



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A DISCIPLINARY HEARING
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Edmund Ancil Teelucksingh

Heard: July 15, 2013 in Toronto, Ontario
Reasons for Decision: August 8, 2013

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Frederick H. Webber
Cheryl Hamilton
Terrence Bourne

Chair
Industry Representative
Industry Representative

Appearances:

Michelle Pong)	Counsel, Mutual Fund Dealers Association of
)	Canada ("MFDA")
)	
Edmund Ancil Teelucksingh)	In Person
("Respondent"))	
)	

I. INTRODUCTION

1. By Notice of Hearing dated February 8, 2013, the MFDA commenced a disciplinary proceeding against the Respondent pursuant to ss. 20 and 24 of MFDA By-law No. 1.

2. The Notice of Hearing set out the following allegations:

Allegation #1: The Respondent engaged in securities related business that was not carried on for the account and through the facilities of the Member:

- a) between May 2008 and October 2008, by selling, recommending, referring or facilitating the sale of investments in ECI, an investment that was not approved for sale by the Member, to 44 clients and 15 other individuals;
- b) between 2005 and 2008, by selling, recommending, referring or facilitating the sale of investments in DSC, an investment that was not approved for sale by the Member, to clients and other individuals;
- c) in 2006, by selling, recommending, referring or facilitating the sale of investments in LBC, an investment that was not approved for sale by the Member, to 19 clients and 27 other individuals; and
- d) between September 2009 and December 2009, by selling, recommending, referring or facilitating the sale of investments in DPC, an investment that was not approved for sale by the Member, to 30 clients and 17 other individuals

contrary to MFDA Rule 1.1.1(a), MFDA Rule 2.4.2 and MFDA Rule 2.1.1.

Allegation #2: The Respondent had and continued in another gainful occupation that was not disclosed to and approved by the Member:

- a) between May 2008 and October 2008, by selling, recommending, referring or facilitating the sale of investments in ECI to 44 clients and 15 other individuals;
- b) between 2005 and 2008, by selling, recommending, referring or facilitating the sale of investments in DSC to clients and other individuals;
- c) in 2006, by selling, recommending, referring or facilitating the sale of investments in LBC to 19 clients and 27 other individuals, and
- d) between September 2009 and December 2009, by selling, recommending, referring or facilitating the sale of investments in DPC to 30 clients and 17 other individuals;

contrary to MFDA Rule 1.2.1(d) (since December 2, 2101 renumbered to Rule 1.2.1 (c)), and MFDA Rule 2.1.1.

Allegation #3: Between 2005 and December 2009, the Respondent referred clients and individuals to DSC, a company that sold investment related products, services and programs and received at least \$63,000 in referral fees from DSC for doing so, thereby participating in a referral arrangement to which GP Wealth was not a party and which did not otherwise comply with MFDA requirements, contrary to MFDA Rule 2.4.2 and MFDA Rule 2.1.1.

II. IN PUBLIC /IN CAMERA

3. The Respondent and the MFDA agreed that this matter should be heard in public pursuant to Rule 1.8 of the MFDA Rules of Procedure.

III. AGREED STATEMENT OF FACTS

4. Prior to commencement of the hearing, the MFDA and the Respondent entered into an Agreed Statement of Facts, signed by the Respondent on July 9, 2013 (“ASF”). The ASF was entered into evidence as Exhibit 3 at the hearing, without objection. The Panel questioned whether the ASF was not in fact a Settlement Agreement. MFDA Counsel pointed out that the ASF was different than a Settlement Agreement in that the parties agreed that the hearing would take place in public (Settlement Agreement hearings are typically held *in camera*) and the Respondent did not specifically waive his rights to a hearing and rights of review under the By-laws, a requirement for settlement agreements under s. 24.4.2 of MFDA By-law No.1.

5. MFDA counsel also referred the Panel to several cases where similar agreements were treated as Agreed Statements of Fact rather than Settlement Agreements. These include *Re Chris M. McAuley* [2011], MFDA File No. 201018, *Re Jeffrey Murray Willis* [2012], MFDA File No. 201201 and *Re Piotr (Peter) Lipski* 2010 MFDA File No. 201012.

6. Accordingly, the Panel agreed that the ASF did not have to be treated as a Settlement Agreement. Therefore the Panel was not required to either accept or reject the penalties proposed in the ASF, but could impose any penalties prescribed in s. 24.1.1 of MFDA By-law No. 1.

IV. ADMISSIONS AND ISSUES TO BE DETERMINED

7. In the ASF, the Respondent acknowledged that he reviewed the ASF and admitted the facts set out in Part V below. The Respondent also admitted that those facts constitute misconduct for which the Respondent may be penalized on the exercise of the discretion of a Hearing Panel pursuant to s. 24.1 of MFDA By-law No. 1.

