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: Excel Private Wealth Inc.

Heard: September 6, 2018 in Toronto, Ontario
Decision: September 6, 2018
Reasons for Decision: November 5, 2018

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

John Lorn McDougall, QC	Chair
Casimir Litwin	Industry Representative
Guenther W. K. Kleberg	Industry Representative

Appearances:

Michelle Pong	)	Enforcement Counsel for the Mutual Fund Dealers Association of Canada
Patrick Ouellet	)	Counsel for the Respondent
Christophe Armantier	)	Chief Compliance Officer of Respondent

I. INTRODUCTION

1. By Notice of Settlement Hearing dated July 19, 2018, the Mutual Fund Dealers Association of Canada ("MFDA") gave notice of a hearing to be held before a hearing panel of the Central Regional Council ("Hearing Panel") of the MFDA on September 6, 2018, to consider whether the settlement agreement ("Settlement Agreement") to be entered into between Staff of the MFDA ("Staff") and Excel Private Wealth Inc. ("Respondent") should, pursuant to section 24.4 of By-law No. 1 of the MFDA, be accepted.

2. The Notice of Settlement Hearing and the subsequent News Release issued by the MFDA on August 14, 2018 both set out the following allegations that the Respondent:

a) between August 20, 2014 and September 16, 2014, failed to conduct adequate due diligence on Approved Person, BG's referral arrangement, contrary to MFDA Rule 2.5.1 and MFDA Policy No. 2;
b) from April 2016 to December 2016, failed to maintain a tier two supervision structure for its Approved Persons, contrary to MFDA Rule 2.5.1 and MFDA Policy No. 2; and
c) from June 2016 to March 7, 2018, failed to conduct supervisory reviews of quarterly trend analysis reports, contrary to the Respondent's policies and procedures, MFDA Rule 2.5.1 and MFDA Policy No. 2.

3. In Part V of the Settlement Agreement, at paragraphs 44 to 46 inclusive, the Respondent admits these allegations as follows:

> 44. The Respondent admits that between August 20, 2014 and September 16, 2014, the Respondent failed to conduct adequate due diligence on Approved Person, BG's referral arrangement, contrary to MFDA Rule 2.5.1 and MFDA Policy No. 2.

45. The Respondent admits that from April 2016 to December 2016, the Respondent failed to maintain a tier two supervision structure for its Approved Persons, contrary to MFDA Rule 2.5.1 and MFDA Policy No. 2.

46. The Respondent admits that from June 2016 to March 7, 2018, the Respondent failed to conduct supervisory reviews of quarterly trend analysis reports, contrary to the Respondent's policies and procedures, MFDA Rule 2.5.1 and MFDA Policy No. 2.

4. Further, as set out in paragraph 47 of the Settlement Agreement, the Respondent agreed to the following penalties:

47. The Respondent agrees to the following terms of settlement:

a) the Respondent shall pay a fine in the amount of $40,000.00 upon acceptance of the Settlement Agreement;
b) the Respondent shall pay costs in the amount of $7,500.00 upon acceptance of the Settlement Agreement;
c) a senior officer of the Respondent will attend in person, on the date set for the Settlement Hearing; and
d) the Respondent shall in the future comply with all MFDA By-laws, Rules and Policies, and all applicable securities legislation and regulations made thereunder, including MFDA Rule 2.5.1 and MFDA Policy No. 2.

5. The Hearing Panel was advised by Staff during the hearing that the MFDA had received two bank drafts on September 6, 2018 in payment of the fine of $40,000.00 and for costs in the amount of $7,500.00.

II. SETTLEMENT AGREEMENT AND AGREED FACTS

6. The additional portions of the Settlement Agreement which are relevant to these Reasons for Decision are contained in Part IV Agreed Facts and are reproduced below:

IV. AGREED FACTS

Registration History

6. Certika Investments Ltd. ("Certika") became a Member of the MFDA on July 5, 2002.

7. Investissements Excel Inc. ("Investissements") became a Member of the MFDA on June 6, 2013.

8. On February 1, 2016, Certika amalgamated with Investissements (the "Amalgamation") and changed its name to Excel Private Wealth Inc. ("Excel" or the "Respondent").

