



Now New Self-Regulatory Organization of Canada, a consolidation of IIROC and the MFDA

**IN THE MATTER OF
THE MUTUAL FUND DEALER RULESⁱ
and**

Patricia May Sonne

AGREED STATEMENT OF FACTS

I. INTRODUCTION

1. By Notice of Hearing dated May 3, 2022, the Mutual Fund Dealers Association of Canada (the “MFDA”) commenced a disciplinary proceeding against Patricia May Sonne (the “Respondent”) pursuant to ss. 20 and 24 of MFDA By-law No. 1.¹

2. The Notice of Hearing alleged that, between October 13, 2015 and September 24, 2019, the Respondent obtained, possessed, and in some instances used to process transactions, 31 pre-signed account forms in respect of 7 clients, contrary to MFDA Rule 2.1.1.²

¹Pursuant to Rule 1A(5) of the Mutual Dealer Rules of the New Self-Regulatory Organization of Canada (the “New SRO”), this proceeding continues to be conducted in accordance with MFDA By-law No. 1.

² Pursuant to Rule 1(A)(1) of the Mutual Fund Dealer Rules of the New SRO and s.14.6 of By-Law No.1 of the New SRO, the MFDA Rules that were applicable to the Respondent while he was subject to the MFDA’s jurisdiction continue to be applicable and may be enforced by the New SRO. The wording of Mutual Fund Dealer Rule 2.1.1 is the same as the wording of former MFDA Rule 2.1.1.

II. IN PUBLIC / IN CAMERA

3. The Respondent and Staff of the New Self-Regulatory Organization of Canada (“Staff”) (formerly Staff of the MFDA) agree that this matter should be heard in public pursuant to Rule 1.8 of the MFDA Rules of Procedure.

III. ADMISSIONS AND ISSUES TO BE DETERMINED

4. The Respondent has reviewed this Agreed Statement of Facts and admits the facts set out in Part IV herein. The Respondent admits that the facts in Part IV constitute misconduct for which the Respondent may be penalized on the exercise of the discretion of a Hearing Panel pursuant to s. 24.1 of MFDA By-law No. 1.

5. Staff and the Respondent jointly request that the Hearing Panel determine, on the basis of this Agreed Statement of Facts, the appropriate penalty to impose on the Respondent.

IV. AGREED FACTS

6. Staff and the Respondent agree that submissions made with respect to the appropriate penalty are based on the agreed facts in Part IV of this Agreed Statement of Facts, and no other information, facts or documents, subject to the content of this paragraph and paragraph 7 below.

7. In the event that the Hearing Panel advises one or both of Staff and the Respondent of any additional facts that it considers necessary in order to determine the issues before it, Staff and the Respondent agree that such additional facts may be provided to the Hearing Panel, either: (a) with the consent of both Staff and the Respondent if the additional facts are agreed upon; (b) if the Respondent is not present at the hearing, Staff may disclose additional relevant facts, at the request of the Hearing Panel; or (c) if the parties are both present at the hearing and are not in agreement about the additional facts requested by the Hearing Panel, the parties will be given a reasonable opportunity to lead evidence concerning the additional facts. In circumstances where a party leads

evidence concerning additional facts requested by the Hearing Panel, the opposing party may cross-examine any witness tendered to lead such evidence and shall be given a reasonable opportunity to lead responding evidence if they wish to do so.

8. Nothing in this Part IV is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against her.

Registration and Employment History

9. From September 29, 2009 until September 24, 2019, the Respondent was registered in Ontario as a dealing representative with Quadrus Investment Services Ltd. (the “Dealer Member”).

10. By submitting her application to register with the Dealer Member, the Respondent agreed to be subject to the by-laws, regulations, rules, rulings and policies of the MFDA. This included an agreement to be bound by the jurisdiction of any tribunals or proceedings that relate to her activities as an Approved Person under MFDA rules.

11. On September 24, 2019, the Dealer Member terminated the Respondent’s registration with the Dealer Member after becoming aware of the conduct described in this Agreed Statement of Facts. The Respondent is not currently registered in the securities industry in any capacity.

12. At all material times, the Respondent was the licensed assistant of Moe Mailloux, another Approved Person registered as a dealing representative and Approved Person of the Dealer Member. The Respondent did not directly service client accounts on behalf of the Dealer Member and, instead, assisted Mr. Mailloux to service the accounts of clients that had been assigned to Mr. Mailloux.

13. The Respondent states that, as principal Approved Person, Mr. Mailloux provided investment advice and obtained instructions from clients concerning account changes to be made and trading to be processed in client accounts and the Respondent would prepare

the documentation required to implement the instructions that Mr. Mailloux had received from clients.

14. The Respondent states that she was not present at meetings and did not participate in phone calls during which Mr. Mailloux obtained client instructions concerning account activity that she later prepared paperwork to execute. The Respondent also states that she did not obtain client signatures on or photocopy any of the forms that are the subject of the admitted contraventions.

