



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: Global Maxfin Investments Inc.

Heard: August 28, 2018 in Toronto, Ontario
Decision: August 28, 2018
Reasons for Decision: November 12, 2018

REASONS FOR DECISION

Hearing Panel of the Central Regional Council:

Malliha Wilson	Chair
Linda J. Anderson	Industry Representative
Kenneth P. Mann	Industry Representative

Appearances:

Francis Roy)	Enforcement Counsel for the Mutual Fund
)	Dealers Association of Canada
)	
)	
Bill Charles)	President and Chief Executive Officer,
)	Global Maxfin Investments Inc.
)	

Settlement Agreement

1. The Hearing Panel accepted the settlement agreement dated June 14, 2018 (“Settlement Agreement”) between the staff of the MFDA and Global Maxfin Investments Inc. (“Respondent”). A copy of the Settlement Agreement is attached hereto as Schedule “1” and a copy of the Order is attached as Schedule “2”.
2. The agreed facts are set out in section IV of the Settlement Agreement.

Contraventions

3. The Respondent admits that, between December 2011 and January 2015, it failed to:
 - a) establish, implement and maintain adequate internal controls to supervise the activities of its Approved Person IC and the client accounts for which IC was the servicing dealing representative so as to:
 - i. detect and prevent unusual trading patterns by IC such as excessive trading, excessive switching and market timing;
 - ii. detect and prevent discretionary trading by IC;
 - iii. conduct a reasonable supervisory investigation of IC activities after becoming aware that IC maintained and used pre-signed client forms to process transactions in client accounts; and
 - iv. ensure that the handling of the Respondent’s business was in accordance with the By-laws, Rules and Policies of the MFDA and applicable securities legislation; and
 - b) maintain adequate records of trade supervision undertaken including inquiries made, responses received and follow-up action taken;

contrary to MFDA Rules, 2.1.4, 2.2.1, 2.3.1, 2.5, 2.9 and 2.10 and MFDA Policy No. 2.

4. The Respondent admits that, as early as December 2011, it was aware that its Approved Person IC had churned or engaged in excessive trading activities and/or engaged in market timing activities. Additionally, Approved Person IC had engaged in inappropriate switching activities in relation to client accounts. The Respondent did not bring an end to these activities until September 2014 contrary to MFDA Rules 2.5, 2.9 and 2.10.

5. No clients complained, nor was there any evidence of client harm but the Respondent's failure to supervise activities of Approved Person IC could easily have resulted in client losses or exposed clients to unknown trades and/unsuitable trades.

Agreed Penalties

6. The agreed penalties were:

- a) a fine of \$35,000;
- b) a costs award of \$10,000; and
- c) compliance with MFDA Rules 2.1.4, 2.2.1, 2.3.1, 2.5, 2.9 and 2.10 and MFDA Policy No. 2.

Considerations

7. The following considerations guided the Hearing Panel's acceptance of the Settlement Agreement. First, the agreed penalty needed to be within an acceptable range considering similar cases. Secondly, the agreed penalty had to be fair and reasonable, i.e. proportional to the seriousness of the contravention and relevant circumstances. Thirdly, the agreed penalty should serve as a deterrent to the respondent and the industry.

Nature of the Misconduct

8. The Respondent's misconduct is serious. It reflects repeated and continued supervisory lapses with respect to the activities of its Approved Person IC. In addition, it reflects a failure to ensure that IC did not breach regulatory requirements in the operation of client accounts.

When these activities are left unsupervised, or are supervised insufficiently, they have the potential to result in significant client harm and/or losses.

9. The Respondent's misconduct at issue in this proceeding should not have occurred. The Respondent is a longstanding Member of the MFDA and, as it admitted in the Settlement Agreement, was aware of the risks to clients brought on by Approved Person IC's excessive trading and/or market timing activities as early as December 2011. It nevertheless did nothing to end such conduct until September 2014, approximately 3 years later.

