

Re Rice

IN THE MATTER OF:

The Mutual Fund Dealer Rulesⁱ

and

Gregory Rice

2024 CIRO 61

Canadian Investment Regulatory Organization
Hearing Panel (Nova Scotia District)

Heard: May 22, 2024 in Halifax, Nova Scotia (via videoconference)

Decision: May 22, 2024

Reasons for Decision: July 12, 2024

Hearing Panel:

Noella Martin, K.C., Chair

Ken Wheelans, Industry Representative

Ann Etter, Industry Representative

Appearances:

Molly McCarthy, CIRO Enforcement Counsel

Hunter Parsons, Counsel for the Respondent

Gregory Rice, Respondent (Present)

REASONS FOR DECISION

I. INTRODUCTION

¶ 1 At a Settlement Hearing by videoconference on May 22, 2024, this Hearing Panel was asked to accept a settlement agreement dated April 17, 2024 (“Settlement Agreement”) negotiated between Staff of the Canadian Investment Regulatory Organization (“CIRO”) and Gregory Rice (“Respondent”).

¶ 2 Mr. Rice was present before us and was represented by counsel.

¶ 3 In accordance with Mutual Fund Dealer Rule 7.4.4.3, the Settlement Agreement was referred to this Hearing Panel for acceptance or rejection. After hearing counsel for the CIRO, considering the exhibits filed and the written submissions of Staff of the CIRO, and deliberating, we concluded that we should accept the Settlement Agreement. These are our written reasons for so doing.

II. THE SETTLEMENT AGREEMENT

¶ 4 The Settlement Agreement is attached as Schedule “A” to these Reasons for Decision.

¶ 5 The key portions of the Settlement Agreement entered into with the CIRO by the Respondent are as follows:

“IV. AGREED FACTS

Registration History

8. Since October 14, 1999, the Respondent has been registered in Nova Scotia as a dealing representative of Sun Life Investment Services (Canada) Inc., a Dealer Member of CIRO (the "Dealer Member"), formerly a Member of the MFDA.

9. At all material times, the Respondent conducted business in the Berwick, Nova Scotia area.

Discretionary Trading and Processing Trades Pursuant to Client Electronic Instructions Without Verbal Authentication

10. At all material times, the Dealer Member's policies and procedures prohibited:

- (a) discretionary trading; and
- (b) dealing representatives from acting based on instructions received from clients by email, text or other electronic means without verbally authenticating with the client that the electronic instructions were sent by the client prior to fulfilling the instructions.

11. At all material times, client RH was a client of the Dealer Member whose accounts were serviced by the Respondent.

12. On January 2, 2020, client RH emailed the Respondent and requested a withdrawal of \$10,000 from client RH's registered income fund ("RIF") account as soon as possible.

13. In client RH's email, client RH did not specify which mutual fund or funds to be redeemed.

14. Prior to processing the Redemption, contrary to the Dealer Member's policies and procedures, the Respondent did not speak with client RH to:

- (a) ascertain which mutual fund or funds client RH wished to redeem; and
- (b) verbally authenticate that the electronic instructions were sent by client RH.

15. On January 3, 2020, the Respondent used his discretion to select the mutual fund in client RH's RIF from which the monies would be redeemed.

16. By virtue of the foregoing, the Respondent:

- (a) engaged in discretionary trading, and
- (b) acted on instructions received by email without verbally authenticating that the electronic instructions were sent by the client prior to fulfilling the instructions.

Dealer Member's Investigation

17. In or around December 2021, during a market conduct audit of the Respondent's branch location by the Dealer Member, the Respondent admitted to the Dealer Member to conducting discretionary trading for client RH.

18. The Dealer Member conducted a review of the Respondent's business practices and identified the deficient notes recorded by the client in respect of clients AB and KW.

- (i) The Dealer Member sent letters to clients AB, KW and RH providing all trades made in their accounts for their review to ensure the accuracy of the information. No responses were received.
- (ii) On March 14, 2022, the Dealer Member issued the Respondent a warning letter regarding the inadequate notes.

Additional Factors

(iii) In May 2013, when investigating the Respondent in respect of an unrelated matter, Staff determined that the Respondent had not discussed with a client which mutual funds or funds were to be purchased prior to processing the transaction for the client and used his discretion to select the mutual fund to purchase. In July 2014, Staff issued a warning letter to the Respondent advising that this conduct

amounted to discretionary trading in contravention of MFDA Rules. The conduct addressed in this Settlement Agreement occurred after Staff issued its letter to the Respondent.

