventions of former MFDA regulatory requirements, including its Mutual Fund Dealer Rules (“MFDA Rules”), may be enforced by the New SRO.

¶ 3 On February 1, 2023, the New SRO issued a Notice of Settlement Hearing commencing a disciplinary proceeding in respect of Megan Lynn Stokes (the “Respondent”).

II. Settlement AGREEMENT

¶ 4 We accepted the settlement agreement dated February 7, 2023 (“Settlement Agreement”) between the staff of the New SRO (“Staff”) and the Respondent at an electronic settlement hearing held in accordance with New SRO rules for an electronic hearing.

¶ 5 A copy of the Settlement Agreement is attached to these Reasons as Schedule “1”. The agreed facts are set out in Part IV of the Settlement Agreement. Some capitalized terms used in these reasons are defined in the Settlement Agreement.

III. CONTRAVENTIONS

¶ 6 The Respondent admits that between June 2019 and January 2020, the Respondent altered client contact information on the Dealer Member's system without the knowledge or authorization of the client, which had the effect of interfering with the Member's supervision of the Respondent and impacted its ability to communicate with clients, contrary to Mutual Fund Dealer Rules 2.1.1 and 2.1.4(2).

IV. SANCTIONS

¶ 7 The Settlement Agreement provides that the Respondent shall:

- a) pay a fine of \$7,500;
- b) pay costs of \$5,000;
- c) be suspended from acting as a branch manager or in any supervisory capacity for a Dealer Member registered as a mutual fund dealer (formerly Members of the MFDA) for a period of two months commencing upon the date the Settlement Agreement is accepted by the Hearing Panel; and
- d) successfully complete an industry course that is acceptable to Staff of the New SRO, within 12 months of the acceptance of the Settlement Agreement, pursuant to s. 7.4.1.1(f) of the Mutual Fund Dealer Rules.

V. CONSIDERATIONS

¶ 8 We determined that we had to be satisfied regarding three considerations before we could accept the Settlement Agreement. First, the sanctions had to be within an acceptable range taking into account similar cases. Secondly, the sanctions had to be fair and reasonable (i.e. proportional to the seriousness of the contraventions taking into consideration relevant circumstances) and should appear to be so to members of the public and industry. Thirdly, the sanctions should serve as a deterrent to the Respondent and to industry. To be satisfied on these three considerations required an understanding of the particular facts of the case, the circumstances of the Respondent, and the impact on the Respondent of the sanctions.

VI. MISCONDUCT

Standard of Conduct

¶ 9 MFDA Rule 2.1.1 (now Mutual Fund Dealer Rule 2.1.1) prescribes the standard of conduct applicable to Approved Persons of mutual fund dealers. The Rule requires, among other things, that:

“Each Member and Approved Person of a Member shall: deal fairly, honestly and in good faith with its clients; observe high standards of ethics and conduct in the transaction of business; and not engage in any business conduct or practice which is unbecoming or detrimental to the public interest.”

¶ 10 The standard of conduct establishes minimum standards of honesty and ethics that Approved Persons are required to uphold. MFDA Hearing Panels have previously held that, where an Approved Person makes changes to client information without the knowledge or authorization of the client, the Approved Person contravenes MFDA Rule 2.1.1 (now Mutual Fund Dealer Rule 2.1.1). Examples of conduct that Hearing Panels have regarded as contraventions of the standard of conduct in previous cases include:

- a) changing a client's residential address on a Member's back office system to prevent the client from learning about the performance of their investments;
Patel (Re), [2019] Hearing Panel of the Central Regional Council, MFDA File No. 201921, Reasons for Decision dated December 4, 2019, SBA.
- b) changing a client's address on a Member's back office system to falsely indicate that the client was a resident of a jurisdiction where the Approved Person was registered;
An (Re), [2017] Hearing Panel of the Central Regional Council, MFDA File No. 2016109, Reasons for Decision dated March 29, 2017, SBA.
- c) failing to accurately record client information which concealed from the Member that a client was no longer resident of a jurisdiction where the Approved Person was registered which would have led to restrictions on the investment services that the Respondent was permitted to provide to the

client; and

Collymore (Re), [2022] Hearing Panel of the Central Regional Council, MFDA File No. 202214, Reasons for Decision dated December 14, 2022, SBA.

