



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: Dennis Jerome Duclos

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Mutual Fund Dealers Association of Canada (the “MFDA”) will announce that it proposes to hold a hearing (the “Settlement Hearing”) to consider whether, pursuant to section 24.4 of MFDA 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, Dennis Jerome Duclos (the “Respondent”).

2. Staff and the Respondent, consent and agree to the terms of this Settlement Agreement.

3. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

II. CONTRAVENTIONS

4. The Respondent admits to the following violations of the By-laws, Rules or Policies of the MFDA:

- a) on or about June 5, 2019, the Respondent processed a redemption in a client account based on instructions from someone other than the client who did not have trading

- authorization on the account, contrary to the Member's policies and procedures and MFDA Rules 2.1.1 and 1.1.2 (as it relates to MFDA Rule 2.5.1);
- b) between approximately November 2019 and June 2020, the Respondent failed to report to the Member complaints received from a client, contrary to the Member's policies and procedures and MFDA Rules 2.1.1, 1.4(b), 1.1.2 (as it relates to MFDA Rule 2.5.1), and MFDA Policy 6;
 - c) between approximately September 2014 and October 2018, the Respondent altered and used to process transactions 4 account forms in respect of 2 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1; and
 - d) between approximately October 2019 and September 2020, the Respondent failed to record and maintain evidence of client trade instructions with respect to 16 redemptions in 4 client accounts, contrary to the Member's policies and procedures and MFDA Rules 5.1(b) and 1.1.2 (as it relates to MFDA Rule 2.5.1).

III. TERMS OF SETTLEMENT

- 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 \$25,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of By-law No. 1 in accordance with the following schedule:
 - i. \$10,000 upon acceptance of the Settlement Agreement by a Hearing Panel;
 - ii. \$2,500 on or before the last business day of the first month following the date of acceptance of the Settlement Agreement;
 - iii. \$2,500 on or before the last business day of the second month following the date of acceptance of the Settlement Agreement;
 - iv. \$2,500 on or before the last business day of the third month following the date of acceptance of the Settlement Agreement;
 - v. \$2,500 on or before the last business day of the fourth month following the date of acceptance of the Settlement Agreement;
 - vi. \$2,500 on or before the last business day of the fifth month following the date of acceptance of the Settlement Agreement; and

- vii. \$2,500 on or before the last business day of the sixth month following the date of acceptance of the Settlement Agreement.
 - b) the Respondent shall pay costs in the amount of \$2,500 in certified funds upon acceptance of the Settlement Agreement, pursuant to s. 24.2 of MFDA By-law No. 1;
 - c) the Respondent shall in the future comply with MFDA Rules 2.1.1, 5.1(b), 1.4(b), 1.1.2 (as it relates to MFDA Rule 2.5.1), and MFDA Policy 6; and
 - d) the Respondent shall attend in person or via videoconference 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 this Settlement Agreement herein and consent to the making of an Order in the form attached as Schedule “A”.

IV. AGREED FACTS

Registration History

7. Since approximately September 12, 2011, the Respondent has been registered in Ontario as a dealing representative with Sun Life Financial Investment Services (Canada) Inc. (the “Member”), a Member of the MFDA.

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

Unauthorized Redemption

9. At all material times, clients #1 and #2 (spouses) were clients of the Member, whose accounts were serviced by the Respondent.

10. Clients #1 and #2 held individual Tax Free Savings Accounts (the “TFSAs”) at the Member. Neither client had trading authorization over the investment accounts of their spouse.

11. On or about May 31, 2019, client #2 emailed the Respondent to inquire about the balances of the TFSAs. Client #2 also advised the Respondent that clients #1 and #2 wished to access monies held in their accounts in order to pay expenses that they had incurred.

12. On or about May 31, 2019, the Respondent replied to client #2 and disclosed the balances held in the TFSAs of both client #1 and client #2.
13. The Respondent did not contact or obtain the consent of client #1 before disclosing to client #2 the TFSA balance of client #1.
14. On or about June 4, 2019, client #2 emailed the Respondent requesting that \$10,000 be withdrawn from each of the TFSAs belonging to client #1 and client #2, for a total of \$20,000.
15. On or about June 5, 2019, without communicating with client #1, the Respondent completed and submitted to the Member for processing a trade ticket to redeem \$10,000 from the TFSA of client #1. Based on the instructions of client #2, the Respondent also submitted for processing a trade ticket to redeem \$10,000 from the TFSA of client #2.
16. Client #2 also instructed the Respondent to electronically transfer the proceeds of the redemption to a joint account belonging to clients #1 and #2.
17. On or about November 21, 2019, client #1 complained to the Respondent that he had not authorized the \$10,000 redemption from his TFSA. Client #1 also complained that he did not receive any of the proceeds of the redemption.

Failure to Report Client Complaints to the Member

18. At all material times, the Member's policies and procedures required Approved Persons to immediately report any verbal or written client complaint to their manager no later than 2 business days after being informed about the complaint.
19. As described above at paragraph 17, on or about November 21, 2019, client #1 complained to the Respondent that he had not authorized the \$10,000 redemption from his TFSA that was processed on or about June 5, 2019. The Respondent failed to report to the Member that he had received the November 21, 2019 complaint from client #1.
20. On May 20, 2020, client #1 complained for a second time to the Respondent about the unauthorized redemption from his TFSA.
21. The Respondent did not report the May 20, 2020 complaint to the Member.

22. On June 18, 2020, client #1 complained to the Member directly about the unauthorized redemption that was processed from his TFSA on or about June 5, 2019.

23. The Member commenced an investigation into the Respondent's conduct after receiving the June 18, 2020 complaint from client #1, and subsequently compensated client #1 for the full amount of the monies (\$10,000) that the Respondent had redeemed from the TFSA of client #1 without authorization.

