



**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: Ada Tse**

Heard: April 22, 2021 by electronic hearing in Toronto, Ontario  
Decision: April 22, 2021  
Reasons for Decision: June 21, 2021

**REASONS FOR DECISION**

Hearing Panel of the Central Regional Council:

Frederick W. Chenoweth  
Brigitte J. Geisler  
Robert C. White

Chair  
Industry Representative  
Industry Representative

Appearances:

Audrey Smith	)	Enforcement Counsel for the Mutual Fund
	)	Dealers Association of Canada
	)	
	)	
Ada Tse	)	Respondent
	)	
	)	

## **I. BACKGROUND**

1. By Notice of Settlement Hearing, dated March 23, 2021, a Hearing Panel of the Central Regional Council (the “Panel”) of the Mutual Fund Dealers Association of Canada (the “MFDA”) was convened to consider whether, pursuant to section 24.4 of By-law No. 1 of the MFDA, the Panel should accept a settlement agreement dated March 9, 2021 (“Settlement Agreement”), entered into by the Staff of the MFDA (“Staff”) and Respondent.

2. At the outset of the proceeding, the Panel considered a joint motion by Staff and the Respondent to move the proceedings “*in camera*”. The Panel granted the motion. The Panel then considered the provisions of the Settlement Agreement, aided by submissions as to the applicable law, which should guide the Panel in determining whether or not to accept or reject the Settlement Agreement. The Panel unanimously accepted the Settlement Agreement and issued an Order accordingly. These are the Panel’s reasons for doing so.

## **II. THE CONTRAVENTIONS**

3. In the Settlement Agreement, the Respondent admits that:

- a) between October 31, 2012 and August 9, 2016, she obtained, possessed, and used to process transactions, 24 pre-signed account forms in respect of 15 clients, contrary to MFDA Rule 2.1.1; and
- b) between April 19, 2013 and February 7, 2017, she altered and used to process transactions, 11 account forms in respect of 4 clients, by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1.

## **III. THE FACTS**

4. In the Settlement Agreement, Staff and the Respondent agreed to the existence of a series of facts, which are set out in Part III of the said Settlement Agreement. The Settlement Agreement is attached as Appendix “A” to these Reasons.

5. As set out in the Settlement Agreement, the Respondent had, since January 2000, been registered in the securities industry. Since June 7, 2005, the Respondent had been registered in Ontario as a dealing representative with Investia Financial Services Inc. (“Member”), a member of the MFDA. At all material times, the Respondent conducted business in the Richmond Hill, Ontario area. The Respondent continues to be employed in the securities industry.

#### IV. DISCUSSION

6. The Panel was aware that prior to accepting a Settlement Agreement, a Hearing Panel must be satisfied that:

- a) The facts admitted by the Respondent constitute misconduct in contravention of the By-laws, MFDA Rules or policies, or provincial securities legislation; and
- b) The penalties contemplated in the Settlement Agreement fall within a reasonable range of appropriateness, bearing in mind the nature and extent of the misconduct and all the circumstances.

7. The Panel accepted that the role of a Hearing Panel at a settlement hearing is fundamentally different than its role at a contested hearing. As stated by the MFDA Hearing Panel in *Sterling Mutuals Inc. (Re)*, citing the I.D.A. Ontario District Council in *Milewski (Re)*:

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.” [Emphasis added].

*Sterling Mutual Inc. (Re)*, MFDA File No. 200820, Hearing Panel of the Central Regional Council, Decision and Reasons dated August 21, 2008 at para. 37.

*Milewski (Re)*, [1999] I.D.A.C.D. No. 17 at p. 12, Ontario District Council Decision dated July 28, 1999.

8. The Panel also considered the principle that a Hearing Panel will not reject a settlement agreement unless the proposed penalty clearly falls outside the reasonable range of appropriateness. Settlements are necessary to assist the MFDA to fulfill its regulatory objective of protecting the public. Settlements advance this regulatory objective by proscribing activities that are harmful to the public, while enabling the parties to reach a flexible remedy tailored to address the interests of both the regulator and a respondent.