- d) changing a client's banking information based upon email instructions received from a third party who, without the Respondent's knowledge, had gained unlawful access to the client's email account.

Chiu (Re), [2017] Hearing Panel of the Central Regional Council, MFDA File No. 201757, Reasons for Decision dated October 20, 2017, SBA.

¶ 11 The Respondent admits that, without the knowledge or authorization of the clients, she altered client contact information of four clients of the Member and 9 other bank clients on a back office system that was used by the Member and the bank affiliated with the Member (the "Bank") to obtain feedback from clients in optional surveys and to promote services, which had the effect of interfering with the Member's supervision of the Respondent and impacted its ability to communicate with clients.

¶ 12 By altering client contact information on the Client Contact Information System, the Respondent: a) prevented clients from receiving the Survey which may have affected the Customer Feedback Metric and consequently the variable compensation the Respondent and Approved Persons in her branch would receive as well as her eligibility for rewards and recognition programs maintained by the Dealer Member; b) interfered with the Dealer Member's ability to verify the client's identity when providing services to the client virtually; c) prevented clients from receiving notifications that their investment account statements, bank account statements, and/or confirmations of trades within their investment accounts were available; d) prevented clients from receiving promotional communications about products and services offered by the Dealer Member; and e) may have misdirected the Dealer Member's correspondence to an email address of someone other than the client.

Conflicts of Interest

¶ 13 The version of MFDA Rule 2.1.4 that was in effect at the time of the misconduct (now Mutual Fund Dealer Rule 2.1.4(2)) prescribed the actions which Members and Approved Persons were required to take in circumstances where a conflict or potential conflict of interest with a client arose. The Rule required that:

- a) Each Member and Approved Person shall be aware of the possibility of conflicts of interest arising between the interests of the Member or Approved Person and the interests of the client. Where an Approved Person becomes aware of any conflict or potential conflict of interest, the Approved Person shall immediately disclose such conflict or potential conflict of interest to the Member;
- b) In the event that such a conflict or potential conflict of interest arises, the Member and the Approved Person shall ensure that it is addressed by the exercise of responsible business judgment influenced only by the best interests of the client and in compliance with Rules 2.1.4(c) and (d);
- c) Any conflict or potential conflict of interest that arises as referred to in Rule 2.1.4(a) shall be immediately disclosed in writing to the client by the Member, or by the Approved Person as the Member directs, prior to the Member or Approved Person proceeding with the proposed transaction giving rise to the conflict or potential conflict of interest; and
- d) Each Member shall develop and maintain written policies and procedures to ensure compliance with Rules 2.1.4(a), (b) and (c).

¶ 14 As explained by the Hearing Panel in *Gaunt (Re)*:

"A conflict of interest occurs when one party to a matter advances, uses or pursues his own interests in dealing with another person, to whom he has an obligation of dealing fairly, to the detriment of that other person or to his own advantage rather than the person to whom he owes the duty of fairness."

¶ 15 A failure to address a conflict of interest by the exercise of responsible business judgment influenced only by the best interests of the client could result in client harm, give rise to civil liability, and undermine trust in the mutual fund industry. Accordingly, MFDA Rule 2.1.4 required Approved Persons to disclose conflicts of interest to the Member so that the Member could ensure that the conflict of interest was disclosed in writing to the client and addressed by the exercise of responsible business judgment influenced only by the best interests of the client. In this case, the Respondent failed to fulfill any of the obligations triggered by the existence of a conflict or potential conflict of interest and by conducting herself in the manner in which she did without the knowledge or authorization of the client, she was clearly advancing her own interests to the potential detriment of a client.

¶ 16 As stated previously, the Respondent admits that she altered client contact information for four clients of the Member and 9 other bank clients on a back office system that was used the Member and the Bank without the knowledge or authorization of the clients. In particular, in approximately 13 instances the Respondent altered one or more characters in the individual's email address. Such conduct was likely to interfere with the ability of the Member and the Bank to communicate with clients and could even have unintentionally resulted in communications directed to a particular client being sent to the email address of a different individual.