9. The Respondent is registered as a mutual fund dealer in the provinces of Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan.

10. The Respondent has been a Member of the MFDA since February 1, 2016.

Corporate Structure

11. The Respondent's head office is located at 2851 rue King Quest, Sherbrooke, Quebec. Currently, the Respondent maintains 205 branches and 38 sub-branches.

Supervision of BG's Referrals of Syndicated Mortgages

12. On November 12, 2013, the MFDA issued Bulletin #0853-P, Transactions by Approved Persons in Syndicated Mortgage Securities. The Bulletin provided guidance with respect to syndicated mortgages. The Bulletin specifically advised that all syndicated mortgages sold or referred by Approved Persons must be facilitated through the accounts and facilities of the Member in accordance with the requirement of Rule 1.1.1 and are subject to all applicable MFDA Rules.

13. On December 16, 2013, Approved Person, BG entered into a "Simple Referral Agent Agreement" with FMP Mortgage Investments Inc. to refer investors to purchase syndicated mortgages in Fortress Real Capital (the "Referral Arrangement"). BG did this without the knowledge or approval of the Respondent.

14. On August 20, 2014, BG disclosed to the Respondent the Referral Arrangement and that he had referred three investors, two of whom were clients.

15. On September 16, 2014, after conducting research on the internet and finding nothing unusual, the Respondent approved the Referral Arrangement.

16. The Respondent did not obtain a written copy of the Referral Arrangement or review its terms.

17. The Respondent was not a party to the Referral Arrangement.

18. The Respondent approved the Referral Arrangement that they knew or ought to have known was impermissible because it allowed for the sale of securities outside its facilities and otherwise did not comply with the regulatory requirements pertaining to referral arrangements.

19. None of the referral fees were paid to the Respondent and the Respondent failed to record all the referral fees collected on its books and records.

20. The Respondent did not ensure that adequate disclosure was provided to clients with respect to the Referral Arrangement and the features of the product and the risks associated with the investment.

21. The Respondent did not take any steps or conduct an investigation to determine whether other clients (beyond the two clients identified by BG) had purchased syndicated mortgage investments through the Referral Arrangement until requested to do so in December 2016.

22. On December 20, 2016, the Respondent issued letters to the clients that were serviced by BG, which asked the clients if BG had recommended a product called Fortress Real Capital and to provide details of what they were told and how much they had purchased of the product. None of the clients contacted the Respondent.

23. Commencing in 2017, the Respondent required each Approved Person to complete an annual questionnaire that asked each Approved Person about outside business activities, referral arrangements, exempt products, websites and other media related sites.

24. Commencing in 2017, the Respondent required Approved Persons to complete an outside business activities declaration in which they disclosed activities conducted outside the Member including life and health insurance activities, income tax preparation, fee-based financial planning services, government or public duties and other activities. The form required Approved Persons to ensure that they provide clients with a dual occupation disclosure document.

25. The Respondent did not receive any complaints relating to BG's conduct.

26. Staff has been advised that to the extent they incurred any losses, the three investors referred by BG reached a resolution with FMP Mortgage Investments Inc.

Tier Two Supervision Structure - Fail to Maintain a Tier Two Supervision Structure

27. Commencing on April 4, 2016, MFDA Compliance Staff ("Compliance Staff') conducted a compliance examination of the Respondent in order to assess the Respondent's compliance with MFDA By-laws, Rules and Policies during the period of November 1, 2013 to February 29, 2016 (the "2016 Examination").

28. The 2016 Examination identified a number of compliance deficiencies.

29. On or about April 20, 2016, as a result of the Amalgamation, the Respondent switched from operating two back office systems to operating one back office system.

30. At that time, the Respondent stopped conducting tier two supervision of its Approved Persons.

31. On August 2, 2016 during the final exit meeting for the 2016 Examination, the Respondent informed Compliance Staff that a two-tier supervision structure was in place.

32. On January 13, 2017, the Respondent informed Compliance Staff that, from mid-April 2016 to mid-December 2016, the Respondent had not conducted tier two supervision of its Approved Persons.