*British Columbia (Securities Commission) v. Seifert*, [2006] B.C.J. No. 225 at paras. 48-49 (S.C.), aff’d, [2007] B.C.J. No. 2186 at para. 31 (C.A.) [“*British Columbia (Securities Commission)*”], SBA,

9. “Pre-Signed Forms” is a generic term that applies to account forms that were incomplete at the time they were signed. Members and Approved Persons are only permitted to obtain, use and rely upon forms that are executed by the client after all information on the form has been properly completed.

10. MFDA Hearing Panels have consistently held that obtaining or using pre-signed forms is a contravention of the standard of conduct prescribed under MFDA Rule 2.1.1.

*Lok (Re)*, [2020] Hearing Panel of the Central Regional Council, MFDA File No. 202011, Hearing Panel Decision dated May 11, 2020 at para 9 (“*Lok*”).

*Warr (Re)*, [2020] Hearing Panel of the Atlantic Regional Council, MFDA File No. 202037, Hearing Panel Decision dated September 25, 2020 at para 13 (“*Warr*”).

11. The MFDA has previously warned Approved Persons against the use of pre-signed forms. Among other things, 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.

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

MFDA Bulletin #0661-E dated October 2, 2015

12. In the present case, and as reflected in paragraph 4 of the Settlement Agreement, the Respondent admits that she obtained and possessed 24 pre-signed account forms in respect of 15 clients, contrary to MFDA Rule 2.1.1.

### **Altered Forms are Not Permissible**

13. When an Approved Person alters information on an account form without having the client initial the form to show that the client is aware of the change and has authorized it, the Approved Person engages in conduct that is contrary to MFDA Rule 2.1.1.

*Lok (Re)*, *supra* at para 9.

*Warr (Re)*, *supra* at para 13.

14. As with “pre-signed forms”, the MFDA previously warned Approved Persons against altering account forms without having the client initial the form to show that they are aware of the change.

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

MFDA Bulletin #0661-E dated October 2, 2015.

15. Like “pre-signed forms”, the creation or use of altered forms is considered serious misconduct. The negative consequences which can result from the use of pre-signed forms, also apply to altered forms.

16. In the present case, as stated in paragraph 4 of the Settlement Agreement, the Respondent admits that she altered and used to process transactions, 11 account forms in respect of 4 clients, by altering information on the account forms without having the clients initial the alterations, contrary to MFDA Rule 2.1.1.

## V. PENALTY

17. The Panel then proceeded to consider the appropriateness of the proposed penalty as set out in the Settlement Agreement. In doing so, the Panel considered the submissions of Staff and the acquiesced Respondent, the MFDA Sanction Guidelines and the substantial case law to which it was referred.

18. The Panel was mindful that the primary goal of securities regulation was the protection of the investor. The Panel was further mindful that in addition to protection of the public, the goals of securities regulation also include fostering public confidence in the capital markets and the securities industry.

*Pezim v. British Columbia (Superintendent of Brokers)*, [1994] 2 S.C.R. 557.

*Breckenridge (Re)*, MFDA File No. 200718, Hearing Panel of the Central Regional Council, Decision and Reasons dated November 14, 2007 at para. 71.

19. The Panel accepted the submissions of Staff that the following factors are frequently considered by Hearing Panels when determining whether a penalty is appropriate:

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

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

*Breckenridge, supra*

20. In this respect, the Panel was mindful that, the nature of the contraventions that had been admitted by the Respondent were serious and warranted significant penalties. In particular, the use of pre-signed and altered account forms was a serious breach of MFDA Rule 2.1.1

*Balani (Re)*, MFDA File No. 201402, Hearing Panel of the Central Regional Council, Decision and Reasons dated January 15, 2015.