19. There is no evidence of client financial loss and no clients have complained to the Dealer Member or Staff in respect of his conduct described in the Settlement Agreement.

20. The Respondent has not been the subject of prior MFDA or CIRO disciplinary proceedings.

21. By entering into this Settlement Agreement, the Respondent has saved time, resources and expenses associated with conducting a contested hearing on the allegations.”

III. GENERAL PRINCIPLES ON THE ACCEPTANCE OF A SETTLEMENT AGREEMENT

¶ 6 At a settlement hearing the role of a Hearing Panel is fundamentally different from its role at a contested hearing. The often-cited reasoning from the I.D.A. decision of *Milewski (Re)* succinctly sets out the role of the Hearing Panel at a settlement hearing:

We also note that while in a contested hearing the Panel attempts to determine the correct penalty, in a settlement hearing the Panel "will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness."

Milewski (Re) [1999] I.D.A.C.D. No.17 at p. 10, Ontario District Council Decision dated July 28, 1999.

¶ 7 A Hearing Panel, pursuant to Mutual Fund Dealer Rule 7.4.4.3, has two options with respect to a settlement agreement; it can only accept or reject the settlement agreement.

¶ 8 It is clear from the jurisprudence emanating from the Courts and previous MFDA hearing panels that this Hearing Panel's task is not to decide whether we would have arrived at the same decision as that reached by the parties in this case. Rather, it is this Hearing Panel's responsibility to determine whether the penalty agreed upon falls within a reasonable range of appropriateness having regard to the conduct of the Respondent. If the negotiated settlement maintains the integrity of the investment industry, it is our duty to accept it.

¶ 9 In deciding whether to accept or reject the proposed Settlement Agreement in this matter, we have taken into account the following considerations as set out by previous decisions of Courts and CIRO/MFDA hearing panels:

- a) Whether acceptance of the Settlement Agreement would be in the public interest;
- b) Whether the Settlement Agreement is reasonable in proportion 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 deterrents;
- d) Whether the proposed Settlement Agreement 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 CIRO; and
- g) Whether the Settlement Agreement will foster confidence in the regulatory process itself.

Re: Professional Investments (Kingston) Inc. (Re), [2009] MFDA, Ontario Regional Council, File No. 200836, Hearing Panel Decision dated March 24, 2009, at page 9.

Re: Melvin Robert Penny (Re), [2009] MFDA, Atlantic Regional Council, File No. 200831, Hearing Panel Decision dated May 13, 2009, at page 8.

Re: Alden M. Kaley (Re), MFDA, Atlantic Regional Council, File No 200911, Hearing Panel Decision dated August 21, 2009, at page 6.

¶ 10 We have also considered the factors that previous Hearing Panels have stated should be considered in determining whether a penalty is appropriate. These factors include the following:

- a) The seriousness of the allegations proven 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 that the conduct was improper and has demonstrated remorse;
- e) The harm suffered by investors as a result of the Respondent's conduct;
- 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 the 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 determine whether not only those involved in the case being considered, but also any others participating in the capital markets engaged in a similar improper activity;
- j) The need to alert others to the consequences of inappropriate activity to those who are permitted to participate in the capital markets; and
- k) Previous decisions made in similar circumstances.

Re: Lamoureux (Re), [2002] A.S.G.D. No. 125 at para. 11.

Re: In the matter of Robert Roy Parkinson [2005] MFDA Ontario Regional Council, File No. 200509, Hearing Panel Decision dated February 21, 2006, at pp. 25-26.

Re: Alden M. Kaley (Re), [2009] MFDA Atlantic Regional Council, File No. 200911, Hearing Panel Decision dated September 28, 2009, at page 7.

¶ 11 We have also been guided by the MFDA Sanction Guidelines, which came into effect on November 15, 2018, and the new CIRO Sanction Guidelines, which came into effect on February 1, 2024.