24. In compliance with a direction from the Member, the Respondent paid \$5,000 to the Member to partially reimburse the Member for compensation that it had paid to client #1 to address the June 18, 2020 complaint.

Altered Account Forms

25. At all material times, the Member's policies and procedures prohibited Approved Persons from altering or correcting any information on a signed document, without having the client initial the document to show that the client was aware of the change and authorized it.

26. Between approximately September 2014 and October 2018, the Respondent altered and used to process transactions 4 account forms in respect of 2 clients by altering information on the account forms without having the client initial the alterations.

27. The forms consisted of:

- a) 2 Sun Life Financial Know Your Client (KYC) Update Forms;
- b) 1 Sun Life Financial Nominee Tax-Free Savings Account (TFSA) Application Form; and
- c) 1 Sun Life Client Information Form (Know your client (KYC)).

28. The information that the Respondent altered on the account forms included a fund code, fund name, risk tolerance, net worth, and investment objective sections.

29. As part of the Member's investigation, the Member met with the clients for whom the Respondent altered the information on account forms and confirmed that the alterations were authorized even though the clients had not been asked to initial the changes.

30. With respect to the Respondent altering account forms as described above, there is no evidence:

- a) of client loss, complaints, or lack of authorization; or
- b) that the Respondent received any financial benefit from altering signed documents as described above beyond any commissions and fees that he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.

Failure to Record and Maintain Evidence of Client Instructions

31. At all material times the Member's policies and procedures required Approved Persons to maintain detailed evidence of all client conversations in their client files. The Member's policies and procedures required that Approved Persons maintain electronic meeting notes on the Member's back-office system.

32. Between approximately October 2019 and September 2020, the Respondent failed to record and maintain notes of client trade instructions with respect to 16 redemptions in 4 client accounts.

33. On or about January 27, 2021, the Member contacted the 4 clients to determine whether the redemptions that were processed in their accounts by the Respondent were authorized. No clients advised the Member that redemptions processed in their accounts were unauthorized.

34. With respect to the Respondent's failure to maintain records of client instructions as described above, there is no evidence of client loss, complaints, or lack of authorization.

Additional Factors

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

36. On February 22, 2021, the Member issued a warning letter to the Respondent regarding the processing of the unauthorized TFSA redemption and the failure to record and maintain records of client trade instructions described above. The Member placed the Respondent under close supervision for a period of six months.

37. No additional concerns with respect to the conduct of the Respondent arose during the period when he was subject to close supervision.

38. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources, and expenses associated with conducting a contested hearing of the allegations.

V. ADDITIONAL TERMS OF SETTLEMENT

39. 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.

40. The Settlement Agreement is subject to acceptance by the Hearing Panel. 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.

41. 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.

42. 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 at the settlement hearing, subject to rule 15.3 of the MFDA Rules of Procedure;
- b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal 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) except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement, 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, 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;

- d) the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to section 24.1.2 of MFDA By-law No. 1 for the purpose of giving notice to the public thereof in accordance with section 24.5 of MFDA 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.

43. 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 this Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding 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.

44. 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 MFDA By-law No. 1, unaffected by the Settlement Agreement or the settlement negotiations.

45. 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. The terms of the Settlement Agreement, including the attached Schedule "A", will be released to the public if and when the Settlement Agreement is accepted by the Hearing Panel.

46. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement. A facsimile or electronic copy of any signature shall be as effective as an original signature.

DATED this 18th day of November, 2022.

“Dennis Jerome Duclos”

Dennis Jerome Duclos

“CS”

Witness – Signature

CS

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: Dennis Jerome Duclos

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") provided notice to the public of a Settlement Hearing in respect of Dennis Jerome Duclos (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 MFDA By-law No. 1;

AND WHEREAS based upon the admissions of the Respondent in the Settlement Agreement, the Hearing Panel is of the opinion that the Respondent:

- a) on or about June 5, 2019, the Respondent processed a redemption in a client account based on instructions from someone other than the client who did not have trading authorization on the account, contrary to the Member's policies and procedures and MFDA Rules 2.1.1 and 1.1.2 (as it relates to MFDA Rule 2.5.1);
- b) between approximately November 2019 and June 2020, the Respondent failed to report to the Member complaints received from a client, contrary to the Member's

policies and procedures and MFDA Rules 2.1.1, 1.4(b), 1.1.2 (as it relates to MFDA Rule 2.5.1), and MFDA Policy 6;

- c) between approximately September 2014 and October 2018, the Respondent altered and used to process transactions 4 account forms in respect of 2 clients by altering information on the account forms without having the client initial the alterations, contrary to MFDA Rule 2.1.1; and
- d) between approximately October 2019 and September 2020, the Respondent failed to record and maintain evidence of client trade instructions with respect to 16 redemptions in 4 client accounts, contrary to the Member's policies and procedures and MFDA Rules 5.1(b) and 1.1.2 (as it relates to MFDA Rule 2.5.1).

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 \$25,000 in certified funds upon acceptance of the Settlement Agreement, pursuant to section 24.1.1(b) of By-law No. 1 in accordance with the following schedule:

- i) \$10,000 on the date of this Order;
- ii) \$2,500 on or before [date];
- iii) \$2,500 on or before [date];
- iv) \$2,500 on or before [date];
- v) \$2,500 on or before [date];
- vi) \$2,500 on or before [date]; and
- vii) \$2,500 on or before [date].

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 Rules 2.1.1, 5.1(b), 1.4(b), 1.1.2 (as it relates to MFDA Rule 2.5.1), and MFDA Policy 6; 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]

DM 899599