



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

**IN THE MATTER OF A DISCIPLINARY HEARING  
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF  
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

**Re: Mohamed Tahir**

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**NOTICE OF HEARING**

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**NOTICE** is hereby given that a first appearance will take place by teleconference before a hearing panel of the Central Regional Council (the “Hearing Panel”) of the Mutual Fund Dealers Association of Canada (the “MFDA”) in the hearing room located at 121 King Street West, Suite 1000, Toronto, Ontario on January 26, 2015 at 10:00 a.m. (Eastern), or as soon thereafter as the appearance can be held, concerning a disciplinary proceeding commenced by the MFDA against Mohamed Tahir (the “Respondent”).

**DATED** this 19<sup>th</sup> day of December, 2014.

“Sarah Rickard”

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Sarah Rickard  
Director of Regional Councils

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**NOTICE** is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

**Allegation #1:** Commencing March 31, 2014, the Respondent failed to cooperate with an investigation concerning client complaints that he may have engaged in unauthorized activity in client accounts and may have misappropriated or failed to account for client monies, by failing to provide a written statement and produce documents and records requested by MFDA Staff during the course of an investigation, contrary to section 22.1 of MFDA By-Law No. 1 and MFDA Rule 2.1.1.

**Allegation #2:** Between June 2003 and December 2011, the Respondent prepared and submitted new account application forms and investment loan applications for client AP and client ML which the Respondent knew or ought to have known contained false, misleading or incorrect information, thereby failing to observe the high standards of ethics and conduct in the transaction of business and engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1.

**Allegation #3:** Between June 2003 and December 2011, the Respondent misrepresented, failed to fully and adequately explain, or omitted to explain, the risks, benefits, material assumptions, features and costs of a leveraged investment strategy that he recommended to at least client AP and client ML, thereby failing to ensure that the leveraged investment recommendations were suitable for the clients and in keeping with the clients' investment objectives, contrary to MFDA Rules 2.2.1 and 2.1.1.

**Allegation #4:** Between June 2003 and December 2011, the Respondent failed to ensure that the leveraged investment recommendations he made to client AP and client ML were suitable for the clients and in keeping with the clients' investment objectives, having regard to:

- (a) the clients' relevant "Know Your Client" information and personal and financial circumstances, including but not limited to the clients' ability to afford the costs associated with the investment loans and withstand investment losses; and

(b) the Member's requirements regarding the use of leveraging, as set out in the Member's policies and procedures;

contrary to MFDA Rules 2.2.1 and 2.1.1.

### **PARTICULARS**

**NOTICE** is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

#### **Registration History**

1. The Respondent was registered in Ontario with Worldsource Financial Management Inc. ("Worldsource"), a Member of the MFDA, as a:

(a) dealing representative (in the category of mutual fund dealer), from January 8, 2003 to December 9, 2011; and

(b) dealing representative (in the category of exempt market dealer) from September 28, 2009 to September 22, 2010.

2. Prior to that, from November 2001 to December 2002, the Respondent was registered as a mutual fund salesperson with Optifund Investments Inc., now called Desjardins Financial Securities Investments Inc., a Member of the MFDA.

3. Worldsource terminated the Respondent on December 9, 2011. The Respondent is not currently registered in the securities industry in any capacity.

#### **Allegation #1: Failure to Cooperate**

4. Between March 17, 2014 and October 27, 2014, the MFDA received seven client complaints concerning the Respondent.

5. The clients alleged, among other things, that the Respondent had, without the knowledge or instructions of the clients:

- (a) obtained a loan in the name of two clients, the proceeds of which the Respondent may have misappropriated and applied for his personal use;
- (b) processed redemptions in client accounts using blank signed forms, the proceeds of which the Respondent may have misappropriated and applied for his personal use;
- (c) solicited and accepted cheques from clients payable to the Respondent personally, purportedly to invest the monies on the clients' behalf, and then failed to invest the monies as instructed by the clients or otherwise account for the monies;
- (d) made unauthorized transfers of cash from one client's bank account to his own personal bank account and may have misappropriated the monies; and
- (e) used monthly contributions provided to him by clients to purchase insurance products for the clients instead of purchasing mutual funds or contributing the monies to the clients mutual fund accounts, contrary to the clients' instructions.