Other Considerations re Acceptability of Agreed Penalty

10. There was no evidence of client loss.

11. The Respondent has cooperated extensively with the MFDA's investigation.

12. The Respondent accepted responsibility for its misconduct.

13. The Respondent terminated Approved Person IC in January 2017.

14. Although the Respondent has been the subject of a prior MFDA disciplinary proceeding it did not involve supervisory contraventions and the Respondent is now under new management.

15. The agreed penalty is substantial to the Respondent, particularly in relation to the size of the Respondent and the isolated nature of the supervisory issues.

16. The agreed penalty helps the MFDA to send to a message to the Respondent and others with respect to specific and general deterrence.

17. The agreed penalty is within the reasonable range of appropriateness with respect to other decisions, as submitted to us by staff, made by MFDA hearing panels in similar circumstances.

Conclusion

18. Having regard to all the aforementioned factors, the Panel concludes that the penalties proposed in the Settlement Agreement are reasonable, proportionate and will deter the Respondent and others from engaging in the impugned conduct. The Panel is of the view that the acceptance of this Settlement Agreement is in the public interest and will advance the objective of investor protection. The Settlement Agreement is therefore accepted.

DATED this 12th day of November, 2018.

“Malliha Wilson”

Malliha Wilson
Chair

“Linda J. Anderson”

Linda J. Anderson
Industry Representative

“Kenneth P. Mann”

Kenneth P. Mann
Industry Representative

DM 636269

Schedule “1”

Settlement Agreement

File No. 201867



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: Global Maxfin Investments Inc.

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the Central Regional Council (the “Hearing Panel”) of the MFDA should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of the MFDA (“Staff”) and the Respondent, Global Maxfin Investments Inc.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff conducted an investigation of the Respondent’s activities. The investigation disclosed that the Respondent had engaged in activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No. 1.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A”.

4. Staff and the Respondent agree that the terms of this 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.

III. ACKNOWLEDGEMENT

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part IX) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is accepted by the Hearing Panel.

IV. AGREED FACTS

The Respondent’s Registration History

6. The Respondent is registered as a mutual fund dealer in in all jurisdictions in Canada (except Prince Edward Island and the Yukon) and has been a Member of the MFDA since June 7, 2002. Its head office is located in Richmond Hill, Ontario.

Overview

7. From December 21, 2004 to January 18, 2017, IC was registered as a mutual fund salesperson (now known as a dealing representative) with the Respondent.¹ He was also designated as a branch manager with the Respondent until January 2015.

8. Between December 2011 and September 2014, the Respondent conducted periodic internal audits of IC's activities during which it found that IC had, among other things, potentially churned at least 33 client accounts by engaging in excessive trading and processing switches which triggered high sales commissions or switch fees payable to IC. IC could not justify the transactions as being necessary for the client accounts.

9. This proceeding relates to the Respondent's failure to effectively discharge its supervisory obligations under the Rules, Policies and By-law of the MFDA and, in particular, its failure to establish, implement and maintain adequate internal controls to supervise the activities of IC and the client accounts for which IC was the servicing dealing representative.

The Respondent found evidence that IC engaged in excessive switching/trading activities

10. At all material times, the Respondent had policies in place that prohibited its Approved Persons from churning or otherwise engaging in excessive trading activities in client accounts.

11. In December 2011 the Respondent conducted an audit of IC's trading activities during the period of January 2011 to December 2011. As part of the audit the Respondent reviewed, among other things, 20 client accounts serviced by IC. Amongst other deficiencies identified, the Respondent found that IC had potentially:

- a) churned or engaged in excessive trading activities ("Excessive Trading"); and/or
- b) engaged in market timing activities;

¹ IC was registered in Ontario commencing December 21, 2004 and Alberta commencing December 12, 2013.

in 3 of the 20 reviewed client accounts.

12. Of all trades placed by IC between January 2011 and December 2011, the Respondent queried only 2 switches processed by IC at the time they were made, but nevertheless allowed the trades to proceed even though IC had not responded to the queries or failed to provide a suitable or satisfactory explanations as to the suitability or necessity of the trades.