8. Subject to the determination of the Hearing Panel, the MFDA submitted, and the Respondent did not oppose, that the appropriate penalty to impose on the Respondent is:

- 1) a permanent prohibition on the authority of the Respondent to conduct a securities related business in any capacity over which the MFDA has jurisdiction, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
- 2) a fine in the amount of \$25,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1; and
- 3) costs in the amount of \$5,000, pursuant to s. 24.2 of MFDA By-law No. 1.

9. The Respondent claimed to be impecunious and unable to pay any amount towards either a fine or costs.

V. AGREED FACTS

Registration History

10. Between September 26, 2001 and September 30, 2010, the Respondent was registered in Ontario as a mutual fund salesperson with GP Wealth Management Corporation (“GP Wealth”), a Member of the MFDA. On or about October 1, 2010, the Respondent was terminated by GP Wealth as a result of the events described herein.

11. The Respondent was previously registered in Ontario:

- 1) between February 14, 2001 and August 31, 2001, as a mutual fund sales person with another mutual fund dealer (not a Member of the MFDA); and

- 2) between June 27, 1994 and August 25, 1994, as a mutual fund salesperson with another mutual fund dealer (also not a Member of the MFDA).
12. The Respondent is not currently registered in the securities industry in any capacity.
13. During the material time, the Respondent was also licensed in Ontario as a life insurance agent and provided insurance services using the approved trade name Horizons Financial Group (“Horizons”).
14. During the material time, the Respondent conducted mutual fund business from a GP Wealth branch office in Markham, Ontario. The Respondent currently resides in Richmond Hill, Ontario.
15. The Respondent has not previously been the subject of disciplinary proceedings.

Allegations #1, #2 and #3 – Securities Related Business, Dual Occupations, Referral Fee

16. In April 2011, Staff became aware of the Respondent’s conduct following receipt of:
 - 1) a complaint by individual BP on or about April 18, 2011; and
 - 2) reports submitted between April 5, 2011 and April 20, 2011 by GP Wealth through the MFDA’s Member Events Tracking System (“METS”), in accordance with MFDA Policy No. 6, of complaints by clients CD and OS and individual BP concerning the Respondent’s activities in relation to some of the investment products described herein.

Edvac Capital Investments

17. 17543388 Ontario Inc., carrying on business as Edvac Capital Investments (“Edvac”), was incorporated in Ontario in 2007 with its head office in Brampton, Ontario. Edvac raised capital by issuing promissory notes for a term of one year, paying interest monthly at a rate of

between 2 and 10 per cent per month (the “Edvac Investment”). The registration for 17543388 Ontario Inc. was cancelled in 2011. A company called Edvac Capital Inc. was incorporated in Ontario in 2009 with the same principals as 17543388 Ontario Inc.

18. Since in or around 1990, the Respondent has known MJ, one of the principals of Edvac.

19. Between May 2008 and October 2008, the Respondent sold, recommended, referred or facilitated the sale of the Edvac Investment to 44 GP Wealth clients.

20. Between May 2008 and October 2008, the Respondent sold, recommended, referred or facilitated the sale of the Edvac Investment to 15 individuals who were not clients of GP Wealth.

21. During the course of its investigation, Staff obtained the following information in respect of GP Wealth clients and other individuals who had purchased the Edvac Investment (the “Edvac Investors”):

Individual	Date	Amount Loaned	Client of Member?
CD	July 2008	\$40,000	Yes
GS	June 2008	\$10,000	Yes
JM	January 5, 2008	\$125,000	Yes
AL	July 3, 2008	\$35,000	Yes
PS & AS	August 15, 2008	\$26,000	Yes
BP	October 15, 2008	\$25,000	No
		Total: \$281,000	

22. The Respondent acted as an intermediary between the Edvac Investors and Edvac by, among other things:

- 1) delivering to Edvac on behalf of some of the Edvac Investors the monies used to purchase the Edvac Investment;
- 2) witnessing the promissory notes provided by Edvac to some of the Edvac Investors; and
- 3) delivering to some of the Edvac investors monthly interest payments pursuant to the terms of the Edvac Investment (the “Edvac Payments”).

23. In about July 2009, Edvac ceased making payments to investors in Edvac. Edvac and its principals are currently involved in litigation in respect of the Edvac Investment.

24. The Edvac Investment was not a product approved by GP Wealth for sale by its Approved Persons, including the Respondent. Transactions involving the Edvac Investment were not processed for the account or through the facilities of GP Wealth.