IV. STANDARD OF CONDUCT

Applicable Rules and Provisions

¶ 12 The following rules and provisions are applicable in this matter:

Provision	Description
Mutual Fund Dealer Rules 2.1.1, 2.3.1	Standard of Conduct Discretionary Trading
MFDA Rules 1.1.2 and 2.5.1	Compliance by Members and Approved Persons Member Responsibilities
Mutual Fund Dealer Rule 7.4.1.1	Powers of Hearing Panels to Discipline Approved Persons
Mutual Fund Dealer Rule 7.4.2	Costs
Mutual Fund Dealer Rule 7.4.4	Settlement Agreements
Rules 14 and 15 of the Mutual Fund Dealer Rules of Procedure	Settlement Agreements Settlement Hearings

Discretionary Trading

¶ 13 Pursuant to Mutual Fund Dealer Rule 2.3.1(b), Approved Persons are not permitted to engage in discretionary trading. Accordingly, an Approved Person is required to obtain from the client express instructions with respect to all elements of a trade including:

- a) the specific security that is to be subject to the trade;
- b) the account in which the trade is to be processed;
- c) the amount of the security to be traded; and
- d) the timing of the trade.

Chen (Re), [2011] Hearing Panel of the Pacific Regional Council, MFDA File No. 201006, Reasons for Decision dated April 18, 2011, SBA, Tab 2.

Rounthwaite (Re), [2012] Hearing Panel of the Central Regional Council, MFDA File No. 201123, Reasons for Decision dated July 30, 2012, SBA, Tab 3.

Smilestone (Re), [2013] Hearing Panel of the Atlantic Regional Council, MFDA File No. 201129, Reasons for Decision dated August 8, 2013, SBA, Tab 4.

MFD Rule 2.3.1, *supra*, SBA, Tab 1A.

¶ 14 As previous hearing panels have stated:

Discretionary trading is fundamentally wrong. Subject to certain exceptions, which are not applicable here, MFDA Rule 2.3.1 absolutely prohibits it. It undermines the client's right and ability to make informed decisions about their financial affairs; it subverts the ability of a Member to properly supervise trading activity; and it destroys the integrity of the audit trail.

. . . even when an Approved Person fully apprises a client of the details of a transaction, after it has been made, a discretionary trade is still wrong.

Rounthwaite, supra at paras. 7-9, SBA, Tab 3.

Smilestone, supra at para. 15, SBA, Tab 4.

¶ 15 Hearing Panels have established that discretionary trading is a contravention of the Respondent's regulatory obligations even if the Respondent was not acting with any malicious intent.

Garries (Re), [2016] Hearing Panel of the Prairie Regional Council, MFDA File No. 201605, Reasons for Decision dated November 14, 2016 at para. 48, SBA, Tab 5.

¶ 16 Discretionary trading has also been found to be a contravention of the standard of conduct set out in Rule 2.1.1.

Mutual Fund Dealer Rule 2.1.1, SBA, Tab 1A.

Rounthwaite (Re), supra, SBA, Tab 3.

Smilestone (Re), supra, SBA, Tab 4.

Garries (Re), supra, SBA, Tab 5.

¶ 17 In this case, as set out at paragraphs 14 and 15 of the Settlement Agreement, the Respondent has admitted to engaging in discretionary trading by processing redemptions in the account of a client without obtaining client instructions with respect to all essential elements of the trade.

¶ 18 By processing the redemptions in the account of a client without obtaining all essential elements of the trade, the Respondent contravened Mutual Fund Dealer Rules 2.3.1(b) and 2.1.1.

Dealer Member Policies and Procedures

¶ 19 MFDA Rule 2.5.1 requires Dealer Members to establish policies and procedures to ensure the handling of their business is in compliance with CIRO by-laws, rules, and policies and applicable securities legislation. It is well established that Approved Persons have a corresponding obligation to comply with those policies and procedures pursuant to Mutual Fund Dealer Rule 1.1.2.

MFDA Rules 2.5.1 and 1.1.2, SBA, Tab 1B.

Frank (Re) [2015] Hearing Panel of the Central Regional Council, MFDA File No. 201407, Panel Decision and Reasons (Misconduct) dated May 5, 2015 at paras. 56-58, SBA, Tab 6.

¶ 20 As the Hearing Panel stated in *Franco (Re)*:

The obligation of Approved Persons to comply with the policies and procedures of the Member that they are registered with is a cornerstone of the self-regulatory system. When Approved Persons disregard those obligations, the Member's ability to supervise the conduct of such Approved Persons and protect the interests of clients and the public is undermined.

Franco (Re) [2011] Hearing Panel of the Prairie Regional Council, MFDA File No. 201016, Panel Decision dated May 6, 2011 at para. 38, SBA, Tab 7.