13. Notwithstanding the deficiencies identified during its December 2011 audit, the Respondent took no further immediate steps to monitor IC's trading activities or curtail IC's Excessive Trading and market timing activities.

14. In December 2012, the Respondent conducted an audit of IC's trading activities during the period of January 2012 to December 2012. As part of the audit the Respondent reviewed, among other things, 9 client accounts serviced by IC. Amongst other deficiencies identified, the Respondent again found that IC had potentially:

- a) churned or engaged in Excessive Trading; and/or
- b) engaged in market timing activities;

in 3 of the 9 reviewed client accounts.

15. IC's trading activities between January 2012 and December 2012 generated \$58,000 in total sales commissions payable to IC, of which \$30,000 were the result of switch fees. Of all trades placed by IC during that period, the Respondent queried only 1 switch processed by IC at the time it was made, but nevertheless allowed it to proceed even though IC had not responded to the query, or failed to provide a suitable or satisfactory explanation as to the suitability or necessity of the trade.

16. On December 14, 2012, the Respondent sent an email to IC as part of its audit informing IC that his Excessive Trading and market timing activities:

“...[would] definitely add more risk as investment markets are seldom predictable, most market timers tend to only get things right once in a long while, and pay huge prices when they don’t. The market timing are usually adopted by portfolio managers ... or active stock traders... In general, the practice of market timing for mutual fund clients are not recommended [sic]...”

17. Notwithstanding the deficiencies identified during its December 2012 audit, the Respondent took no further immediate steps to monitor IC’s trading activities or curtail IC’s Excessive Trading and market timing activities.

18. In April 2013, the Respondent again informed IC of concerns it had relating to IC’s Excessive Trading and market timing activities.

19. In response to the Respondent’s April 2013 concerns, IC explained to the Respondent that his Excessive Trading was a product of his disenchantment with a buy/hold mutual fund investing strategy as a result of which he had implemented a sector rotation/market timing strategy for his clients. IC further told the Respondent that he:

- a) “continues to perform for [his] clients with their best interest put first”; and
- b) as part of a July 2012 MFDA audit of his branch, MFDA Staff had discussed with him, and approved of, his Excessive Trading / switching and sector rotation/market timing strategy.²

20. The Respondent accepted IC’s April 2013 response without:

- a) making additional queries or trade reviews of IC at that time;

² There is no evidence that MFDA Staff discussed this with IC or approved his trading activities.

- b) following up, or confirming, with MFDA Staff whether it had in fact discussed with IC his Excessive Trading and approved IC's switching and sector rotation/market timing strategy; and
- c) taking any additional supervisory steps to address the concerns it had raised with IC.

21. Between January and September 2013, IC's trading activities generated \$60,000 in total sales commissions payable to IC, of which \$25,000 were the result of switch fees. Of all trades placed by IC during that period, the Respondent queried only 1 switch processed by IC at the time it was made, but nevertheless allowed it to proceed even though IC had not responded to the query or failed to provide a suitable or satisfactory explanation as to the suitability or necessity of the trade.

22. In November 2013, the Respondent's review of IC's commissions for the period of January to September 2013 identified that 75% of his sales commissions were the result of switches made in client accounts. As a result of concerns it had that IC was placing trades in client accounts for the primary purpose of generating sales commissions for himself with little to no benefit for clients, in December 2013 the Respondent requested that IC provide a statement justifying the rationale for his frequent use of switches in client accounts, including the rationale for trades in 6 client accounts that may have resulted in trading losses for the affected clients.

23. In response to the Respondent's December 2013 request, IC again explained that all trades he processed in client accounts were part of a sector rotation/market timing strategy he employed and in the clients' best interest. IC did not directly respond to the Respondent's request for a statement concerning the 6 client accounts that may have experienced trading losses as a result of IC's activities. The Respondent nonetheless accepted IC's response and took no further supervisory actions relating to IC's Excessive Trading and market timing activities.