33. The Respondent informed Compliance Staff that it had expected that Certika and Investissements would transfer their activities to a single operating back office system on June 1, 2016, but the Respondent experienced technical difficulties and the transfer of the operations on a single operating system could not be completed until December 2016.

34. The Respondent informed Compliance Staff that in mid-December 2016, the Respondent once again began conducting the tier two supervision, and reviewed the trades processed from April 20, 2016 to mid-December 2016 by its Approved Persons.

35. Compliance Staff subsequently conducted tests to verify that the Respondent had properly implemented a tier two supervision structure from January 2017 onwards.

Trend Reports - Fail to Conduct Quarterly Trend Analysis Reviews

36. From October 23, 2017 to December 12, 2017, Compliance Staff conducted a compliance examination of the Respondent in order to assess the Respondent's compliance with MFDA By-laws, Rules and Policies during the period of March 1, 2016 to August 31, 2017 (the "2017 Examination").

37. The results of the 2017 Examination were summarized and delivered to the Respondent in a report dated March 27, 2018 (the "2018 Report").

38. The 2017 Examination identified, among other things, a compliance deficiency relating to the failure to conduct quarterly trend analysis reviews, compliant with the requirements set out in MFDA Policy No. 2.

39. During the 2017 Examination, Compliance Staff were informed by the Respondent's Chief Compliance Officer ("CCO") that the Respondent had not conducted a supervisory review of the following quarterly trend analysis reports since June 2016:

a) a quarterly review of reports on assets under administration ("AUA") comparing current AUA to AUA at the same time the prior year; and
b) a quarterly review of commission reports for the previous 12 month period comparing commissions received in the current year to commissions received for the same period in the prior year.

40. The Respondent's CCO informed Compliance Staff that the Respondent stopped conducting the reviews due to inadequate staffing levels.

41. On March 7, 2018, the Respondent informed Compliance Staff that the Respondent had commenced supervisory reviews of the 2017 trend analysis quarterly reports and that the supervisory reviews should be completed by the end of March 2018.

Additional Factors

42. The Respondent has no prior disciplinary history with the MFDA.

43. The Respondent has cooperated at all times and by entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources and expenses associated with conducting a full hearing of the allegations.

III. REASONS AND ANALYSIS

7. In each of the three contraventions alleged and admitted, as set out in paragraphs 2 and 3 above, the specific breaches by the Respondent referred to were of MFDA Rule 2.5.1 and MFDA Policy No. 2.

8. MFDA Rule 2.5.1 is as follows:

2.5 MINIMUM STANDARDS OF SUPERVISION

2.5.1 Member Responsibilities

> Each Member is responsible for establishing, implementing and maintaining policies and procedures to ensure the handling of its business is in accordance with the By-laws, Rules and Policies and with applicable securities legislation.

9. MFDA Policy No. 2 is titled Minimum Standards for Account Supervision and is 14 pages in length. It covers a number of matters which are not related to the contraventions in question in the present case. At the Hearing Panel's request, Staff identified the portions of MFDA Policy No. 2 which are germane to this proceeding. The 4 pages identified as containing a description of what the Respondent was required, but failed, to do are attached to these Reasons for Decision as Appendix A. As they are still somewhat lengthy, for our purposes it is useful to summarize the essence of each of the three breaches of Policy No. 2 from the portions delineated by Staff.

10. With respect to the allegation set out in paragraph 2(a), the admitted failure, between August 20, 2014 and September 16, 2014, was in not conducting adequate due diligence on Approved Person BG's referral arrangement. The most relevant provision of MFDA Policy No. 2 is:

> Supervisory staff has a duty to ensure compliance with Member policies and procedures and MFDA regulatory requirements, which includes the general duty to effectively supervise and to ensure that appropriate action is taken when a concern is identified. Such action would depend on the circumstances of each case and may include following up with the registered salesperson and/or the client. Supervisory staff must also maintain records of the issues identified, action taken and resolution achieved.

11. With respect to the allegation set out in paragraph 2(b) above, the admitted failure was in not maintaining a two-tier supervision structure for its Approved Persons between April 2016 and December 2016. In addition to the specific requirements imposed on branch managers, the most relevant provision of MFDA Policy No. 2 is:

> A two-tier structure is required to adequately supervise client account activity. While the head office or regional area level of supervision by its nature cannot be in the same depth as branch level supervision, it should cover the same elements. Head office review should be focused on unusual activity or reviews that cannot be carried out at the branch level.