¶ 21 The failure to comply with the Dealer Member's policies and procedures also constitutes a contravention of the standard of conduct, and its requirements that an Approved Person observe high standards of ethics and conduct in the transaction of business and not engage in any business conduct or practice which is unbecoming or detrimental to the public interest.

Mutual Fund Dealer Rule 2.1.1, SBA, Tab 1A.

Franco (Re), *supra* at para. 43, Misconduct SBA, Tab 7.

¶ 22 In *Botha*, the Alberta Securities Commission dismissed an appeal of a MFDA decision and upheld the MFDA's position that the interaction between Rules 2.5.1 and 1.1.2 establish that an Approved Person must comply with the Dealer Member's policies and procedures.

Botha (Re), 2021 ABASC 11 (*CanLII*), at paras. 113, 152 – 155, SBA, Tab 8.

¶ 23 In the current matter, at all material times, the Dealer Member's policies and procedures prohibited discretionary trading.

¶ 24 As such, by engaging in discretionary trading, the Respondent contravened the Dealer Member's policies and procedures.

¶ 25 Prior Hearing Panels have held that, where an Approved Person has contravened the policies and procedures of the Dealer Member, the Approved Person has contravened MFDA Rules 1.1.2 and 2.5.1.

Collymore (Re) [2022] Hearing Panel of the Central Regional Council, MFDA File No. 202214, Panel Decision dated December 14, 2022 at para. 14, SBA, Tab 9 [*"Collymore"*].

Frank, *supra* at paras. 56-58, SBA, Tab 6.

Pekel (Re) [2021] Hearing Panel of the Central Regional Council, MFDA File No. 202007, Panel Decision dated January 7, 2021, *supra* at para. 36, SBA, Tab 10.

Processing Trades Pursuant to Client Electronic Instructions Without Verbal Authentication

¶ 26 As set out in paragraph 14 of the Settlement Agreement, the Respondent acted on client electronic instructions without speaking to the client to authenticate that the electronic instructions were sent by the client.

¶ 27 At all material times, the Dealer Member's policies and procedures prohibited dealing representatives from acting based on instructions received from clients by email, text or other electronic means without verbally authenticating with the client that the electronic instructions were sent by the client prior to fulfilling

the instructions.

¶ 28 As such, by failing to verbally authenticate electronic instructions from a client, the Respondent contravened the Dealer Member's policies and procedures, Mutual Fund Dealer Rule 2.1.1 and MFDA Rule 1.1.2 (as it relates to 2.5.1).

Admission

¶ 29 In the present case, as stated in paragraph 4 of the Settlement Agreement, the Respondent admits that:

- a) on or about January, 2020, the Respondent processed a transaction without obtaining client instructions with respect to all essential elements of the trade, thereby engaging in discretionary trading, contrary to the Dealer Member's policies and procedures and Mutual Fund Dealer Rules 2.3.1(b) and 2.1.1 and MFDA Rule 1.1.2 (as it relates to 2.5.1); and
- b) on or about January 2, 2020, the Respondent processed a transaction on behalf of a client pursuant to email trade instructions from the client without obtaining verbal authorization from the client, contrary to the Dealer Member's policies and procedures and Mutual Fund Dealer Rule 2.1.1 and MFDA Rule 1.1.2 (as it relates to 2.5.1)

V. THE SERIOUSNESS OF THE VIOLATION IN THIS MATTER

¶ 30 The conduct in this matter is serious.

¶ 31 Staff and the Respondent agree and consent to the following terms of settlement:

- a) the Respondent shall pay a fine in the amount of \$10,000, pursuant to Mutual Fund Dealer Rule 7.4.1.1(b);
- b) the Respondent shall pay costs in the amount of \$5,000, pursuant to Mutual Fund Dealer Rule 7.4.2;
- c) the Respondent shall in the future comply with Mutual Fund Dealer Rules 2.1.1, 2.3.1, 1.1.2 and 2.5.1; and
- d) the Respondent shall attend on the date set for the Settlement Hearing.

¶ 32 The Hearing Panel agrees that the penalties proposed in the Settlement Agreement are consistent with those issued in previous MFDA decisions under similar circumstances.

¶ 33 After considering the submissions and upon reviewing the relevant authorities, in our opinion the Settlement Agreement negotiated between the parties is in keeping with the purpose of the MFDA Rules which are intended to enhance investor protection and to promote public confidence in the Canadian Mutual Fund Industry.