24. Between January and September 2014, IC's trading activities generated \$92,000 in total sales commissions payable to IC, of which \$25,000 were the result of switch fees. During that time, the Respondent queried only 4 of IC's switches as part of its Tier 1 supervision process and

queried only 14 of IC's switches as part of its Tier 2 supervision process. Even though IC did not respond to the queries, or failed to provide a suitable or satisfactory explanation as to the suitability or necessity of the switches in question, the Respondent took no other steps to ensure that the trades in question were suitable for the affected clients.

25. In September 2014, the Respondent reviewed IC's total compensation for the preceding calendar year following which the Member held a meeting with IC. During that meeting, the Respondent informed IC that he was no longer permitted to charge switch fees to clients on the basis that the switches processed by IC in client accounts had caused losses in the affect clients' accounts and were therefore not usually in the clients' interest.

26. Other than the trade queries described above at paragraphs 7, 9, 14 and 17, between December 2011 and September 2014, the Respondent maintained no other evidence of trade queries or supervision relating to IC's trades. Furthermore, as described above, despite the Respondent's stated concerns to IC that his sector rotation / market timing strategy was risky and not necessarily in clients' interest, the Respondent accepted IC's statements that all trades he effected pursuant to his sector rotation / market timing strategy were in the clients' interest and took no steps to curtail IC's activities until September 2014.

27. In January 2017, the Respondent terminated IC.

V. CONTRAVENTIONS

28. The Respondent admits that, between December 2011 and January 2015, it failed to:

- a) establish, implement and maintain adequate internal controls to supervise the activities of its Approved Person IC and the client accounts for which IC was the servicing dealing representative so as to:
 - (i) detect and prevent unusual trading patterns by IC such as excessive trading, excessive switching and market timing;

- (ii) detect and prevent discretionary trading by IC;
 - (iii) conduct a reasonable supervisory investigation of IC activities after becoming aware that IC maintained and used pre-signed client forms to process transactions in client accounts; and
 - (iv) ensure that the handling of the Respondent's business was in accordance with the By-laws, Rules and Policies of the MFDA and applicable securities legislation; and
- b) maintain adequate records of trade supervision undertaken including inquiries made, responses received and follow-up action taken;

contrary to MFDA Rules, 2.1.4, 2.2.1, 2.3.1, 2.5, 2.9 and 2.10 and MFDA Policy No. 2.

VI. TERMS OF SETTLEMENT

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

- a) the Respondent shall pay a fine in the amount of \$35,000, pursuant to section 24.1.2(b) of By-law No. 1, upon the acceptance of this Settlement Agreement;
- b) the Respondent shall pay the costs of this proceeding and investigation in the amount of \$10,000, pursuant to section 24.2 of By-law No. 1, upon the acceptance of this Settlement Agreement;
- c) the Respondent shall in the future comply with MFDA Rules, 2.1.4, 2.2.1, 2.3.1, 2.5, 2.9 and 2.10 and MFDA Policy No. 2; and
- d) a senior officer of the Respondent will attend in person, on the date set for the Settlement Hearing.

VII. STAFF COMMITMENT

30. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the facts set out

in Part IV and the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part IX below. 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 Parts IV and V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts IV and V, 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.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

31. Acceptance of this Settlement Agreement shall be sought at a hearing of the Central Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent. 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.

32. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the Settlement Hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive its 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.

33. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.2 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1.

34. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, 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 it.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

35. 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 section 24.3 of the By-laws of the MFDA against the Respondent based on, but not limited to, the facts set out in Part IV of the 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.

X. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

36. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule “A” is not made 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 this Settlement Agreement or the settlement negotiations.

37. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that it will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

XI. DISCLOSURE OF AGREEMENT

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.

39. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

XII. EXECUTION OF SETTLEMENT AGREEMENT

40. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

41. A facsimile copy of any signature shall be effective as an original signature.

DATED this 14th day of June, 2018.