DSC Lifestyle Services

25. During the course of its investigation of this matter, Staff interviewed the Respondent (the "Interview"). During the Interview, the Respondent described DSC Lifestyle Services ("DSC") as an entity that, either directly or through its subsidiaries or affiliates, provided insurance, tax allocation and debt management services. DSC funded its operating expenses, in part, by issuing debentures to accredited investors for a term of one year, paying interest ranging from 8 to 12 per cent per term (the "DSC Investment").

26. In 2006, the Respondent's spouse purchased the DSC investment.

27. Between 2005 and 2008, the Respondent sold, recommended, referred or facilitated the sale of the DSC investment to clients and individuals (the "DSC Investors"). The Respondent acted as an intermediary between the DSC Investors and DSC by, among other things:

- 1) delivering to DSC on behalf of some of the DSC investors the monies used to purchase the DSC Investment; and
- 2) completing applicable DSC documentation with or on behalf of some of the DSC Investors.

28. The DSC Investment was not a product approved by GP Wealth for sale by its Approved Persons, including the Respondent. Transactions involving the DSC Investment were not processed for the account or through the facilities of GP Wealth.

29. The Respondent did not inform the DSC Investors that the DSC Investment was not a GP Wealth product.

30. While the Respondent was unwilling or unable to provide the MFDA with the full particulars of the commissions or referral fees he received, the Respondent admitted that in 2006 alone he received payments in the approximate amount of at least \$63,000 for his activities in relation to the DSC Investment.

31. The Respondent did not disclose to GP Wealth that he was making referrals in respect of the DSC Investment. GP Wealth did not have a referral arrangement with DSC.

The Land Banc of Canada Inc.

32. The Land Banc of Canada Inc. was incorporated in Ontario in 2006 with its head office in Woodbridge, Ontario (the "Land Banc"). According to its website, the Land Banc is a land banking company that partners land owners and developers with investors. According to the Respondent, during the material time, the Land Banc issued shares in a real estate development investment that was offered through DSC (the "Land Banc Investment").

33. The Respondent and his spouse personally invested a total of about \$50,000 in the Land Banc Investment.

34. In or around 2006, the Respondent sold, recommended, referred or facilitated the sale of the Land Banc Investment to 19 GP Wealth Clients.

35. In or around 2006, the Respondent sold, recommended, referred or facilitated the sale of the Land Banc Investment to 27 individuals who were not clients of GP Wealth.

36. The Respondent's actions in selling, recommending, referring or facilitating the sale of the Land Banc Investment to the clients and individuals described above (the "Land Banc Investors") included referring them to promotional seminars held by the Land Banc.

37. The Respondent did not inform the Land Banc Investors that the Land Banc Investment was not a GP Wealth product.

38. The Respondent was unwilling or unable to provide Staff with the full particulars of the commissions, referral fees or other compensation he received for his activities in respect of the Land Banc Investment although he advised the MFDA that such commissions or referral fees were in the amount of 3 percent of the principal invested by each Land Banc Investor.

39. The Respondent did not disclose to GP Wealth that he was selling, recommending, referring or facilitating the sale of the Land Banc Investment.

40. The Land Banc Investment was not a product approved by GP Wealth for sale by its Approved Persons, including the Respondent. Transactions involving the Land Banc Investment were not processed for the account or through the facilities of GP Wealth.

41. GP Wealth did not have a referral arrangement with Land Banc or with DSC in respect of the Land Banc Investment.

42. On April 23, 2007, the Ontario Securities Commission (the "OSC") issued a temporary cease trade order against, among others, the Land Banc (the "Temporary Order"). On May 1, 2007, the OSC issued a Notice of Hearing and Statement of Allegations with respect to the Land Banc alleging, among other things, that the Land Banc had participated in an illegal distribution of securities. On April 1, 2008, following a hearing in the matter, the OSC ordered that the Temporary Order not be extended.

Dixon Perot & Champion Inc.

43. According to the Respondent, during the material time, Dixon Perot & Champion Inc. ("DPC") operated through DSC as a charitable donation program pursuant to which DPC issued stock certificates to investors (the "DPC Investment").

44. Between September 2009 and December 2009, the Respondent sold, recommended, referred or facilitated the sale of the DPC Investment to 30 GP Wealth clients.

45. Between September 2009 and December 2009, the Respondent sold, recommended, referred or facilitated the sale of the DPC Investment to 17 individuals who were not clients of GP Wealth.

46. Individual BP invested \$1,500 in the DPC Investment on September 30, 2009.

47. The Respondent acted as an intermediary between the DPC Investors and DSC by, among other things, communicating with DSC on behalf of the DPC Investors.

