



**CIRO · OCRI**

Canadian Investment  
Regulatory  
Organization

Organisme canadien  
de réglementation  
des investissements

**IN THE MATTER OF  
THE MUTUAL FUND DEALER RULES**

**and**

**PFSL INVESTMENTS CANADA LTD.**

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. The Canadian Investment Regulatory Organization (“**CIRO**”) will issue a Notice of Settlement Hearing to announce a settlement hearing pursuant to Mutual Fund Dealer Rule 7.4.4 and Rules 14 and 15 of the Mutual Fund Dealer Rules of Procedure (“**Rules of Procedure**”) to consider whether a Hearing Panel should accept this Settlement Agreement between Enforcement Staff and PFSL Investments Canada Ltd. (the “**Respondent**”).

**PART II – JOINT SETTLEMENT RECOMMENDATIONS**

2. Enforcement Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

**PART III – AGREED FACTS**

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

**Registration History**

4. The Respondent is a Dealer Member registered as a mutual fund dealer and is registered under securities legislation in all Canadian provinces and territories. The Respondent has been a Dealer Member of CIRO (formerly, a Member of the Mutual Fund Dealers Association of Canada (“**MFDA**”)) since January 11, 2002.

## Overview

5. Beginning in June 2017, the Respondent implemented certain electronic signature platforms to permit its Approved Persons to have clients sign account forms electronically. While the Respondent had policies, guidance, and training that prohibited its Approved Persons from signing clients' names, in March 2023, in relation to redemptions processed in the accounts of a client, the Respondent's internal supervisory controls did not detect that the email address used to collect electronic signatures was different from the email address held on file.

6. In March 2023, the Respondent failed to adequately query unusual redemptions in a client's accounts, which substantially redeemed the entirety of the client's investments. The Respondent further failed to query when its Approved Person, who serviced that client's accounts, opened new accounts with his spouse (also an Approved Person with the Respondent) at the Respondent and deposited a large sum of money. The Respondent learned only afterwards, owing to a complaint, that the Approved Persons had obtained proceeds of redemption from the client and deposited a substantial portion of those proceeds in the new accounts. However, once the Respondent received notice of the Approved Person's actions, it took immediate steps to conduct a thorough supervisory investigation which led to a reversal of all of the former client's redemptions, where possible, and compensated the client in full for transactions that could not be reversed, resulting in a fully remedied client. This included funds that the client held in a personal bank account that had not been invested through the Respondent, and therefore the Respondent paid the shortfall directly without reimbursement.

7. Between at least 2019 and 2025, the Respondent's policies and procedures permitted its Approved Persons to accept appointments as a power of attorney and executor for a client, and did not require that such appointments be reported to the Respondent unless and until they became active. The Respondent's policies and procedures were inconsistent with Mutual Fund Dealer Rule 2.3.1(a), which prohibited, with very limited exceptions, Approved Persons from accepting appointments as a power of attorney and executor for a client.

### Insufficient Supervisory Controls for Electronic Signatures

8. On June 8, 2020, the MFDA issued an update to MFDA Staff Notice MSN-0016, which provided guidance to the industry in respect of Dealer Members' use of electronic signatures. The updated Staff Notice stated, among other things, that:

Members should exercise due diligence, and obtain technical and legal advice, when selecting and implementing electronic signature technologies and record retention system, so that:

...

- the resulting electronically signed documents and related artifacts (e.g. emails and audit trails) provide acceptable assurances of authenticity, integrity and reliability to help mitigate risks of fraud and repudiation; ...

9. MFDA Staff Notice MSN-0016 also guided Dealer Members to consider the *Fund Industry Guidelines for Electronic Signatures* issued by Fundserv. Among other requirements, the Fundserv *Guidelines* stated that “[t]he electronic signature must include satisfactory evidence that the signer is the true signer and not someone else.”

10. At all material times, section 11.1 of National Instrument 31-103 required that the Respondent establish, maintain, and apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices.

11. Beginning March 9, 2018, the Respondent adopted the use of DocuSign, a software platform that the Respondent's Approved Persons could use for the collection of client electronic signatures.<sup>1</sup> DocuSign is a leading cloud-based platform for managing electronic signatures. It allows users to securely capture electronic signatures, replacing the need for traditional “wet ink” signatures for various types of account forms and documents. DocuSign uses encryption and provides a Certificate of Completion to create a secure audit trail for every signed document.