6. Upon receipt of the complaints, Staff commenced an investigation of the Respondent's activities. Staff sent letters to the Respondent on March 31, 2014, May 21, 2014, June 25, 2014, July 9, 2014, August 6, 2014 and September 11, 2014 requesting that the Respondent provide responses and documents concerning the subject matter of the complaints.

7. The Respondent has failed or refused to reply to Staff's letters and has never submitted a written response or provided the documents requested by Staff in respect of the complaints. As a result of the Respondent's failure or refusal to cooperate with Staff's investigation, Staff has been unable to determine the nature and scope of the Respondent's activities and, in particular, whether other clients may have been affected by his actions.

8. The Respondent previously attended at the MFDA's offices on February 7 and March 26, 2013 to provide a statement and give information relating to complaints submitted against him by client AP and client ML concerning the subject matter of Allegations #2 to #4 below.

9. By engaging in the conduct described above, the Respondent failed to provide a written statement and produce documents and records requested by MFDA Staff during the course of an investigation, contrary to section 22.1 of MFDA By-Law No. 1 and MFDA Rule 2.1.1.

### **Allegations #2 to #4: The Leveraged Investment Strategy**

#### **Overview of the Leveraged Investment Strategy**

10. Between June 2003 and December 2011, the Respondent recommended and facilitated the implementation of a leveraged investment strategy in the accounts of client AP and client ML (the “Leveraged Investment Strategy”).

11. According to the Respondent, the Leveraged Investment Strategy was intended to provide clients AP and ML with additional assets and sources of income in retirement. The Respondent directed each of the clients to obtain investment loans and then recommended that they use the loan proceeds to purchase mutual funds and segregated funds. The Leveraged Investment Strategy was based, in part, on the premise that the investments would generate sufficient proceeds each month to at least equal the clients’ costs of servicing their investment loans and, if additional proceeds were realized, the clients could use the extra amounts to supplement their lifestyle. The Leveraged Investment Strategy was also purportedly structured to eliminate or minimize the tax consequences the clients would face when they made monthly withdrawals from their registered accounts to service their investment loans as part of the strategy.

12. In the course of recommending the Leveraged Investment Strategy to clients AP and ML, the Respondent made the following representations, among others:

- (a) the Leveraged Investment Strategy would pay for itself such that the clients would not have to incur any out-of-pocket expenses in order to sustain the strategy;

- (b) the mutual funds they purchased were low risk investments which would not decrease in value and could be counted on to grow in value from 7% to 12% each year;
- (c) the mutual funds they purchased could be relied upon to pay monthly or annual proceeds to the clients in the form of interest, dividend or capital gain payments;
- (d) the cost of servicing the investment loans could be paid using monthly withdrawals from the clients' registered accounts; and
- (e) the Leveraged Investment Strategy was low risk.

**a) Client AP**

13. In 2003, when client AP implemented the Leveraged Investment Strategy in her account, she was 53 years old, retired and receiving long term disability benefits of \$1,700 per month and pension benefits of \$400 per month. She had no reasonable prospects for employment due to her age and health issues. Her only assets consisted of her unencumbered home, valued at approximately \$176,000, and \$150,000 in a registered account. Client AP had little to no investment knowledge.

14. Between June 2003 and June 2006, client AP, relying on the Respondent's recommendation, applied for and obtained investment loans totaling \$572,500 which she used to purchase mutual funds for her account, as set out below:

<b>Date of Loan</b>	<b>Loan Provider</b>	<b>Type of Loan</b>	<b>Loan Amount</b>	<b>Monthly Payments</b>
June 25, 2003	Manulife One	Regular Investment Loan	\$50,000	\$253.76
July 29, 2003	Manulife Bank	Home Equity Line of Credit	\$87,500	\$700

<b>Date of Loan</b>	<b>Loan Provider</b>	<b>Type of Loan</b>	<b>Loan Amount</b>	<b>Monthly Payments</b>
Sept. 4, 2003	B2B Trust	2 for 1 investment loan <sup>1</sup> on margin	\$250,000	\$913.91
July 2005	Maple Trust	Home Equity Line of Credit	\$45,000	\$196.88
January 9, 2006	MRS Trust	2 for 1 investment loan	\$90,000	\$334.73
June 20, 2006	AGF Trust	Regular Investment Loan	\$50,000	\$230

15. At the Respondent’s recommendation, client AP purchased all of the mutual funds on a deferred sales charge (“DSC”) basis.