¶ 34 We believe that the penalties provided for in the Settlement Agreement are within the range of reasonableness under the circumstances, will specifically deter the Respondent, Mr. Rice, and will also deter others from engaging in similar misconduct, thereby protecting the investing public and fostering confidence in the Mutual Fund Industry in Canada.

¶ 35 After considering all of the above, we unanimously agree that the Settlement Agreement reached in this case was reasonable in the circumstances, is in the public interest, and is hereby accepted by this Hearing Panel pursuant to Mutual Fund Dealer Rule 7.4.4.3.

DATED at Halifax, Nova Scotia this 12th day of July, 2024.

"Noella Martin"

Noella Martin, K.C., Chair

"Ken Wheelans"

Ken Wheelans, Industry Representative

“Ann Etter”

Ann Etter, Industry Representative

Appendix “A”
Settlement Agreement

IN THE MATTER OF:

The Mutual Fund Dealer Rules

and

Gregory Rice

SETTLEMENT AGREEMENT

I. INTRODUCTION

¶ 1 The Canadian Investment Regulatory Organization, a consolidation of IIROC and the MFDA (“CIRO”) will announce that it proposes to hold a hearing (the “Settlement Hearing”) to consider whether, pursuant to Mutual Fund Dealer Rule 7.4.4.3, a hearing panel of the Nova Scotia District Hearing Committee (the “Hearing Panel”) of CIRO should accept the settlement agreement (the “Settlement Agreement”) entered into between Staff of CIRO (“Staff”) and Gregory Rice (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 Mutual Fund Dealer Rules:

- a) on or about January 2, 2020, the Respondent processed a transaction without obtaining client instructions with respect to all essential elements of the trade, thereby engaging in discretionary trading, contrary to the Dealer Member’s policies and procedures and Mutual Fund Dealer Rules 2.3.1(b) and 2.1.1 and MFDA Rule 1.1.2¹ (as it relates to 2.5.1); and
- b) on or about January 2, 2020, the Respondent processed a transaction on behalf of a client pursuant to email trade instructions from the client without obtaining verbal authorization from the client, contrary to the Dealer Member’s policies and procedures and Mutual Fund Dealer Rule 2.1.1 and MFDA Rule 1.1.2 (as it relates to 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 \$10,000, pursuant to Mutual Fund Dealer Rule 7.4.1.1(b);

¹ On July 7, 2022, amendments to MFDA Rule 1.1.2 came into effect. As the conduct addressed in this proceeding pre-dated the amendments to that Rule, the version of MFDA Rule 1.1.2 that was in effect between February 23, 2001 and July 6, 2022 is applicable to this proceeding.

- b) the Respondent shall pay costs in the amount of \$5,000, pursuant to Mutual Fund Dealer Rule 7.4.2;
- c) the Respondent shall in the future comply with Mutual Fund Dealer Rules 2.1.1, 2.3.1, 1.1.2 and 2.5.1; and
- d) the Respondent shall attend on the date set for the Settlement Hearing.

¶ 6 The Respondent consents to the Hearing Panel making a confidentiality order on the following terms:

If at any time a non-party to this proceeding, with the exception of the bodies set out in Mutual Fund Dealer Rule 6.3, requests production of or access to exhibits in this proceeding that contain personal information as defined by CIRO's Privacy Policy, then the Corporate Secretary's Office, Mutual Fund Dealer Division of CIRO shall not provide copies of or access to the requested exhibits to the non-party without first redacting from them any and all intimate financial and personal information, pursuant to Rules 1.8(2) and (5) of the Mutual Fund Dealer Rules of Procedure.

¶ 7 Staff and the Respondent agree to the settlement on the basis of the facts set out in this Settlement Agreement herein.

IV. AGREED FACTS

Registration History

¶ 8 Since October 14, 1999, the Respondent has been registered in Nova Scotia as a dealing representative of Sun Life Investment Services (Canada) Inc., a Dealer Member of CIRO (the "Dealer Member"), formerly a Member of the MFDA.

¶ 9 At all material times, the Respondent conducted business in the Berwick, Nova Scotia area.

Discretionary Trading and Processing Trades Pursuant to Client Electronic Instructions Without Verbal Authentication

¶ 10 At all material times, the Dealer Member's policies and procedures prohibited:

- a) discretionary trading; and
- b) dealing representatives from acting based on instructions received from clients by email, text or other electronic means without verbally authenticating with the client that the electronic instructions were sent by the client prior to fulfilling the instructions.