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<sup>1</sup> DocuSign could be used in connection with certain transactions and only for certain mutual funds, which was expanded from time to time.

12. DocuSign required Approved Persons to first electronically sign an account form and to input a client's email address. The client would then access their email, review the account form, and sign the account form by using a pre-existing scan of their signature, electronically drawing their signature, or typing their signature using a keyboard. In addition to recording the client's and Approved Person's signatures, DocuSign recorded the date and time the account form was sent, viewed, and signed, the email addresses used in connection with the electronic signatures, and the Internet Protocol ("IP") addresses of the electronic devices used to complete the electronic signatures, as set out in the Certificate of Completion.

13. In March 2023, Approved Person PE processed 9 redemption account forms that had been executed using DocuSign, which redeemed almost the entirety of Client PK's investments. In each case, the redemption account forms were executed in the client's name, Client PK, using a different email address than that previously recorded with the Respondent. In one instance, the IP address recorded by DocuSign in connection with Client PK's signature was associated with a city that was not the location of Client PK's home as recorded in the Respondent's system.

14. The Respondent requested signature guarantees from Approved Person PE because the redemptions were over \$25,000 and Approved Person PE provided the Respondent with the signature guarantees. The Respondent did not detect any of the foregoing issues concerning the authenticity, integrity, and reliability of Client PK's electronic signature on the 9 redemption account forms.

15. The Respondent later learned of the above issues concerning Client PK's signature following its receipt of a complaint. Following the complaint, the Respondent reported the signature falsification issue to the CISO investigations team.

16. Beginning May 26, 2024, electronic account forms completed with TurboApps used DocuSign for the collection of client electronic signatures. At this time, the Respondent implemented an additional measure, such that when clients clicked on the link received in their email to sign an account form, the clients would have to input the last four digits of their social insurance number to electronically sign the account form. Approved Persons would be aware of their clients' social insurance numbers and were required by the Respondent's policies and procedures to communicate the last four digits to the clients when sending a document for

signature. This additional measure therefore did not adequately increase the authenticity, reliability, and integrity of electronic signatures collected by the Respondent.

#### **Failure to Adequately Query the Redemptions & Investments**

17. As described above, between March 24 and March 30, 2023, Approved Person PE processed 9 redemptions from Client PK's mutual fund accounts, which totalled \$987,562.04, representing substantially all of Client PK's investments with the Respondent. Each of the redemptions contained the instructions: "redeem all funds and close account". All redeemed amounts were electronically deposited to the client's bank account on file with the Respondent. At the time, Client PK was 84 years old, living in a retirement home, and had been the Respondent's client for approximately 12 years.

18. In April 2023, approximately two weeks following the large redemptions processed by Approved Person PE from Client PK's accounts described above, Approved Person PE and his spouse, Approved Person SE (also an Approved Person with the Respondent), opened new accounts with the Respondent and collectively deposited \$800,000. On the new account application forms, Approved Persons PE and SE indicated that the source of the money was "personal savings". The Approved Persons also did not complete the Third-Party Determination Form, as required when funds are sourced from a third party.

19. Prior to the deposits in April 2023, Approved Persons PE and SE's investments with the Respondent totalled approximately \$3,500 and \$5,300, respectively. Approved Person PE's income from the Respondent had not exceeded \$50,000 annually in any of the previous five years and Approved Person SE did not service any clients. In addition, as the Respondent was aware, in 2018, Approved Person PE had been subject to a consumer proposal.

20. The Respondent was responsible for both Tier 1 and Tier 2 supervision of the redemptions, as Approved Person PE was a branch manager. Seven of the 9 redemptions exceeded the thresholds for Tier 1 and Tier 2 review.

21. Notwithstanding the unusual size and nature of the redemptions and the deposits by Approved Persons PE and SE, the Respondent failed to query the redemptions to determine why

Client PK was closing his accounts and failed to contact Client PK directly to ensure the redemptions were in accordance with his instructions. The Respondent only requested a signature guarantee from Approved Person PE and queried one of the redemptions because of its impact on the investment objective of the particular account.<sup>2</sup> The Respondent also made no inquiries with Approved Persons PE and SE to determine the source of the money deposited with the Respondent.