¶ 17 The Respondent engaged in this conduct in order to prevent customers of the bank and clients of the Member from receiving surveys soliciting feedback which could have included feedback that:

- a) negatively reflected upon her job performance;
- b) negatively affected the Customer Feedback Metric for the Respondent's branch which in turn, could reduce the variable compensation that the Respondent and Approved Persons who worked at her branch would be eligible to receive; and
- c) detrimentally affected her eligibility for rewards and recognition programs.

¶ 18 The Respondent's conduct had other potentially detrimental consequences for the clients and the Member including the following:

- a) interfered with the Dealer Member's ability to verify the client's identity when providing services to the client virtually;
- b) prevented clients from receiving notifications that their investment account statements, bank account statements, and/or confirmations of trades within their investment accounts were available;
- c) prevented clients from receiving promotional communications about products and services offered by the Dealer Member; and
- d) may have misdirected the Dealer Member's correspondence to an email address of someone other than the client.

¶ 19 In these circumstances, the Respondent's conduct gave rise to a conflict or potential conflict of interest because the Respondent advanced her own preference to prevent clients from communicating feedback in survey results. The Respondent did not disclose her conduct to the Member or to the clients in writing and did not ensure that the conflict or potential conflict of interest was addressed by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to the requirements of MFDA Rule 2.1.4.

¶ 20 MFDA Hearing Panels have held that, where an Approved Person advances their own interests by processing trades or changes to client accounts without the knowledge or authorization of the clients, the Approved Person's conduct gives rise to a conflict of interest with the client which must be addressed in compliance with the requirements set out in MFDA Rule 2.1.4.

Rana (Re), [2019] Hearing Panel of the Central Regional Council, MFDA File No. 201871, Reasons for Decision dated March 19, 2019, SBA.

Leonard (Re), [2020] Hearing Panel of the Central Regional Council, MFDA File No. 201919, Reasons for Decision dated October 2, 2020, SBA.

¶ 21 In this case, the Respondent disregarded her obligations to appropriately address the conflicts or potential conflicts of interest that arose when she altered client contact information on the Client Contact Information Systems used by the Member and the Bank without the knowledge or authorization of the clients, contrary to MFDA Rule 2.1.4 (now Mutual Fund Dealer Rule 2.1.4(2)).

VII. Other CONSIDERATIONS

Nature of the Misconduct

¶ 22 The Respondent's misconduct was serious. By altering the client email addresses of four clients of the Member and 9 other bank clients, on a back office system accessible by the Member, without the knowledge or authorization of the clients in order to advance self-serving objectives in spite of such conduct having potentially detrimental consequences for clients as described above, the Respondent engaged in deceitful conduct that contravened the standard of conduct and gave rise to conflicts or potential conflicts of interest that she failed to address in compliance with regulatory requirements.

¶ 23 In the *Salina (Re)* decision, the MFDA Hearing Panel discussed the seriousness of engaging conflicts of interest without meeting the requirements of MFDA Rule 2.1.4, in the context where an Approved Person had processed a purchase in a client account which subjected the client to unnecessary deferred sales charges and benefitted the Respondent. Referencing the decision in *Haylock (Re)*, the Hearing Panel stated:

The failure to disclose and properly address conflicts or potential conflicts is serious misconduct. Such conflicts can result in harm to the client, expose the member to liability, and undermine trust in the mutual fund industry. As stated by the hearing panel in *Haylock (Re)* "it is always a serious matter when there is a conflict of interest between an Approved Person and her client".

Salina (Re), [2022] Hearing Panel of the Pacific Regional Council, MFDA File No. 202081, Reasons for Decision dated August 30 2022 at para 32, SBA.

Haylock (Re), [2013] Hearing Panel of the Central Regional Council, MFDA File No. 201243, Reasons for Decision dated July 5, 2013 at para 7, SBA.

¶ 24 Furthermore, the Respondent's misconduct was not accidental and was not based upon a lack of knowledge or training in the investment industry. The seriousness of the Respondent's conduct is also aggravated by the fact that she was a branch manager who was entrusted with responsibility for ensuring that Approved Persons comply with their regulatory obligations.