16. In addition, client AP relied upon the Respondent’s recommendations to apply for and obtain investment loans totaling \$150,000 which she used to purchase segregated funds, as set out below:

<b>Date of Loan</b>	<b>Loan Provider</b>	<b>Type of Loan</b>	<b>Loan Amount</b>
May 18, 2004	Manulife Bank	Regular Investment Loan	\$50,000
December 14, 2005	National Bank	Regular Investment Loan	\$100,000

17. Commencing in or about July 2003, client AP started receiving monthly proceeds from the mutual funds she had purchased with her investment loans and, relying on the Respondent’s recommendation, used the proceeds to enhance her lifestyle. Client AP also commenced making

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<sup>1</sup> In a “2 for 1” loan, a lending institution agrees to lend two dollars to a borrower for investment purposes for every one dollar the borrower contributes to the investment.

monthly withdrawals from her registered account which she used to pay the costs of servicing her investment loans.

18. The Respondent did not discuss with client AP how she could or would repay the principal amount of her investment loans.

19. The Respondent failed to inform client AP that the \$250,000 loan she obtained from B2B Trust was a margin loan (the “B2B Loan”), which required client AP to ensure that the outstanding amount of the B2B Loan did not exceed 85% of the net asset value of the investments in her account. The Respondent failed to explain the features and inherent risks of a margin loan to client AP adequately or at all prior to implementing the Leveraged Investment Strategy in her account.

20. At the time the B2B Loan was made, the Respondent knew or ought to have known that client AP did not have income, income-earning ability or financial resources to maintain the required debt to asset ratio in her account in the event the value of the investments declined and B2B Trust made a margin call, or in the event she required additional sources of income to service her investment loans.

21. Commencing in 2007, the mutual funds client AP had purchased with her investment loans began to decline in value to an amount below the outstanding principal amount of her investment loans. That same year, relying on the Respondent’s recommendation, client AP sold some of the mutual funds to pay down a portion of her investment loans. DSC fees were deducted from the redemption proceeds, a fact that the Respondent did not disclose to client AP.

22. In 2008, client AP withdrew the last remaining monies in her registered account, after which time client AP no longer had a source of monthly cash flows to pay the costs of servicing her investment loans.

23. At or about the same time, the mutual funds client AP had purchased with her investment loans reduced, or stopped paying altogether, the monthly distributions paid to investors.

24. The depletion of her registered account combined with the reduction in the distributions paid by the mutual funds, resulted in client AP no longer having sufficient monies available to her to pay the costs of servicing her investment loans. Further, as a result of the decline in value of her mutual funds to an amount below the outstanding principal of her investment loans, client AP was not in a position to sell her mutual funds and use the sale proceeds to fully pay down her investment loans without incurring a shortfall for which she would be responsible.

25. Commencing in 2008, relying upon the Respondent's recommendation, client AP commenced selling off portions of the mutual funds she had purchased with her investment loans to make the required monthly payments on her investment loans. By December 2011, client AP had sold all of the mutual funds and still owed \$34,334.47 in respect of her investment loans.

26. In 2010, at the Respondent's recommendation, client AP sold the segregated funds she had purchased with investment loans. To finance the shortfall required to pay off those investment loans, client AP, on the Respondent's recommendation, obtained a \$150,000 mortgage from the National Bank.

27. In summary, after selling the entirety of the mutual funds and segregated funds she had purchased under the Leveraged Investment Strategy, client AP was left with an investment loan shortfall of approximately \$34,334.47 and a mortgage of \$150,000 on her home, neither of which she has any realistic possibility of paying down.

**b) Client ML**

28. In 2003, client ML retired but continued to work part-time at a car dealership. He earned between \$1,000 and \$3,000 per month working at the car dealership and received approximately \$600 per month from his government pension. Client ML's wife earned approximately \$30,000 per year working in retail sales. Client ML's only assets were the home he owned with his wife,

valued at approximately \$280,000<sup>2</sup>, \$130,000 in mutual funds he held in a registered account, and a life insurance policy valued at approximately \$50,000. Client ML had little to no investment knowledge.

29. In 2006, when client ML implemented the Leveraged Investment Strategy in his account, client ML was 63 years old and his wife was 62 years old.