48. The Respondent was unwilling or unable to provide the MFDA with the full particulars of the commissions, referral fees or other compensation he received for his activities in respect of the DPC Investment, although he advised the MFDA that such commissions or referral fees were in an amount ranging from 3 to 10 percent of the principal invested by each DPC Investor.

49. The Respondent did not disclose to GP Wealth that he was making referrals in respect of the DPC Investment. The DPC Investment was not a product approved by GP Wealth for sale by its Approved Persons, including the Respondent. Transactions involving the DPC Investment were not processed for the account or through the facilities of GP Wealth.

50. GP Wealth did not have a referral arrangement with DPC or with DSC in respect of the DPC Investment.

51. During the material time, GP Wealth had written policies and procedures that required its Approved Persons to comply with all MFDA Rules and requirements and prohibited its Approved Persons from:

- 1) engaging in securities related business outside of GP Wealth:
- 2) engaging in another gainful occupation unless disclosed to and approved by GP Wealth; and

- 3) entering into a referral arrangement unless, among other things, GP Wealth was a party to the referral arrangement.

52. The Respondent knew or ought to have known that GP Wealth's policies and procedures prohibited him from engaging in the conduct described herein. The Respondent had previously disclosed to and obtained approval from GP Wealth to engage in insurance activity through his company, Horizons.

Summary

53. By engaging in the conduct described above, the Respondent engaged in securities related business that was not carried on for the account and through the facilities of GP Wealth by selling, recommending, referring or facilitating the sale of the Edvac, DSC, Land Banc, and DPC Investments to clients and other individuals outside GP Wealth, contrary to MFDA Rules 1.1.1(a), 2.4.2 and 2.1.1.

54. In the event that the activity described above did not constitute securities related business, then the Respondent had and continued in another gainful occupation in respect of that same conduct that was not disclosed to and approved by GP Wealth, contrary to MFDA Rules 1.2.1(d) and 2.1.1.

55. By receiving referral fees in the amount of at least \$63,000 from DSC in relation to sales or referrals of the DSC Investment pursuant to a referral arrangement with DSC to which GP Wealth was not a party and which did not otherwise comply with the requirements of MFDA Rule 2.4.2, the Respondent participated in a referral arrangement contrary to MFDA Rules 2.4.2 and 2.1.1.

Misconduct Admitted

56. By engaging in the conduct described above, the Respondent admitted that:

- 1) he engaged in securities related business that was not carried on for the account and through the facilities of the Member:

- i. between May 2008 and October 2008, by selling, recommending, referring or facilitating the sale of investments in Edvac, an investment that was not approved for sale by the Member, to 44 clients and 15 other individuals;
- ii. between 2005 and 2008, by selling, recommending, referring or facilitating the sale of investments in DSC, an investment that was not approved for sale by the Member, to clients and other individuals;
- iii. in 2006, by selling, recommending, referring or facilitating the sale of investments in LBC, an investment that was not approved for sale by the Member, to 19 clients and 27 other individuals; and
- iv. between September 2009 and December 2009, by selling, recommending, referring or facilitating the sale of investments in DPC, an investment that was not approved for sale by the Member, to 30 clients and 17 other individuals;

contrary to MFDA Rule 1.1.1(a), MFDA Rule 2.4.2 and MFDA Rule 2.1 .1

2) he had and continued in another gainful occupation that was not disclosed to and approved by the Member:

- i. between May 2008 and October 2008, by selling, recommending, referring or facilitating the sale of investments in Edvac to 44 clients and 15 other individuals;
- ii. between 2005 and 2008, by selling, recommending, referring or facilitating the sale of investments in DSC to clients and other individuals;
- iii. in 2006, by selling, recommending, referring or facilitating the sale of investments in LBC to 19 clients and 27 other individuals; and
- iv. between September 2009 and December 2009, by selling, recommending, referring or facilitating the sale of investments in DPC to 30 clients and 17 other individuals;

contrary to MFDA Rule 1.2.1(d) and MFDA Rule 2.1.1..

- 3) between 2005 and December 2009, the Respondent referred clients and individuals to DSC, a company that sold investment related products, services and programs and received at least \$63,000 in referral fees from DSC for doing so, thereby participating in a referral arrangement to which GP Wealth was not a party and which did not otherwise comply with MFDA requirements, contrary to MFDA Rule 2.4,2 and MFDA Rule 2.1.1.