The Respondent's Recognition of the Seriousness of the Misconduct

¶ 25 By entering into the Settlement Agreement, the Respondent has saved the New SRO the time, resources and expenses that would have been necessary if this matter had proceeded by way of a contested disciplinary hearing.

The Respondent's Past Conduct, Including Prior Sanctions

¶ 26 The Respondent has not previously been the subject of disciplinary proceedings commenced by the MFDA or the New SRO.

Client Harm

¶ 27 There is no evidence of financial losses to clients arising from the misconduct described in the Settlement Agreement.

Benefits to the Respondent

¶ 28 The precise impact of the Respondent's misconduct on her compensation is not known. However, the Respondent acknowledges that she engaged in the misconduct in order to prevent clients from receiving a

survey and conveying feedback which could have potentially negatively affected the Respondent's variable compensation as well as her eligibility for rewards and recognition programs.

Sanctions Imposed by the Member

¶ 29 The Member has already imposed some disciplinary consequences on the Respondent after her misconduct came to light. The Member issued a letter of reprimand to the Respondent. Secondly, the Member imposed a three day unpaid suspension on the Respondent and prohibited the Respondent from participating in the Member's rewards and recognition programs in 2020 and the misconduct also negatively impacted the Respondent's managerial assessment rating for the fiscal quarter and the remaining calendar year, which negatively affected the Respondent's base salary for the following year.

¶ 30 The sanctions previously imposed by the Member will also promote specific deterrence in this case and were taken into account by Staff in determining the appropriate penalties to be imposed.

VIII. CONCLUSIONS

¶ 31 The sanctions are appropriate having regard to the recommendations of the MFDA Sanction Guidelines. They are within the reasonable range of appropriateness with regard to MFDA decisions submitted to us by Staff, made by MFDA Hearing Panels in similar circumstances. They are fair and reasonable and will serve as a specific and general deterrent.

¶ 32 The costs award is reasonable.

DATED this 19 day of October, 2023.

"Paul M. Moore"

Paul M. Moore, K.C.

Chair

"Kenneth Mann"

Kenneth Mann

Industry Representative

"Brigitte Geisler"

Brigitte Geisler

Industry Representative

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Now New Self-Regulatory Organization of Canada, a consolidation of IIROC and the MFDA

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULESⁱ**

and

Meghan Lynn Stokes

Settlement Agreement

I. INTRODUCTION

1. The New Self-Regulatory Organization of Canada, a consolidation of IIROC and the MFDA (the “Corporation”) will announce that it proposes to hold a hearing (the “Settlement Hearing”) to consider whether, pursuant to Mutual Fund Dealer Rule 7.4.4.3, a hearing panel of the Manitoba District Committee (the “Hearing Panel”) of the Corporation should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the Corporation (“Staff”) and Megan Lynn Stokes (the “Respondent”).

2. Staff and the Respondent, consent and agree to the terms of this Settlement Agreement.

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

ii. CONTRAVENTIONS

4. The Respondent admits to the following violations of the Mutual Fund Dealer Rules:

Between June 2019 and January 2020, the Respondent altered client contact information on the Dealer Member’s system without the knowledge or authorization of the client, which had the effect of interfering with the Member’s supervision of the Respondent and impacted its ability to communicate with clients, contrary to Mutual Fund Dealer Rules 2.1.1 and 2.1.4(2).¹

Pursuant to Mutual Fund Dealer Rule 1A(1) of the Corporation and s.14.6 of the Corporation By-Law No.1, contraventions of the MFDA By-laws, Rules and Policies that were applicable to the Respondent prior to January 1, 2023 may be enforced by the Corporation.

iii. Terms of settlement

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 \$7,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 7.4.1.1(b) of the Mutual Fund Dealer Rules;
 - b) the Respondent shall pay costs in the amount of \$5,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 7.4.2 of the Mutual Fund Dealer Rules;
 - c) the Respondent shall be suspended from acting as a branch manager or in any supervisory capacity for a Dealer Member registered as a mutual fund dealer (formerly Members of the MFDA) for a period of two months commencing upon the date the Settlement Agreement is accepted by the Hearing Panel, pursuant to s. 7.4.1.1(f) of the Mutual Fund Dealer Rules;
 - d) the Respondent shall successfully complete an industry course that is acceptable to Staff of the Corporation, within 12 months of the acceptance of the Settlement Agreement, pursuant to s. 7.4.1.1(f) of the Mutual Fund Dealer Rules;
 - e) the Respondent shall in the future comply with Mutual Fund Dealer Rules 2.1.1 and 2.1.4(2); and
 - f) the Respondent shall attend by videoconference on the date set for the Settlement Hearing.
6. Staff and the Respondent agree to the settlement on the basis of the facts set out in this Settlement Agreement herein and consent to the making of an Order in the form attached as Schedule "A".