30. In March 2006, client ML and his wife applied for and obtained a \$280,000 home equity line of credit (“HELOC”) secured against their previously unencumbered home, which they used to purchase two new cars, pay off \$50,000 in existing credit card debt and renovate their basement. The Respondent informed client ML that the HELOC could be financed by implementing the Leveraged Investment Strategy.

31. In or about June 2006, relying on the Respondent’s recommendation that he implement the Leveraged Investment Strategy in his account, client ML applied for and obtained two investment loans totaling \$100,000 which he used to purchase mutual funds, as set out below:

<b>Date of Loan</b>	<b>Loan Provider</b>	<b>Type of Loan</b>	<b>Loan Amount</b>	<b>Monthly Payments</b>
June 30, 2006	Manulife Bank	Regular Investment Loan	\$50,000	\$307.88
June 30, 2006	AGF Trust	Regular Investment Loan	\$50,000	\$250

32. At the Respondent’s recommendation, client ML purchased all of the mutual funds on a DSC basis.

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<sup>2</sup> As discussed at paragraph 20 above, client ML and his wife secured a \$280,000 line of credit against their home, which they used to purchase two new cars, pay off \$50,000 in existing credit card debt and renovate their basement.

33. In addition, relying upon the Respondent's recommendation, client ML applied for and obtained an investment loan in the amount of \$50,000 which he used to purchase segregated funds:

<b>Date of Loan</b>	<b>Loan Provider</b>	<b>Type of Loan</b>	<b>Loan Amount</b>
June 30, 2006	Manulife Bank	Regular Investment Loan	\$50,000

34. Commencing in or about July 2006, client ML started receiving monthly proceeds from the mutual funds purchased with his investment loans and, relying on the Respondent's recommendation, applied the proceeds to pay monthly living expenses. Client ML also commenced making monthly withdrawals from his registered account which he used to pay the costs of servicing his investment loans.

35. The Respondent did not discuss with client ML how he could or would repay the principal amount of his investment loans.

36. Commencing in 2007 and continuing to 2010, the mutual fund investments client ML had purchased with his investment loans began to decline in value to an amount below the outstanding principal of his investment loans.

37. Commencing in 2010, relying on the Respondent's recommendation, client ML decreased the amounts he withdrew from his registered account and commenced making monthly redemptions from his mutual fund investments which, combined, provided him with sufficient funds to cover the costs of servicing his investment loans.

38. DSC fees were applied to the sale of these mutual funds, a fact that the Respondent did not disclose to client ML.<sup>3</sup>

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<sup>3</sup> By March 2012, client ML had incurred approximately \$8,000 in DSC fees.

39. In 2012, client ML redeemed the remaining mutual funds he had purchased with the investment loans and applied the redemption proceeds to paying down his investment loans, leaving him with a shortfall in the amount of \$20,000. Client ML paid this shortfall by withdrawing additional amounts from his registered account.

40. Worldsource compensated both client AP and client ML for the losses they sustained as a result of the Leveraged Investment Strategy.

**Allegation #2: False, misleading and incorrect account opening and loan documents**

41. The Respondent completed the documents required to implement the Leveraged Investment Strategy in the accounts of clients AP and ML, including the account opening documents and investment loan applications, without discussing or explaining the documents with the clients. The Respondent then had the clients sign the completed documents without reviewing them with the clients adequately or at all. As a consequence, the documents did not accurately reflect the clients’ know-your-client information and their true personal and financial circumstances in material respects, as set out below.

**a) Client AP**

42. Between June 2003 and July 2007, the Respondent prepared the following account opening documents and know-your-client (“KYC”) forms for client AP:

<b>Client AP's KYC Information</b>					
<b>Date</b>	<b>June 12, 2003</b>	<b>Jan 12, 2005</b>	<b>July 5, 2005</b>	<b>June 15, 2006</b>	<b>July 31, 2007</b>
<b>Investment Objective</b>	10% Growth, 90% Income	30% Income 40% Growth 30% Speculative	20% Income 50%Growth 30% Speculative	20% Income 50% Growth 20% Speculative	30% Income 70% Growth
<b>Income</b>	\$28,000	\$66,000	\$66,000	\$101,000	\$98,000
<b>Net Worth</b>	\$380,000	\$500,000	\$500,000	\$700,000	\$700,000