VI. REFERRAL ARRANGEMENTS

57. As provided in the ASF and outlined above, the Respondent agreed that his activities constituted, among other things, a breach of MFDA Rule 2.4.2. The Panel does not agree with this conclusion. Rule 2.4.2(a) provides that “For the purpose of this Rule 2.4.2...a ‘referral arrangement’ is an arrangement whereby a Member is paid or pays a fee....” There is no reference to a referral arrangement including activity by an Approved Person, such as the Respondent. There are many other MFDA Rules which explicitly apply to both Members and Approved Persons. While Rule 2.4.2 may have been intended to prohibit referral arrangements by Approved Persons without the consent of the Member, the Panel cannot ignore the plain language of the Rule. The Panel has decided that the activities of the Respondent which are the subject of the ASF are not a breach of MFDA Rule 2.4.2.

58. However, this does not change the Panel’s decision regarding the appropriateness of the penalties agreed on in the ASF. As noted in the ASF, the Member’s policies and procedures specifically prohibited its Approved Persons from entering into any referral arrangement without the prior approval of the Member. There is sound policy underlying this requirement: it allows the Member to monitor all securities related activities of its Approved Persons which it has not put on its list of approved transactions, it allows the Member to monitor and account for referral fees, it enables clients to know about potential conflicts of interest, protects the investing public from engaging in investments which have not been properly vetted by the Member, and establishes controls regarding unlicensed activities. As stated in the ASF, the Respondent knew or should have known that his actions were not in compliance with the Member’s policies and procedures. Therefore while the Panel has concluded that the Respondent’s actions are not a breach of Rule 2.4.2, the Panel has concluded that they are a breach of Rules 1.1.1(a), 1.2.1(d) and 2.1.1 as alleged by the MFDA and agreed to by the Respondent.

VII. PENALTIES

59. As detailed above, the MFDA and the Respondent have agreed that the following penalties are appropriate: (a) a permanent prohibition on the Respondent conducting a securities related business in any capacity in which the MFDA has jurisdiction; (b) a fine of \$25,000; and (c) costs of \$5,000.

60. The ASF sets out the following aggravating and mitigating factors that the MFDA and the Respondent took into account in arriving at the agreed penalties.

1. Nature of the misconduct: a significant number of clients and others were led into inappropriate investments.
2. Client harm: Significant losses were suffered by the clients and others.
3. Risk to investors: The Respondent has demonstrated that he would pose a risk to investors and the capital markets if he were to continue to operate in the capital markets.
4. Respondent's past conduct: the Respondent has not been the subject of prior disciplinary action and was terminated by the Member. He is not currently registered in the securities industry in any capacity.
5. Respondent's Recognition of Misconduct: By admitting misconduct during the MFDA investigation and entering into the ASF, the Respondent accepted responsibility for his misconduct and avoided the time and expense of a full hearing.
6. Benefits received by Respondent: The Respondent received at least \$63,000 for his activities.
7. Deterrence: Specific and general deterrence will both be achieved by the permanent prohibition and the \$25,000 fine.
8. Penalty Guidelines: The permanent prohibition is consistent with the Guidelines. The \$25,000 fine is less than the financial benefit received by the Respondent, but is consistent with the Guidelines and the Respondent's admission of misconduct is a mitigating factor.
9. Previous decisions: The proposed penalties are consistent with a number of previous decisions made in similar circumstances.

61. The Panel reviewed the factors outlined in paragraph 60, including the cases referred to, and agree that they are the relevant factors and that they support the conclusion in the ASF that the penalties agreed to are appropriate. While the Panel may impose any of the penalties prescribed in s. 24.1.1 of MFDA By-law No. 1, the proper principle to be applied is contained in paragraph 18 of the MFDA submissions, viz. where, as here, the Respondent does not oppose the penalties sought by the MFDA and has entered into the ASF on the understanding that he and the MFDA will, in effect, be making a joint submission on penalties, the Panel should not interfere with the joint recommendation of the MFDA and the Respondent unless the recommendation is seen to be manifestly unfit. In this case, the Panel does not see the proposed penalties as unfit and agrees that they are appropriate in the circumstances.

62. Accordingly it is the decision of this Panel that the following penalties shall be imposed on the Respondent:

- 1) a permanent prohibition on the authority of the Respondent to conduct securities related business in any capacity over which the MFDA has jurisdiction, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
- 2) a fine in the amount of \$25,000, pursuant to s. 24.1.1(b) of MFDA By-law No. 1; and
- 3) costs in the amount of \$5000, pursuant to s. 24.2 of MFDA By-law No. 1.

DATED this 8th day of August, 2013.

“Frederick H. Webber”

Frederick H. Webber,
Chair

“Cheryl Hamilton”

Cheryl Hamilton,
Industry Representative

“Terrence Bourne”

Terrence Bourne,
Industry Representative