iv. AGREED FACTS

Registration History

7. Commencing in approximately April 1990, the Respondent became registered in Ontario with TD Investment Services Inc. (the "Member"), a Member of the MFDA.
8. Commencing in September 2009, the Member designated the Respondent as a branch manager.
9. At all material times, the Respondent was also employed with the Toronto-Dominion Bank (the "Bank"), which is affiliated with the Member.
10. Between October 2012 and August 2019, the Respondent conducted business in the Uxbridge, Ontario area. Commencing in August 2019, the Respondent conducted business in the Pickering, Ontario area.

Background

The Variable Compensation Program

11. At all material times, a portion of the Respondent's compensation consisted of variable compensation (the "Variable Compensation Program"). The Respondent's variable compensation was

The contraventions reference Mutual Fund Dealer Rules 2.1.1 and 2.1.4(2) which correspond to former MFDA Rules 2.1.1 and 2.1.4. Unless otherwise indicated, the wording of the current Mutual Fund Dealer Rules is the same as the wording of the regulatory requirements that were contravened. On June 30, 2021, amendments to former MFDA Rule 2.1.4 came into effect. As the conduct addressed in this proceeding pre-dated the amendment to that Rule, the contravention of Former MFDA Rule 2.1.4 that is addressed in this proceeding is of the version of former MFDA Rule 2.1.4 that was in effect between February 27, 2006 and June 30, 2021.

based on a composite of metrics, one of which was a customer feedback metric (the “Customer Feedback Metric”) derived from satisfaction surveys completed by clients (the “Surveys”).

12. The Surveys were sent to a random sample of clients by email using the client’s email address stored on the Client Contact Information Systems (described below) used by the Dealer Member.

13. The Surveys were emailed to clients after, among other things, an Approved Person had processed transactions or account changes on behalf of the client.

14. The Dealer Member collected client feedback information through the Surveys in order to, among other things, assess in relation to branch staff: (1) the performance of Approved Persons; (2) variable compensation payable to Approved Persons; (3) eligibility of Approved Persons for rewards and recognition programs of the Dealer Member and the Bank; and (4) any client complaints or concerns with the services provided by Approved Persons to clients.

15. The Surveys posed questions to clients related to the services offered by branch staff, including Approved Persons, and asked the clients to score their responses. Survey results of a certain value reduced the Customer Feedback Metric for the Respondent’s branch.

16. The Survey results from all clients who were serviced by Approved Persons who worked at the Respondent’s branch were factored into calculating the Customer Feedback Metric for the Respondent’s branch.

17. The Respondent was provided with documentation which described how the Customer Feedback Metric was calculated and how it affected her variable compensation.

Misconduct

18. At all material times, Approved Persons were subject to a Code of Conduct and Ethics which prohibited Approved Persons from engaging in unethical business practices.

19. At all material times, Approved Persons registered with the Dealer Member had access to systems used by the Dealer Member to collect client information (the “Client Contact Information Systems”).

20. Between June 2019 and January 2020, the Respondent altered email addresses contained within the Client Contact Information System, without the consent of the individual account holder, in approximately 13 instances by altering one or more characters in the individual’s email address.

21. The Respondent’s conduct impacted four clients who held investment accounts with the Dealer Member, in addition to 9 other individuals who held bank accounts at the Bank.

22. The Dealer Member prohibited Approved Persons from editing or deleting a client’s information contained within the Client Contact Information System without the consent of the client.

23. Editing or deleting a client’s information contained within the Client Contact Information System did not restrict the client’s ability to access their investment accounts or bank accounts online, or to receive their account statements.