Client AP's KYC Information					
<b>Investment Knowledge</b>	Poor	Fair	Fair	Fair	Fair
<b>Time Horizon</b>	N/A	N/A	20 years	10 years	>10 years
<b>Risk Tolerance</b>	Low	30% Low 40% Medium 30% High	20% Low 30% Medium 30% High	30% Low 50% Medium 20% High	30% Low 50% Medium 20% High
<b>Occupation</b>	Retired	Retired	Retired	Retired	Retired

43. Commencing with the January 12, 2005 account documents, the Respondent knew or ought to have known that the KYC information recorded and maintained for client AP was false, misleading or incorrect in that:

- (a) the income recorded for client AP significantly exceeded her actual income;
- (b) the net worth for client AP was significantly inflated in that the Respondent included the value of the mutual funds client AP purchased with her investment loans without offsetting the value of those assets with the amounts owing on her investment loans;
- (c) the Respondent changed client AP's investment objective from 90% "income" to one in which a combination of "growth" and "speculative" comprised at least 70% of the objective, without any basis for doing so;
- (d) the Respondent increased client AP's level of investment knowledge from "poor" to "fair" without any basis for doing so; and
- (e) the Respondent increased client AP's risk tolerance from 100% "low" to one in which "medium" and "high" together comprised either 70% or 80% of her risk tolerance, without any basis for doing so.

**b) Client ML**

44. On March 27, 2006 and again on June 30, 2006, the Respondent prepared two account opening documents and know-your-client (“KYC”) forms for client ML, as follows:

	March 27, 2006	June 30, 2006
<b>Investment Objectives</b>	Income 30%	Income 20%
	Growth 30%	Growth 30%
	Speculative 40%	Speculative 50%
<b>Investment Knowledge</b>	Poor	Good
<b>Income</b>	\$61, 000	\$65,000
<b>Net Worth</b>	\$460,000	\$750,000
<b>Inv. Time Horizon</b>	30 years	25 years
<b>Risk Tolerance</b>	Low 30%	Low 20%
	Med 30%	Med 30%
	High 40%	High 50%
<b>Occupation</b>	semi-retired	semi-retired
<b>Age</b>	63	63

45. The Respondent knew or ought to have known that the information recorded and maintained on the documents for client ML was false, misleading or incorrect in that:

- (a) the income for client ML significantly exceeded client ML’s actual income;
- (b) with respect to the March 27, 2006 form, the net worth for client ML was significantly inflated in that the Respondent included the value of client ML’s home in his net worth calculation without offsetting the value of the house with the amount of the HELOC secured against it; and
- (c) with respect to the June 30, 2006 form, the Respondent significantly inflated client ML’s net worth; and
- (d) the Respondent increased client ML’s investment knowledge to “good” on the June 30, 2006 form without any basis for doing so when he knew or ought to have

known that client ML's investment knowledge remained "poor" at best (as recorded on the March 27, 2006 form).

46. By engaging in the conduct described above, the Respondent recorded and maintained KYC information for clients AP and ML which he knew or ought to have known was false, misleading or incorrect, thereby failing to observe high standards of ethics and conduct in the transaction of business and engaging in conduct unbecoming an Approved Person, contrary to MFDA Rule 2.1.1.

**Allegation #3: Failure to Explain the Leveraged Investment Strategy**

47. At all material times, clients AP and ML relied entirely or substantially on the Respondent's recommendations with respect to the Leveraged Investment Strategy and his explanations, to the extent he provided any, of the risks, benefits, material assumptions, features and costs of the Leveraged Investment Strategy.

48. The Respondent did not take any, or sufficient, steps to ensure that he understood or adequately informed himself of the risks inherent in using borrowed monies to invest.

49. As a consequence, the Respondent misrepresented, failed to fully and adequately explain, or omitted to explain, the following risks, benefits, material assumptions, features and costs, among others, of the Leveraged Investment Strategy to the clients:

- (a) the risk that the mutual funds purchased with the investment loans may decline in value, such that the clients may not be able to sell the mutual funds and use the proceeds to pay down the entirety of the principal amount of their investment loans;<sup>4</sup>
- (b) the risk that the mutual funds purchased with the investment loans may not pay the clients sufficient monthly proceeds to sustain or justify the strategy;

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<sup>4</sup> The Respondent led the clients to believe that the mutual funds purchased with the investment loans could be counted on to grow 7% to 12% per year.

