



## NEWS RELEASE

*For immediate release*

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# **MFDA issues Notice of Hearing regarding Connor Financial Corporation and Joel Gerrett (Gerry) Connor**

**January 18, 2010** (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada (“MFDA”) today announced that it has commenced disciplinary proceedings against Connor Financial Corporation and Joel Gerrett (Gerry) Connor (the “Respondents”).

MFDA staff alleges in its Notice of Hearing that the Respondents engaged in the following conduct contrary to the By-laws, Rules or Policies of the MFDA:

### **Allegation 1: BREACH OF TERMS AND CONDITIONS**

From the time that its membership in the MFDA was approved on June 28, 2007 to the date of issuance of this Notice of Hearing (the “Relevant Period”), Connor Financial Corporation (“CFC”) has failed to comply with the agreed terms and conditions of its membership (the “Terms & Conditions”) by:

- A. Failing to transition its operations, books, records and accounts to a Level 2 dealer by no later than December 31, 2007, as required by Term & Condition number 2;
- B. Failing to satisfy all requirements and obligations of a Level 4 dealer until CFC completed its transition to a Level 2 dealer, as required by Term & Condition number 3;
- C. Failing to provide written account statements to clients in accordance with MFDA Rule 5.3 by no later than December 31, 2007, as required by Term & Condition number 5;
- D. Failing to rectify deficiencies in its policies and procedures manual by no later than December 31, 2007, as required by Term & Condition number 6;
- E. Failing to ensure that Mr. Connor certified various things in writing by July 31, 2008, and again by July 31, 2009, as required by Term & Condition number 7;
- F. Failing to submit by July 31, 2008 and again by July 31, 2009, a report on the status of compliance at CFC, as required by Term & Condition number 8;
- G. Failing to retain an approved independent consultant to provide various services by December 31, 2007, as required by Term & Condition number 9; and

- H. Failing to provide a loan status report to clients who had loans with an affiliate and failing to provide, or to provide in a timely way to staff of the MFDA (“Staff”) various loan documents and particulars, as required by subparagraphs (c), (d), (e), (f) and (g) of Term & Condition number 11.

The conduct described in Allegations 1(A) to (H) above constituted a failure by CFC to comply with its agreement with the MFDA to conduct itself in accordance with the Terms and Conditions and was also contrary to the public interest, thereby engaging the jurisdiction of the Hearing Panel to impose penalties upon CFC in accordance with ss. 24.1.2(i) and (k) of MFDA By-Law No. 1.

**Allegation 2: FAILURE TO COOPERATE**

CFC failed to cooperate with requests by Staff for information which Staff was entitled to under Term & Condition number 11 as well as for information Staff was entitled to under sections 22.1 and 22.2 of MFDA By-Law No.1 by:

- A. Failing to cooperate, or to cooperate in a timely way, with requests by Staff, in furtherance of Term & Condition number 11, for documents and particulars relating to the loan business of CFC and an affiliated lending company; and
- B. Failing to provide substantive responses to various requests by Staff during the course of a compliance examination and, in particular, to requests in various letters, including letters dated January 13, 2009, February 6, 2009, April 22, 2009 and August 20, 2009, which were delivered to CFC by Staff as a part of a compliance examination.

**Allegation 3: NEW ACCOUNT CLIENT APPLICATION FORMS**

CFC failed to comply with MFDA Rules 2.2.2, 2.2.3 and 2.2.4 and MFDA Policy No. 2 regarding the process for approving and updating account opening documentation as follows:

- A. CFC accepted amendments to KYC forms without signing or dating the amended KYC forms;
- B. CFC used a NAAF/KYC form which did not include a space to record the date of the client signature or the date of the signature that the designated person at the Member approved the account opening and on which CFC was not otherwise recording the dates of those signatures in all cases;
- C. CFC used new client application forms which failed to differentiate between the risk tolerances, time horizons and investment objectives for accounts of clients with multiple accounts.

**Allegation 4: TRADE BLOTTERS**

CFC failed to maintain or produce for inspection required trade blotters in that the records maintained by CFC did not contain an itemized daily record of all purchases and

sales of securities, including the name of the security and the unit and aggregate purchase or sale price of the security as required by MFDA Rule 5.1(a).

**Allegation 5: PRE-SIGNED FORMS AND IMPROPER TRADE AUTHORIZATIONS**

- A. CFC failed to comply with MFDA Rules 2.3.1(a) and 2.1.1 by obtaining and maintaining pre-signed client forms in nine client files.
- B. CFC failed to comply with MFDA Rule 2.3.2 and 2.1.1 by accepting trading authorization forms from clients for a purpose other than only facilitating trade execution and in a form which was not prescribed by the MFDA.

**Allegation 6: OUT OF PROVINCE ACCOUNTS**

CFC operated accounts for clients in jurisdictions outside of British Columbia in which CFC was not registered, contrary to MFDA Rules 1.1.4 and 1.1.5.

**Allegation 7: MR. CONNOR**

At all times since CFC became a Member on June 28, 2007, Mr. Joel Gerrett (Gerry) Connor, as the director, President, compliance officer and controlling mind of CFC engaged in business conduct or practice that was unbecoming or detrimental to the public interest by failing to ensure that CFC maintained a compliance program that identified and addressed material risks of non-compliance and that appropriate supervision and compliance procedures to manage those risks had been implemented, and more specifically caused CFC to breach MFDA By-laws, Rules and Policies as set out in Allegations 1 to 7 inclusive, contrary to MFDA Rules 2.1.1(c) and 2.5.1 and MFDA Policy No. 2.

The first appearance in this matter will take place by teleconference before a Hearing Panel of the MFDA's Pacific Regional Council on February 16, 2010 at 10:00 a.m. (Pacific), or as soon thereafter as the appearance can be held, in the hearing room located at the offices of the MFDA at 650 West Georgia Street, Suite 1220, Vancouver, British Columbia. The purpose of the first appearance is to schedule the date for the commencement of the hearing of this matter on its merits and to address any other procedural matters and will be open to the public, except as may be required for the protection of confidential matters.

A copy of the [Notice of Hearing](#) is available on the MFDA website at [www.mfda.ca](http://www.mfda.ca).

The MFDA is the self-regulatory organization for Canadian mutual fund dealers, regulating the operations, standards of practice and business conduct of its 141 Members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.