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# MFDA Bulletin

## Enforcement

**For Distribution to Relevant Parties Within your Firm**

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MFDA imposes lifetime ban and \$200,000 fine on Robin Andersen

**Nature of Proceeding** A Hearing Panel of the Prairie Regional Council of the Mutual Fund Dealers Association of Canada (“MFDA”) has imposed disciplinary penalties on Robin Andersen, a former Approved Person of the MFDA.

**By-Laws, Rules, Policies Violated** Following a hearing on November 23, 2005, the Hearing Panel found that:

1. Andersen failed to deal fairly, honestly and in good faith with clients by misappropriating approximately \$113,527 from them, contrary to MFDA Rule 2.1.1; and
2. Andersen processed redemptions in the accounts of clients without obtaining instructions or authorization from the clients, contrary to MFDA Rules 2.1.1 and 2.3.4 and the terms of Andersen’s registration as a mutual fund salesperson.

MFDA Rule 2.1.1 states that:

**Standard of Conduct.** Each Member and each Approved Person of a Member shall:

- (a) deal fairly, honestly and in good faith with its clients;

- (b) observe high standards of ethics and conduct in the transaction of business;
- (c) not engage in any business conduct or practice which is unbecoming or detrimental to the public interest; and
- (d) be of such character and business repute and have such experience and training as is consistent with the standards described in this Rule 2.1.1, or as may be prescribed by the Corporation.

MFDA Rule 2.3.4 states that:

**No Discretionary Trading.** A limited trading authorization shall not in any way confer discretionary trading authority upon a Member, an Approved Person or any person acting on behalf of the Member.

**Penalty**

The Hearing Panel imposed the following penalties on the Andersen:

1. A permanent prohibition of the authority of Andersen to conduct securities related business in any capacity; and
2. A fine in the amount of \$200,000.

**Summary of Facts**

From December 8, 1992 to January 7, 2004, Andersen was registered in Alberta as a mutual fund salesperson for Investors Group Financial Services Inc. (“IG”).

Between July 1998 and November 2003, Andersen misappropriated approximately \$362,000 from seven mutual fund clients that he failed to return or otherwise account for, by:

- (a) Redeeming mutual fund investments without instructions or authorization from the clients and directing the redemption cheques to his branch office. Andersen then forged the signature of the clients on the redemption cheques and deposited them in the bank account of his personal corporation (the “Corporate Account”);
- (b) Obtaining funds from clients that were supposed to be used to purchase mutual fund investments on their behalf but which he instead deposited in the bank account of his personal corporation;
- (c) Persuading a client to provide him with \$125,000 that was supposed to be used to purchase investment products for the client that were not approved for sale by IG but which he instead deposited in the bank account of his personal corporation; and
- (d) Redeeming mutual fund investments without instructions or

authorization from the clients and directing the redemption proceeds to be deposited in the clients' bank accounts. Andersen then led the clients to believe that the redemptions had been processed in error and persuaded the clients to provide him with cheques to re-purchase the investments for them. He then deposited the clients' cheques in the bank account of his personal corporation.

In January 2004, IG discovered Andersen's misconduct and terminated him. IG conducted an investigation and agreed to compensate the affected clients.

The Hearing Panel determined that during the period that Andersen was subject to the jurisdiction of the MFDA - March 2002, when IG became a Member of the MFDA, to January 2004, when IG terminated Andersen – he misappropriated \$113,527. The Hearing Panel stated however that the total amount of \$362,000 misappropriated by Andersen was a relevant consideration in determining the appropriate penalty to impose on him.

The Hearing Panel imposed a fine of \$200,000 on Andersen, representing the difference between the total amount of \$362,000 that Andersen misappropriated and the amount that he has reimbursed IG, or has been set aside from his assets to reimburse IG, for the compensation paid on his behalf.

The Hearing Panel stressed the importance of imposing a penalty on Andersen that would deter him and others from stealing from vulnerable clients and would restore public confidence in the mutual fund industry. As a result of Andersen's cooperation during the disciplinary process, no costs of the proceedings were ordered against him.

For greater detail, see the Decision and Reasons posted on the MFDA's website under "Enforcement".