21. With respect to the particular factors which were considered by the Panel when assessing the appropriateness of the penalty agreed to in this matter, the Panel was mindful that:

- a) For the reasons described above, the Panel was of the view that the use of pre-signed forms and altered forms was a serious breach of MFDA Rule 2.1.1.
- b) In fact, the Respondent has acknowledged that her conduct constitutes a serious contravention of MFDA Rules. By entering into the Settlement Agreement, the Respondent has accepted responsibility for her misconduct, and has saved the MFDA the time, resources and expenses associated with a full disciplinary hearing.
- c) The Respondent has not previously been the subject of MFDA disciplinary proceedings.
- d) There is no evidence of any lack of authorization or client loss resulting from the Respondent's conduct as described within the Settlement Agreement.
- e) There is no evidence that the Respondent received any financial benefit from her misconduct beyond any commissions and fees that she would ordinarily be entitled to receive had the transactions been carried out in the proper manner.
- f) The proposed penalties will act as a general deterrent by reinforcing the message that the use of pre-signed and altered forms will not be tolerated within the mutual fund industry. The said penalties will also specifically deter the Respondent from

engaging in similar activities by imposing a meaningful sanction upon the Respondent.

- g) In addition, the Respondent has paid \$866 to the Member in respect of her misconduct which also provides a deterrent against the Respondent engaging in similar behaviour in the future.

22. Staff proposed that costs in the amount of \$2,500 be imposed against the Respondent. In its submissions, Staff made it clear to the Panel that the costs incurred more than justify the imposition of the above cost award. The Respondent, in the Settlement Agreement, consented to same.

## **VI. RESULT**

23. For all the above reasons, the Panel concluded that the Settlement Agreement was reasonable and proportionate. Accordingly, the following penalties were imposed upon the Respondent:

- a) the Respondent shall pay a fine in the amount of \$14,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of MFDA By-law No.1;
- b) the Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No.1;
- c) the Respondent shall in the future comply with MFDA Rule 2.1.1; and
- d) If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of the 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 21<sup>st</sup> day of June, 2021.

“Fredrick W. Chenoweth”

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Frederick W. Chenoweth  
Chair

“Brigitte J. Geisler”

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Brigitte J. Geisler  
Industry Representative

“Robert C. White”

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Robert C. White  
Industry Representative

## Appendix “A”

Settlement Agreement

File No. 202112



**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: Ada Tse**

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## **SETTLEMENT AGREEMENT**

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### **I. INTRODUCTION**

1. Staff of the Mutual Fund Dealers Association of Canada (“Staff”) and the Respondent, Ada Tse (the “Respondent”), consent and agree to settlement of this matter by way of this agreement (the “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 section 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 Mutual Fund Dealers Association of Canada (“MFDA”):

- a) between October 31, 2012 and August 9, 2016, the Respondent obtained, possessed, and used to process transactions, 24 pre-signed account forms in respect of 15 clients, contrary to MFDA Rule 2.1.1; and
  - b) between April 19, 2013 and February 7, 2017, the Respondent altered and used to process transactions, 11 account forms in respect of 4 clients, by altering information on the account forms without having the client initial the alterations, 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 \$14,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of MFDA By-law No.1;
  - b) the Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No.1;
  - c) the Respondent shall in the future comply with MFDA Rule 2.1.1; and
  - d) the Respondent will attend in person 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 Part III herein and consent to the making of an Order in the form attached as Schedule “A”.

### **III. AGREED FACTS**

#### **Registration History**

7. Since January 2000, the Respondent has been registered in the securities industry. Since June 7, 2005, the Respondent has been registered in Ontario as a dealing representative with Investia Financial Services Inc. (the “Member”), a Member of the MFDA.

8. At all material times, the Respondent conducted business in the Richmond Hill, Ontario area.

#### **Pre-signed Account Forms**

9. At all material times, the Member’s policies and procedures prohibited its Approved Persons from holding or using pre-signed account forms.

10. Between October 31, 2012 and August 9, 2016, the Respondent obtained, possessed, and used to process transactions, 24 pre-signed account forms in respect of 15 clients.