24. The Respondent engaged in the misconduct set out above in order to prevent clients from receiving a Survey which could have potentially negatively affected the Customer Feedback Metric for

the Respondent's branch, as well as her eligibility for rewards and recognition programs. The impact on the Respondent's compensation is not known.

25. As a consequence of the Respondent's misconduct, she:
- (a) prevented clients from receiving the Survey which may have affected the Customer Feedback Metric and consequently the variable compensation the Respondent and Approved Persons in her branch would receive as well as her eligibility for rewards and recognition programs maintained by the Dealer Member;
 - (b) interfered with the Dealer Member's ability to verify the client's identity when providing services to the client virtually;
 - (c) prevented clients from receiving notifications that their investment account statements, bank account statements, and/or confirmations of trades within their investment accounts were available;
 - (d) prevented clients from receiving promotional communications about products and services offered by the Dealer Member; and
 - (e) may have misdirected the Dealer Member's correspondence to an email address of someone other than the client.

Additional Factors

26. On February 3, 2023, the Dealer Member issued the Respondent a letter of reprimand in respect of the misconduct described in this Settlement Agreement.

27. As a result of the misconduct described above, the Dealer Member imposed a three day unpaid suspension on the Respondent, prohibited the Respondent from participating in the Dealer Member's rewards and recognition programs in 2020, and negatively impacted the Respondent's managerial assessment rating for the fiscal quarter and the remaining calendar year, which negatively affected the Respondent's base salary for the following year.

28. The Dealer Member has contacted affected clients in order to confirm the client's contact preferences contained in the Client Contact Information Systems.

29. There is no evidence of financial losses to clients arising from the misconduct described in this Settlement Agreement.

30. The Respondent has not previously been the subject of MFDA or Corporation disciplinary proceedings.

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

v. ADDITIONAL TERMS OF SETTLEMENT

32. This settlement is agreed upon in accordance with Mutual Fund Dealer Rule 7.4.4 and Rules 14 and 15 of the MFDA Rules of Procedure.²

33. The Settlement Agreement is subject to acceptance by the Hearing Panel. At or following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. Settlement Hearings are typically held in the absence of the public pursuant to Mutual Fund Dealer Rule 7.3.5 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.

34. 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 agreed, 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.

35. 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 at the settlement hearing, subject to Rule 15.3 of the MFDA Rules of Procedure;
- b. the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal, including before the Board of Directors of the Corporation 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. except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement, Staff will not initiate any proceeding under the Mutual Fund Dealer Rules against the Respondent in respect of the facts and contraventions described in this Settlement Agreement. 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 this Settlement Agreement, 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;
- d. the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to Mutual Fund Dealer Rule 7.4.1.1 for the purpose of giving notice to the public thereof in accordance with Mutual Fund Dealer Rule 7.4.5; 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.

² Pursuant to Mutual Fund Dealer Rule 7.2.3, the MFDA Rules of Procedure are the prescribed Rules of Procedure for the conduct of Hearings that are conducted pursuant to the Mutual Fund Dealer Rules.

36. 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 Mutual Fund Dealer Rule 7.4.3 against the Respondent based on, but not limited to, the facts set out in this 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.

37. 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 Mutual Fund Dealer Rules 7.3 and 7.4, unaffected by the Settlement Agreement or the settlement negotiations.

38. 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. The terms of the Settlement Agreement, including the attached Schedule “A”, will be released to the public if and when the Settlement Agreement is accepted by the Hearing Panel.

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

DATED this 7th day of February, 2023.

“Meghan Lynn Stokes”

Meghan Lynn Stokes

“BM”

Witness – Signature

BM

Witness – Print name

“Charles Toth”

Staff of the Corporation

Per: Charles Toth

New Self-Regulatory Organization of Canada

ⁱ On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization that is temporarily called the New Self-Regulatory Organization of Canada (referred to herein as the “Corporation”) and is recognized under applicable securities legislation. The Corporation adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation. Pursuant to Mutual Fund Dealer Rule 1A and s. 14.6 of By-law No. 1 of the Corporation, contraventions of former MFDA regulatory requirements may be enforced by the Corporation. Pursuant to Mutual Fund Dealer Rule 1A, MFDA By-law No. 1 continues to be applicable to this proceeding.