15. At all material times, the Respondent and Mr. Mailloux conducted business in the Belle River, Ontario area.

Pre-Signed Account Forms

16. At all material times, the Dealer Member's policies and procedures for Approved Persons stated:

“The use of pre-signed forms is prohibited. Investment representatives must complete transaction forms at the time the order is being made and only at such time should a client be signing and providing approval for such investment decisions...”

17. In her employment agreement with the Dealer Member, the Respondent agreed to be bound by the policies and procedures of the Dealer Member that are applicable to Approved Persons. The Respondent acknowledges that the misconduct described in this Agreed Statement of Facts contravened the policies and procedures of the Member prohibiting the use of pre-signed forms.

MFDA Staff Notice MSN-0066 / MFDA Enforcement Bulletin #0661-E – Signature Falsification

18. On October 31, 2007, the MFDA published Staff Notice MSN-0066 – Pre-Signed Forms (“MSN-0066”). MSN-0066 informed the mutual fund industry that MFDA Staff takes the view that forms may only be used if the forms are duly executed by the client after information on the form has been properly completed. An Approved Person's involvement

with pre-signed account forms contravenes regulatory requirements and may result in referrals to the MFDA Enforcement Department.

19. On March 4, 2013, the MFDA updated MSN-0066 to notify Dealer Members and Approved Persons that MFDA Staff considers it a contravention of the standard of conduct set out in MFDA Rule 2.1.1 to obtain pre-signed account forms from clients.

20. On October 2, 2015, the MFDA issued Bulletin #0661-E – Signature Falsification (“Bulletin #0661-E”) which informed both Dealer Members and Approved Persons that the MFDA was continuing to encounter situation where Approved Persons have created, possessed or used documents such as Know-Your-Client forms, trade forms and cheques which have been pre-signed or on which client signatures have been falsified through other means. The Bulletin stated in bold print that the MFDA has been and will continue seeking increased penalties in upcoming cases involving such conduct. All 31 of the forms associated with the contravention in this case are dated after the publication of the Bulletin.

21. On January 26, 2017, the MFDA updated and re-issued MFDA Staff Notice MSN-0066 – Signature Falsification. The updated version of MSN-0066 provided numerous examples of signature falsification that had been identified in Hearing Panel decisions including “having a client sign a form which is blank or only partially completed (a “Pre-Signed Form”); having a client sign multiple forms for use in future trading; . . . photocopying . . . to “re-use” a previous signature; [and] altering or correcting any information on a signed document, without the client initialing the document to show the change was approved . . .”. This version of the Notice also stated that MFDA staff will seek enhanced penalties for conduct that occurs after the release of MFDA Bulletin #0661-E.

The Respondent Obtained, Possessed, and Used to Process Transactions Pre-Signed Account Forms

22. Between October 13, 2015 and September 24, 2019, the Respondent obtained, possessed, and in some instances used to process transactions, 31 pre-signed account

forms in respect of 7 clients. All of the pre-signed account forms were Switch or Conversion Forms (the “Forms”) which are used to transfer a client’s investment from one mutual fund to a different mutual fund.

23. Specifically, the Respondent received the Forms which were signed by clients but, at the time of the client signature, the Forms were incomplete to the extent that, in some cases, the Forms did not specify the amounts to be switched and the mutual funds that were to be subject to switches, and in additional cases the date when the switches were to be processed was not yet specified. In 23 instances, upon instructions from Mr. Mailloux, the Respondent added information to Forms, after the Forms were signed by the client, and submitted the Forms to the Dealer Member for processing. In 8 instances, the Respondent knew or ought to have known that client files contained photocopied Forms that were incomplete and undated but had been signed by the clients. The 8 incomplete photocopied Forms were not submitted to the Dealer Member for processing. Some of the 23 Forms described above to which information was added to facilitate the processing of switches in client accounts were also photocopied Forms that had been pre-signed by clients and were identical to the 8 incomplete photocopied Forms. As mentioned above, the Respondent states she did not obtain client signatures or photocopy any of the Forms.

The Dealer Member’s Investigation

24. On or about September 17, 2019, Mr. Mailloux reported to the Dealer Member that he had discovered pre-signed and altered account forms in the files of client accounts that he serviced. He initially indicated that he had no involvement in the pre-signed and altered forms and attributed responsibility for that misconduct solely to the Respondent on the basis that he had assigned her responsibility for the content and management of documents in the client files and because she had been the Approved Person who had added information to the pre-signed account forms to complete the forms and, in some instances, submitted those forms to process switches in client accounts as described above.

25. On or about October 31, 2019, the Dealer Member reported to the MFDA that Mr. Mailloux had reported that the Respondent had created and possessed pre-signed account forms and in some cases altered the content of signed account forms. As described below, the MFDA commenced a regulatory investigation into the subject matter of this report.

26. Subsequently, the Dealer Member commenced an investigation during which it reviewed all of the client files associated with accounts that were serviced by Mr. Mailloux. The Forms that were obtained, possessed or used by the Respondent, as described in paragraphs 22 and 23 above, were identified during the Dealer Member's review of the files of clients whose accounts were serviced by Mr. Mailloux.