Head office reviews must include procedures to effectively detect unsuitable investments and excessive trading in client accounts.

12. Finally, with respect to the allegation set out in paragraph 2(c) above, the admitted failure was in not conducting supervisory reviews of quarterly trend analysis reports between June 2016 and March 2018. The most relevant provision of MFDA Policy No. 2 is:

> VI. IDENTIFICATION OF TRENDS IN TRADING ACTIVITY
>
> 2. Head office supervisory review procedures must include, at a minimum, the following criteria:
>
> - a quarterly review of reports on assets under administration ("AUA") comparing current AUA to AUA at the same time the prior year;
>
> - a quarterly review of commission reports for the previous 12 month period comparing commissions received in the current year to commissions received for the same period in the prior year.

13. The jurisprudence relating to the considerations to be taken into account by a Hearing Panel when deciding whether to accept a proposed settlement is quite developed. Among those considerations that have been identified by hearing panels, the most significant are:

a) Whether acceptance of the settlement agreement would be in the public interest and whether the penalty imposed will protect investors;
b) Whether the settlement agreement is reasonable and proportionate, having regard to the conduct of the Respondent as set out in the settlement agreement;
c) Whether the settlement agreement addresses the issues of both specific and general deterrence;
d) Whether the proposed settlement will prevent the type of conduct described in the settlement agreement from occurring again in the future;
e) Whether the settlement agreement will foster confidence in the integrity of the Canadian capital markets;
f) Whether the settlement agreement will foster confidence in the integrity of the MFDA; and

g) Whether the settlement agreement will foster confidence in the regulatory process itself.

In the Matter of Rodney Jacobson, [2007] MFDA Hearing Panel of the Prairie Regional Council, MFDA File No. 200712, Decision dated July 13, 2007.

In the Matter of Investors Group Financial Services, [2004] MFDA Hearing Panel of the Ontario Regional Council, MFDA File No. 200401, Reasons for Decision dated December 16, 2004 at pp. 2-3.

In the Matter of IQON Financial Inc. (Re), [2007] MFDA Hearing Panel of the Pacific Regional Council, MFDA File No. 200713, Decision and Reasons dated May 24, 2007 at p. 9.

14. The primary goal of securities regulation is the protection of the investor. That is the overarching principle to be applied by hearing panels.

Pezim v. British Columbia (Superintendent of Brokers), [1994] 2 S.C.R. 557 at paras. 59, 68.

15. Factors that hearing panels frequently consider when determining whether a penalty is appropriate include the following:

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 activities;
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 activities to those who are permitted to participate in the capital markets; and

k) Previous decisions made in similar circumstances.

In the Matter of Arnold Tonnies [2005] MFDA Hearing Panel of the Prairie Regional Council, MFDA File No. 200503, Decision dated June 27, 2005 at p. 23.

In the Matter of Stephan Headley, [2006] MFDA Hearing Panel of the Ontario Regional Council, MFDA File No. 200509, Decision and Reasons dated February 21, 2006 at pp. 25-26.

16. Staff identified the lack of two-tier supervision as the most serious of the three contraventions but also submitted, and the Hearing Panel accepts, that it was an unusual set of circumstances involving the amalgamation that led to it.

17. On the other side of the ledger, the Respondent has no prior disciplinary history with the MFDA, it has at all times fully cooperated with the MFDA and entered into the Settlement Agreement saving time, resources and costs.

18. Further, there were no complaints arising from the contraventions and no known losses and the Respondent has taken the appropriate corrective action.

19. In this case the most important consideration is that of general deterrence. The participants in the industry must realize that the regulatory regime must be followed by industry participants or the appropriate sanction will follow a breach. It is the breach itself that calls for the sanction, not the circumstances surrounding the breach, although benign behaviors will affect the severity of the sanction and vice versa. The objective of the regulatory regime is the protection of the investor and the investing public must be assured that the industry will act to prevent any degradation of the investor protections.