- (c) the risk that an increase in interest rates may affect the client's ability to sustain the strategy if the clients did not have additional sources of income or savings to cover the additional costs of servicing their investment loans;
- (d) the risk that the clients may not be able to sustain the strategy if they exhausted the savings in their registered accounts (which the Respondent directed them to use to pay the costs of servicing their investments loans); and
- (e) the risk that the clients may sustain losses if they were required to sell their mutual funds earlier than anticipated and incurred DSC fees upon redemption.

50. The Respondent obtained Leverage Disclosure Documents signed by the clients prior to implementing the Leveraged Investment Strategy in their accounts but failed to adequately review and explain the contents of the documents to the clients to ensure that they understood and accepted the risks of using borrowed monies to invest.

51. By engaging in the conduct described above, the Respondent misrepresented, failed to fully and adequately explain, or omitted to explain the risks, benefits, material assumptions, features and costs of the Leveraged Investment Strategy to clients AP and ML, thereby failing to ensure that the Leveraged Investment Strategy was suitable for the clients and in keeping with the clients' investment objectives, contrary to MFDA Rules 2.2.1 and 2.1.1.

**Allegation #4: Unsuitable Leveraging Recommendations**

52. In June 2006, Worldsource's policies and procedures were amended to state that leveraging was only suitable for those clients that met the following criteria, among other factors:

- (a) an investment knowledge of "good" or "excellent";
- (b) an investment time horizon of "10 years or more";
- (c) a "medium" or "high" risk tolerance;
- (d) the leveraged amount must not exceed the client's investible assets (exclusive of residential properties);

- (e) the client's income must be equal to at least 50% of the leveraged amount; and
- (f) the client's age must not exceed 55 years.

53. The Leveraged Investment Strategy recommended and implemented by the Respondent in the accounts of clients AP and ML was not suitable for the clients and in keeping with their investment objectives, having regard to, among other considerations:

- (a) the clients' investment knowledge was poor to nil;
- (b) the clients' true investment risk tolerance was low;
- (c) the clients were retired (or effectively retired) with no reasonable prospects for full-time employment and, as such, were not able to pay the costs of servicing their investment loans using their own income; and
- (d) the clients did not have sufficient financial resources to sustain the Leveraged Investment Strategy or withstand investment losses in the event the Leveraged Investment Strategy did not perform as the Respondent represented it would.

54. By engaging in the conduct described above, the Respondent failed to ensure that the Leveraged Investment Strategy was suitable for clients AP and ML and in keeping with the clients' investment objectives, having regard to:

- (a) the clients' relevant KYC information and personal and financial circumstances, including but not limited to the clients' ability to afford the costs associated with the investment loans and withstand investment losses; and
- (b) the Member's policies and procedures regarding the use of leveraging;

contrary to MFDA Rules 2.2.1 and 2.1.1.

**NOTICE** is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

**NOTICE** is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with the MFDA;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has engaged in any business conduct or practice which such Regional Council in its discretion considers unbecoming or not in the public interest; or
- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

- (a) a reprimand;
- (b) a fine not exceeding the greater of:
  - (i) \$5,000,000.00 per offence; and
  - (ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;
- (c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;
- (d) revocation of the authority of such person to conduct securities related business;

- (e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;
- (f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

**NOTICE** is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

**NOTICE** is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary within twenty (20) days from the date of service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada  
121 King Street West, Suite 1000  
Toronto, ON M5H 3T9  
Attention: Francis Roy  
Fax: 416-361-9073  
Email: froy@mfd.ca

A **Reply** shall be **filed** by:

- (a) providing 4 copies of the **Reply** to the Office of the Corporate Secretary by personal delivery, mail or courier to:  
  
The Mutual Fund Dealers Association of Canada  
121 King Street West, Suite 1000  
Toronto, ON M5H 3T9  
Attention: Office of the Corporate Secretary; or
- (b) transmitting 1 copy of the **Reply** to the Office of the Corporate Secretary by fax to fax number 416-361-9781, provided that the Reply does not exceed 16 pages, inclusive of the covering page, unless the Office of the Corporate Secretary permits otherwise; or
- (c) transmitting 1 electronic copy of the **Reply** to the Office of the Corporate Secretary by e-

mail at CorporateSecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

**NOTICE** is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

**NOTICE** is further given that if the Respondent fails:

- (a) to **serve** and **file** a **Reply**; or
- (b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-laws.

**END.**

DM 407576 v2