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: Jeffrey Murray Willis

Heard: June 1, 2012 in Toronto, Ontario
Reasons for Decision: June 7, 2012

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

The Hon. Edward Saunders, Q.C.	Chair
Robert C. White	Industry Representative
Robert Guilday	Industry Representative

Appearances:

Lyla Simon	)	Counsel, Mutual Fund Dealers Association of
	)	Canada ("MFDA")
Jeffery Murray Willis	)	Respondent, attended by telephone
	)	
	)	

1. By Notice of Hearing issued January 27, 2012, MFDA commenced disciplinary proceedings against the Respondent. The hearing on the merits was held on June 1, 2012.

2. The Respondent was registered in Ontario as a mutual fund salesperson with IPC Investment Corporation (the "Member") from August 6, 1999 to May 31, 2009 and was a Branch Manager from about August 2000 to May 31, 2009. The Respondent was terminated by the Member on May 31, 2009. He is not currently registered in the securities industry in any capacity. The MFDA staff acknowledges that the Respondent co-operated with them during the preparation for the hearing to the extent that an Agreed Statement of Facts (an "ASF") was prepared and filed at the hearing.

3. The Notice of Hearing set out three allegations but the MFDA staff elected to proceed with only two of them. The Respondent admitted both allegations set out in the ASF. Specifically, he admitted that he:

(a) engaged in securities related business from October 2008 to May 2009 that was not carried on for the account and through the facilities of the Member by selling, referring or facilitating the sale of investments in four investment products that were not approved for sale by the Member to clients and other individuals, contrary to MFDA Rules 1.1.1(a) and 2.1.1; and

(b) engaged in personal financial dealings from May 9, 2007 to July 29, 2008, with client NF by remaining indebted to client NF in the amount of $150,000 and re-financing his indebtedness to client NF during this period, thereby creating a conflict of interest between his own interests and client NF's interests which he failed to ensure was addressed by the exercise of responsible business judgment influenced only by the best interests of client NF, contrary to:

    (i) MFDA Rule 2.1.4; and

    (ii) The Member's Policies and Procedures, thereby interfering with the Member's ability to supervise the Respondent, contrary to MFDA Rules 1.1.2 and 2.5.1.

4. The facts relating to the admitted allegations of misconduct are set out in Part IV of the ASF and need not be repeated here. In brief, the Respondent arranged for clients of the Member to invest in four investment products that were not approved for sale by the Member. As a result, substantial losses were incurred in one of the products. In addition, the Respondent was indebted to an individual who became a client of the Member and that indebtedness was re-financed while the individual remained a client. The fact that he was indebted to a client was disclosed to the Member. The Member neither approve nor disapproved of the loan. The Respondent stated at the hearing that particulars of the indebtedness was not provided or asked for.

5. The facts set out in the ASF, reinforced by the admission of the Respondent, leads to the conclusion that the Respondent engaged in the admitted misconduct.

6. This conclusion leads to the issue of penalty. The MFDA staff recommends a permanent prohibition, a fine of $35,000 and costs in the amount of $2,500. The Respondent, in the ASF, does not oppose t he recommendation.

7. In our view, the circumstances surrounding the investment in Capital Mountain Holdings Corporation ("Capital") when taken alone justifies a permanent prohibition. The investment was not approved by the Member. It was structured in such a way that in most cases the Respondent received substantially more in interest from Capital than was received by the investor. The Respondent took advantage of his clients for his own gain. The investor suffered a substantial loss. When Capital ceased paying interest and it became apparent there would be no return of the investment, the Respondent did pay the investors $198,018 which was approximately 10.8% of their investment. According to the Respondent in a statement at the hearing, the amount was about $4,000 more than the aggregate interest the Respondent had received from Capital. While the repayment reflects a sense of responsibility on the part of the Respondent, it does not affect our finding that a permanent prohibition is justified in this case in the interest of protecting the investing public.

8. With regard to the recommended amount of the fine and costs, the situation calls for a significant fine. There are, however, some mitigating factors. The loan to the former client has been repaid with interest and the Respondent has not previously been subject to MFDA disciplinary proceedings. The Respondent has co-operated to the extent that there is an ASF in

which allegations of the MFDA have been admitted justifies a cost award in the minimal amount. Taking all these factors into consideration, the recommended fine of $35,000 is reasonable and appropriate.

9. This is the order that was made at the hearing:

"1. The following penalties are imposed upon the Respondent:

(i) a permanent prohibition on the authority of the Respondent to conduct securities related business while in the employ of or associated with any MFDA Member, pursuant to s. 24.1.1(e) of MFDA By-law No. 1;
(ii) a fine in the amount of $35,000, pursuant to s. 24.1.1.(b) of MFDA By-law No. 1; and
(iii) costs in the amount of $2,500, pursuant to s. 24.2 of By-law No. 1."

DATED this 7th day of June, 2012.

"Edward Saunders"
The Hon. Edward Saunders, Q.C.,
Chair

"Robert White"
Robert C. White,
Industry Representative

"Robert Guilday"
Robert Guilday,
Industry Representative