“Bruce Day”

Global Maxfin Investments Inc.
Per: **Bruce Day**, Chief Executive Officer

“AC”

Witness – Signature

AC

Witness – Print Name

“Shaun Devlin”

Shaun Devlin
Staff of the MFDA
Per: Shaun Devlin
Senior Vice-President,
Member Regulation – 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: Global Maxfin Investments Inc.

ORDER

WHEREAS on [date], 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 Global Maxfin Investments Inc. (the "Respondent");

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

AND WHEREAS the Hearing Panel is of the opinion that, between December 2011 and January 2015, the Respondent failed to:

- a) establish, implement and maintain adequate internal controls to supervise the activities of its Approved Person IC and the client accounts for which IC was the servicing dealing representative so as to:

- (i) detect and prevent unusual trading patterns by IC such as excessive trading, excessive switching and market timing;
- (ii) detect and prevent discretionary trading by IC;
- (iii) conduct a reasonable supervisory investigation of IC activities after becoming aware that IC maintained and used pre-signed client forms to process transactions in client accounts; and
- (iv) ensure that the handling of the Respondent's business was in accordance with the By-laws, Rules and Policies of the MFDA and applicable securities legislation; and

b) maintain adequate records of trade supervision undertaken including inquiries made, responses received and follow-up action taken;

contrary to MFDA Rules, 2.1.4, 2.2.1, 2.3.1, 2.5, 2.9 and 2.10 and MFDA Policy No. 2;

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1. 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*;

2. The Respondent shall pay a fine in the amount of \$35,000, pursuant to section 24.1.2(b) of By-law No. 1;

3. The Respondent shall pay the costs of this proceeding and investigation in the amount of \$10,000, pursuant to section 24.2 of By-law No. 1; and

4. The Respondent shall in the future comply with MFDA Rules, 2.1.4, 2.2.1, 2.3.1, 2.5, 2.9 and 2.10 and MFDA Policy No. 2.

DATED this [day] day of [month], 20[].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]

Schedule “2”

Order

File No. 201867



Mutual Fund Dealers Association of Canada
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PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Global Maxfin Investments Inc.

ORDER

(ARISING FROM SETTLEMENT HEARING ON AUGUST 28, 2018)

WHEREAS on July 10, 2018, 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 Global Maxfin Investments Inc. (the “Respondent”);

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated June 14, 2018 (the “Settlement Agreement”), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that, between December 2011 and January 2015, the Respondent failed to:

- a) establish, implement and maintain adequate internal controls to supervise the activities of its Approved Person IC and the client accounts for which IC was the

servicing dealing representative so as to:

- i. detect and prevent unusual trading patterns by IC such as excessive trading, excessive switching and market timing;
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- iii. conduct a reasonable supervisory investigation of IC activities after becoming aware that IC maintained and used pre-signed client forms to process transactions in client accounts;
- iv. ensure that the handling of the Respondent's business was in accordance with the By-laws, Rules and Policies of the MFDA and applicable securities legislation; and
- v. maintain adequate records of trade supervision undertaken including inquiries made, responses received and follow-up action taken;

contrary to MFDA Rules, 2.1.4, 2.2.1, 2.3.1, 2.5, 2.9 and 2.10 and MFDA Policy No. 2;

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1. 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*;
2. The Respondent shall pay a fine in the amount of \$35,000, pursuant to section 24.1.2(b) of By-law No. 1;
3. The Respondent shall pay the costs of this proceeding and investigation in the amount of \$10,000, pursuant to section 24.2 of By-law No. 1; and

4. The Respondent shall in the future comply with MFDA Rules, 2.1.4, 2.2.1, 2.3.1, 2.5, 2.9 and 2.10 and MFDA Policy No. 2.

DATED this 28th day of August, 2018.

“Malliha Wilson”

Malliha Wilson
Chair

“Linda J. Anderson”

Linda J. Anderson
Industry Representative

“Kenneth P. Mann”

Kenneth P. Mann
Industry Representative