11. The pre-signed account forms included:

- a) 7 Order Instruction forms;
- b) 4 Know Your Client (“KYC”) update forms;
- c) 4 New Account Application forms;
- d) 3 TFSA Application forms;
- e) 1 Pre-Authorized Contribution form;
- f) 1 Multi-Plan Application form;
- g) 1 Non-Financial Instruction form;
- h) 1 Transfer Authorization for Registered Investments form;
- i) 1 Mutual Fund Trade Ticket form; and
- j) 1 Pre-Authorized Debit form

### **Altered Account Forms**

12. Between April 19, 2013 and February 7, 2017, the Respondent altered and used to process transactions, 11 account forms in respect of 4 clients, by altering information on the account forms without having the client initial the alterations.

13. The altered account forms included:

- a) 7 Non-Financial Instruction forms;
- b) 2 KYC Update forms; and
- c) 2 B2B Withdrawal forms

14. The alterations to the account forms included changes to client risk tolerance, withdrawal amounts, and account numbers.

### **The Member’s Investigation**

15. During the course of a branch review, the Member identified several of the account forms that are the subject of this Settlement Agreement. On September 16, 2019, the Member completed a full review of the client files serviced by the Respondent and identified the remaining account forms.

16. On November 8, 2019, the Member sent letters to all clients whose accounts were serviced by the Respondent. In respect of pre-signed or altered forms identified by the Member that contained KYC information, the Member provided a copy of the client's KYC information on record and asked the clients to review the KYC information to ensure that it was recorded accurately. In respect of other types of pre-signed or altered account forms, the Member asked the clients to review their account history for accuracy and to contact the Member if any inconsistencies existed. No clients raised any concerns in response to the Member's letters.

17. On October 23, 2019 the Member placed the Respondent on strict supervision. During this period, the Respondent paid a total of \$866 to the Member in respect of an administration fee and a fee for each audit letter sent to the Respondent's clients.

18. On February 11, 2020, the Member completed its strict supervision of the Respondent and issued her a warning letter in respect of the pre-signed and altered account forms described above.

#### **Additional Factors**

19. There is no evidence that the Respondent received any financial benefit from the conduct set out above beyond the commissions or fees she would ordinarily be entitled to receive had the transactions been carried out in the proper manner.

20. There is no evidence of client loss or lack of authorization.

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

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

#### **IV. ADDITIONAL TERMS OF SETTLEMENT**

23. 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.

24. The Settlement Agreement is subject to acceptance by the Hearing Panel which shall be sought at a hearing (the "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](http://www.mfda.ca).

25. 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.

26. 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 section 24.1.2 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with section 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.

27. 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.

28. 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.

29. 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 9<sup>th</sup> day of March 2021.

“Ada Tse”  
\_\_\_\_\_  
Ada Tse

“SW”  
\_\_\_\_\_  
Witness – Signature

SW  
\_\_\_\_\_  
Witness – Print Name

“Charles Toth”  
\_\_\_\_\_  
Staff of the MFDA  
Per: Charles Toth  
Vice-President, Enforcement



**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: Ada Tse**

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**ORDER**

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**WHEREAS** on March 23, 2021, the Mutual Fund Dealers Association of Canada (the "MFDA") issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of Ada Tse (the "Respondent");

**AND WHEREAS** the Respondent entered into a settlement agreement with Staff of the MFDA, dated March 9, 2021 (the "Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to sections 20 and 24.1 of By-law No. 1;

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

- a) between October 31, 2012 and August 9, 2016, the Respondent obtained, possessed, and used to process transactions, 24 pre-signed account forms in respect of 15 clients, contrary to MFDA Rule 2.1.1; and
- b) between April 19, 2013 and February 7, 2017, the Respondent altered and used to process transactions, 11 account forms in respect of 4 clients, by altering information on the account forms without having the client initial the alterations, 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 \$14,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of MFDA By-law No.1;
2. The Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.2 of MFDA By-law No.1;
3. The Respondent shall in the future comply with MFDA Rule 2.1.1; and
4. 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]

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