20. The penalties proposed in the Settlement Agreement are consistent with previous decisions made in similar circumstances.

In the Matter of TeamMax Investment Corporation [2017] MFDA Hearing Panel of the Central Regional Council, MFDA File No. 201695, Reasons for Decision dated July 7, 2017.

In the Matter of WFG Securities Inc. [2016] MFDA Hearing Panel of the Central Regional Council MFDA File No. 201626, Reasons for Decision dated June 2, 2016.

In the Matter of Sentinel Financial Management Corp. [2011] MFDA Hearing Panel of the Prairie Regional Council MFDA File No. 201034, Reasons for Decision dated August 25, 2011.

21. These penalties agreed to by the Respondent, as set out in paragraph 4 above, are reasonable and proportionate. They will deter not only the Respondent but other MFDA Members from engaging in similar misconduct. In so doing the penalties agreed will advance the public interest and investor protection.

22. It was for the foregoing reasons that the Hearing Panel accepted the Settlement Agreement on September 6, 2018.

DATED this 5th day of November, 2018.

"John Lorn McDougall"

John Lorn McDougall, QC
Chair

"Casimir Litwin"

Casimir Litwin
Industry Representative

"Guenther W. K. Kleberg"

Guenther W. K. Kleberg
Industry Representative

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APPENDIX "A"

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

January 19, 2017

Contravention Paragraph 2(a)

MFDA POLICY NO. 2

MINIMUM STANDARDS FOR ACCOUNT SUPERVISION

Introduction

This Policy establishes minimum industry standards for account supervision. These standards represent the minimum requirements necessary to ensure that a Member has procedures in place to properly supervise account activity. This Policy does not:

(a) relieve Members from complying with specific MFDA By-laws, Rules and Policies and securities legislation applicable to particular trades or accounts; or
(b) preclude Members from establishing a higher standard of supervision, and in certain situations a higher standard may be necessary to ensure proper supervision.

To ensure that a Member has met all applicable standards, Members are required to know and comply with MFDA By-laws, Rules and Policies as well as applicable securities legislation which may apply in any given circumstance. The following principles have been used to develop these minimum standards:

(a) The term "review" in this Policy has been used to mean a preliminary screening designed to detect items for further investigation or an examination of unusual trading activity or both. It does not mean that every trade must be reviewed. The reviewer must use reasonable judgement in selecting the items for further investigation.
(b) It has been assumed that Members have or will provide the necessary resources and qualified supervisors to meet these standards.
(c) The initial compliance with the know-your-client ("KYC") rule and suitability of investment requirements is primarily the responsibility of the registered salesperson. The supervisory standards in this Policy relating to KYC and suitability are intended to provide supervisors with a checklist against which to monitor the handling of these responsibilities by the registered salesperson.

Members that seek to adopt policies and procedures relating to branch and head office supervision or the allocation of supervisory activities that differ from those contained in this Policy must demonstrate that all of the principles and objectives of the minimum standards set out in this Policy

have been properly satisfied. Further, any such alternative policies and procedures must adequately address the risk management issues of the Member and must be pre-approved by MFDA staff before implementation.

Supervisory staff has a duty to ensure compliance with Member policies and procedures and MFDA regulatory requirements, which includes the general duty to effectively supervise and to ensure that appropriate action is taken when a concern is identified. Such action would depend on the circumstances of each case and may include following up with the registered salesperson and/or the client. Supervisory staff must also maintain records of the issues identified, action taken and resolution achieved.

I. ESTABLISHING AND MAINTAINING PROCEDURES

Effective self-regulation begins with the Member establishing and maintaining a supervisory environment which both fosters the business objectives of the Member and maintains the self-regulatory process. To that end a Member must establish and maintain procedures which are supervised by qualified individuals. A major aspect of self-regulation is the ongoing education of staff in all areas of sales compliance.

Establishing Procedures

1. Members must appoint designated individuals who have the necessary knowledge of industry regulations and Member policies to properly perform the duties.
2. Written policies must be established to document supervision requirements.
3. Written instructions must be supplied to all supervisors and alternates to advise them on what is expected of them.
4. All policies established or amended should have senior management approval.