27. As part of its investigation, starting in November 2019, the Dealer Member sent a letter to each client serviced by Mr. Mailloux along with the client's portfolio summary in order to determine whether the account holdings were accurate, and to confirm that all transactions processed in the accounts had been authorized by the client. No clients reported any concerns to the Dealer Member in response to these letters.

The Disciplinary Proceeding Against Mr. Mailloux

28. When the Dealer Member reported to the MFDA that pre-signed account forms were found in client files associated with accounts serviced by Mr. Mailloux, MFDA Staff commenced an investigation to determine whether enforcement action was warranted.

29. During the MFDA investigation, MFDA Staff interviewed Mr. Mailloux. During this interview, Mr. Mailloux admitted that he had obtained client signatures on account forms which were not fully completed at the time when the client signed the account forms.

30. On April 29, 2022, Mr. Mailloux entered into a settlement agreement with MFDA Staff (MFDA Hearing No. 202217) wherein he admitted to obtaining, possessing and in some instances using to process transactions, 27 pre-signed account forms in respect of 8 clients. As part of the settlement agreement, Mr. Mailloux agreed to pay a fine in the

amount of \$15,000 and costs in the amount of \$5,000. Many of the pre-signed forms that Mr. Mailloux accepted responsibility for obtaining, possessing and in some instances using to process transactions are among the 31 forms associated with the Respondent's contravention in this proceeding.

31. As a result of the pre-signed account forms found in his file, the Dealer Member placed Mr. Mailloux under close supervision for 1 year. Mr. Mailloux also paid \$2,400 to the Dealer Member in respect of costs associated with his supervision.

Additional Factors

32. On June 13, 2018, the Dealer Member conducted a branch review of the branch where the Respondent and Mr. Mailloux were located. During this branch review, the Dealer Member discovered pre-signed and altered account forms in the client files maintained by Brian Sonne and Moe Mailloux Jr³, two other Approved Persons who worked in the branch. The Respondent served as the licensed assistant to Brian Sonne. Both Brian Sonne (MFDA Hearing No. 202013) and Moe Mailloux Jr. (MFDA Hearing No. 201955) entered into settlement agreements with MFDA Staff in respect of the pre-signed and altered account forms discovered in the client files which they maintained. At the conclusion of the branch review, the Dealer Member cautioned the Respondent about the importance of complying with the Dealer Member's prohibition against possessing or using pre-signed and altered account forms.

33. One of the 23 Forms described in paragraphs 22 and 23 of this Agreed Statement of Facts that was used to process a switch in a client account was completed by the Respondent and submitted for processing after the Dealer Member completed its branch review of her branch and cautioned her about the prohibition on the use of pre-signed forms on June 13, 2018. In addition, the 8 incomplete photocopied Forms that were not used to process transactions in client accounts remained in client files that the Respondent

³ Moe Mailloux Jr. is the son of Mr. Mailloux.

maintained more than 16 months after the Respondent was cautioned about the prohibition on the use and possession of pre-signed forms in June 2018.

34. There is no evidence that the Respondent received any financial benefit from the conduct described in this Agreement Statement of Facts.

35. There is no evidence of client loss, client complaints, or lack of authorization.

36. The Respondent has not previously been the subject of MFDA or Corporation disciplinary proceedings.

37. By entering into this Agreed Statement of Facts, the Respondent has saved the Corporation the time, resources, and expenses associated with conducting a fully contested hearing on the allegations.

38. The Respondent states that she is not currently employed and her only source of income is CPP benefits and OAS benefits amounting to an annual income of \$18,380.16. The Respondent also states that she owns no assets other than a vehicle worth approximately \$2,000 and a joint bank account holding approximately \$10,000. The Respondent states that, as a result, she is limited in her ability to pay a fine or costs in this matter.

39. Staff has received documents which corroborate the Respondent's assertions about the amount of her income and assets.

Misconduct Admitted

40. By engaging in the conduct described above, the Respondent admits that, between October 13, 2015 and September 24, 2019, she obtained, possessed, and in some instances used to process transactions, 31 pre-signed account forms in respect of 7 clients, contrary to MFDA Rule 2.1.1.

Execution of Agreed Statement of Facts

41. This Agreed Statement of Facts may be signed in one or more counterparts which together shall constitute a binding agreement.

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

DATED this 9th day of March, 2023.

“Patricia May Sonne”

Patricia May Sonne

“Charles Toth”

Staff of the New Self-Regulatory Organization of Canada

Per: Charles Toth

Vice-President, Enforcement (Mutual Fund Dealers)

ⁱ On January 1, 2023, the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Mutual Fund Dealers Association of Canada (the “MFDA”) were consolidated into a single self-regulatory organization recognized under applicable securities legislation. The New Self-Regulatory Organization of Canada (referred to herein as the “Corporation”) adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the “Interim Rules”). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and certain by-laws, rules and policies of the MFDA that were in force immediately prior to amalgamation.