¶ 11 At all material times, client RH was a client of the Dealer Member whose accounts were serviced by the Respondent.

¶ 12 On January 2, 2020, client RH emailed the Respondent and requested a withdrawal of \$10,000 from client RH's registered income fund ("RIF") account as soon as possible.

¶ 13 In client RH's email, client RH did not specify which mutual fund or funds to be redeemed.

¶ 14 Prior to processing the Redemption, contrary to the Dealer Member's policies and procedures, the Respondent did not speak with client RH to:

- a) ascertain which mutual fund or funds client RH wished to redeem; and
- b) verbally authenticate that the electronic instructions were sent by client RH.

¶ 15 On January 3, 2020, the Respondent used his discretion to select the mutual fund in client RH's RIF from which the monies would be redeemed.

¶ 16 By virtue of the foregoing, the Respondent:

- a) engaged in discretionary trading, and

- b) acted on instructions received by email without verbally authenticate that the electronic instructions were sent by the client prior to fulfilling the instructions.

Dealer Member's Investigation

¶ 17 In or around December 2021, during a market conduct audit of the Respondent's branch location by the Dealer Member, the Respondent admitted to the Dealer Member to conducting discretionary trading for client RH.

¶ 18 The Dealer Member conducted a review of the Respondent's business practices and identified the deficient notes recorded by the client in respect of clients AB and KW.

¶ 19 The Dealer Member sent letters clients AB, KW and RH providing all trades made in their accounts for their review to ensure the accuracy of the information. No responses were received.

¶ 20 On March 14, 2022, the Dealer Member issued the Respondent a warning letter regarding the inadequate notes.

Additional Factors

¶ 21 In May 2013, when investigating the Respondent in respect of an unrelated matter, Staff determined that the Respondent had not discussed with a client which mutual funds or funds were to be purchased prior to processing the transaction for the client and used his discretion to select the mutual fund to purchase. In July 2014, Staff issued a warning letter to the Respondent advising that this conduct amounted to discretionary trading in contravention of MFDA Rules. The conduct addressed in this Settlement Agreement occurred after Staff issued its letter to the Respondent.

¶ 22 There is no evidence of client financial loss and no clients have complained to the Dealer Member or Staff in respect of his conduct described in the Settlement Agreement.

¶ 23 The Respondent has not been the subject of prior MFDA or CIRO disciplinary proceedings.

¶ 24 By entering into this Settlement Agreement, the Respondent has saved time, resources and expenses associated with conducting a contested hearing on the allegations.

V. ADDITIONAL TERMS OF SETTLEMENT

¶ 25 This settlement is agreed upon in accordance with Mutual Fund Dealer Rule 7.4.4 and Rules 14 and 15 of the Mutual Fund Dealer Rules of Procedure.

¶ 26 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. Settlement Hearings are typically held in the absence of the public pursuant to Mutual Fund Dealer Rule 7.3.5 and Rule 15.2(2) of the Mutual Fund Dealer 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.

¶ 27 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 agreed, 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.

¶ 28 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 Mutual Fund Dealer Rules of Procedure;
- b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal, including before the Board of Directors of CIRO 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 Mutual Fund Dealer Rules 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 Mutual Fund Dealer Rule 7.4.1.1 for the purpose of giving notice to the public thereof in accordance with Mutual Fund Dealer Rule 7.4.5; 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.

¶ 29 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 Mutual Fund Dealer Rule 7.4.3 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(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.

¶ 30 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 Mutual Fund Dealer Rules 7.3 and 7.4, unaffected by the Settlement Agreement or the settlement negotiations.

¶ 31 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.

¶ 32 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 17th day of April, 2024.

“Gregory Rice”

Gregory Rice

“Witness”

Witness - Signature

“Witness”

Witness - Print name

“Molly McCarthy”

Staff of CIRO
Per: Molly McCarthy, Enforcement Counsel
Canadian Investment Regulatory Organization

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 that is called the Canadian Investment Regulatory Organization (referred to herein as “CIRO”) and is recognized under applicable securities legislation. CIRO 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. Pursuant to Mutual Fund Dealer Rule 1A and s. 14.6 of By-law No. 1 of CIRO, contraventions of former MFDA regulatory requirements may be enforced by CIRO.