Maintaining Procedures

1. Evidence of supervisory reviews must be maintained. Evidence of the review, such as inquiries made, replies received, date of completion etc. must be maintained for seven years and on-site for one year.
2. An on-going review of sales compliance procedures and practices must be undertaken both at head office and at branch offices.

Delegation of Procedures

1. Tasks and procedures may be delegated to a knowledgeable and qualified individual but not responsibility.
2. The Member must advise supervisors of those specific functions which cannot be delegated, such as approval of new accounts.
3. The supervisor delegating the task must ensure that these tasks are being performed adequately and that exceptions are brought to his/her attention.

Contravention Paragraph 2(b)

V. HEAD OFFICE SUPERVISION

A two-tier structure is required to adequately supervise client account activity. While the head office or regional area level of supervision by its nature cannot be in the same depth as branch level supervision, it should cover the same elements. Head office review should be focused on unusual activity or reviews that cannot be carried out at the branch level. Head office reviews must include procedures to effectively detect unsuitable investments and excessive trading in client accounts.

Daily Reviews

1. In addition to the trading review criteria for branch managers, head office must conduct daily reviews of account activity which must include, at a minimum, all:

   - redemptions over $50,000;
   - trades over $5,000 in exempt securities (excluding guaranteed investment certificates), moderate-high or high risk investments, or leveraging for accounts other than registered retirement savings plans or registered education savings plans;
   - trades over $10,000 in moderate or medium risk mutual funds; and
   - trades over $50,000 in all other investments (excluding money market funds).

   For the purposes of this section, “trades” does not include redemptions except where specifically referenced.

2. There must be closer supervision of trading by registered salespersons who have had a history of questionable conduct. Questionable conduct may include trading activity that frequently raises questions in account reviews, frequent or serious complaints, regulatory investigations or failure to take remedial action on account problems identified.

3. Daily reviews should be completed within one business day unless precluded by unusual circumstances.

4. Daily reviews should be conducted of client accounts of producing branch managers.

Other Reviews

1. On a sample basis, the Member must review the suitability of investments in accounts where clients have transferred assets into an account in accordance with Rule 2.2.1(e)(i). The Member must have policies and procedures regarding sample size and selection, which should be based on the risk level associated with the account, focusing on accounts that hold higher risk investments, exempt securities or products not sold by the Member, accounts where the client is a Related Person, as defined by the Income Tax Act (Canada), of the registered salesperson and the registered salesperson has full or partial control or

authority over the financial affairs of the client and accounts employing a leverage strategy other than registered retirement savings plans and registered education savings plans. The Member's reviews must be completed within a reasonable time, but in any event no later than the time of the next trade.

2. Members must also review the suitability of the use of leverage in all cases where the client transfers assets purchased using borrowed funds into an account at the Member. Given the high risk nature of leveraging strategies, the Member's reviews must be completed in a timely manner as soon as possible after the transfer in accordance with the circumstances, but in any event no later than the time of the next trade.

Contravention Paragraph 2(c)

VI. IDENTIFICATION OF TRENDS IN TRADING ACTIVITY

1. Members must establish policies and procedures to identify trends or patterns that may be of concern including:

   - excessive trading or switching between funds indicating possible unauthorized trading, lack of suitability or possible issues of churning (for example, redemptions made within 3 months of a purchase, DSC purchases made within 3 months of a DSC redemption or accounts where there are more than 5 trades per month);
   - excessive switches between no load funds and deferred sales charge or front load funds;
   - excessive switches between deferred sales charge funds and front load funds; and
   - excessive switches where a switch fee is charged.

2. Head office supervisory review procedures must include, at a minimum, the following criteria:

   - a review of all accounts generating commissions greater than $1,500 within the month;
   - a quarterly review of reports on assets under administration ("AUA") comparing current AUA to AUA at the same time the prior year;
   - a quarterly review of commission reports for the previous 12 month period comparing commissions received in the current year to commissions received for the same period in the prior year.

   Significant increases in commissions or AUA beyond those caused by market fluctuations may indicate issues with churning or leveraging strategies. Significant decreases may indicate potential inappropriate outside activity.

3. Reviews should be completed within 30 days of the last day of the period being reviewed unless precluded by unusual circumstances.