22. Unbeknownst to the Respondent at the time, Approved Person PE had obtained the proceeds of redemption from Client PK described above. The \$800,000 deposited by Approved Persons PE and SE was a portion of those proceeds of redemption.

23. At no time until after the Respondent commenced an investigation did Approved Persons PE or SE disclose to the Respondent that Approved Person PE had received \$925,000 from Client PK.

24. The Respondent terminated Approved Persons PE and SE's registrations on February 20 and 21, 2024, respectively. Approved Persons PE and SE misled the Respondent and breached the Respondent's policies and procedures and regulatory requirements. On March 7, 2025, Staff commenced a proceeding against Approved Persons PE and SE, which remains ongoing.

#### **Failure to Have Adequate Policies and Procedures regarding Powers of Attorney and Executor Appointments**

25. From at least 2019, the Respondent's policies and procedures permitted Approved Persons to accept appointments as a power of attorney or an executor for a client without informing the Respondent. Approved Persons were required to inform the Respondent if such an appointment became active and were prohibited from servicing the accounts of clients for whom they were appointed as an active power of attorney or executor.

26. At all material times, Mutual Fund Dealer Rule 2.3.1(a) prohibited Approved Persons from accepting appointments as a power of attorney or an executor for a client. Mutual Fund Dealer Rule 2.3.1(c) provided for an exception only where: (i) the client is a Related Person, as defined

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<sup>2</sup> Approved Person PE responded by advising that the balance of the account would be redeemed, which satisfied the Respondent.

by the Income Tax Act (Canada), of the Approved Person; (ii) the Approved Person notifies the Member of the appointment; and (iii) the Approved Person obtains written Member approval *prior* to accepting or acting upon the control or authority.

27. The Respondent's policies and procedures permitted conduct that was prohibited by the Mutual Fund Dealer Rules.

28. Client PK named Approved Person SE as his power of attorney and executor jointly with another individual in 2018 and solely in 2023. In accordance with the Respondent's policies and procedures, Approved Person SE did not inform the Respondent of these appointments as required under Mutual Fund Dealer Rule 2.3.1. There is no evidence that Approved Person SE engaged in any transactions as power of attorney for Client PK.

#### **Additional Factors**

29. In January 2026, the Respondent committed to implementing an ongoing exception review process and sample querying of electronic signatures or such other control enhancements that will reasonably address identified risks associated with electronic signatures and will report to CIRO on these control enhancements by February 1, 2027.

30. At all material times, the Respondent's policies and procedures prohibited its Approved Persons from signing the names of clients on account forms, which was also communicated to the Respondent's Approved Persons in training and through annual attestations.

31. The Respondent revised its Compliance Manual on November 21, 2025 to further ensure it complies with the applicable rules on powers of attorney, executors, and trustees and issued a field bulletin to that effect. The 2025 Compliance Manual provides that representatives and their family members are not to be listed in any of these capacities, subject to limited exceptions for Related Persons, as defined in the Income Tax Act (Canada).

32. Following its receipt of complaints concerning the redemptions from the accounts of Client PK described above, the Respondent commenced an investigation. Among other steps, the Respondent did the following:

- (a) notified CIRO via the Member Event Tracking System of the complaints and cooperated fully with CIRO's requests for further information;
- (b) conducted client surveys to identify any other clients that may have been impacted by Approved Person PE's conduct;
- (c) contacted the fund companies to freeze/flag Approved Person PE and SE's investment accounts with a "stop sell";
- (d) recovered approximately \$800,000 from the investment accounts opened by Approved Persons PE and SE;
- (e) recovered a further \$85,869 from Approved Persons PE and SE; and
- (f) restored Client PK's accounts as if the redemptions had not occurred, which required that the Respondent contribute an additional \$245,022.

33. The Respondent cooperated by participating in a mediation process with an experienced mediator that led to this settlement.

34. The Respondent has not previously been the subject of a CIRO (or MFDA) proceeding.

35. The Respondent self-reported the suspected misconduct of the Approved Persons described above, conducted fulsome investigations, and is implementing remedial measures to address the conduct at issue in this settlement agreement.

#### **PART IV - CONTRAVENTIONS**

36. By engaging in the conduct described above, the Respondent committed the following contraventions of CIRO requirements:

- (a) in March 2023, in relation to redemptions processed in the accounts of a client, the Respondent's internal supervisory controls did not detect that the email address used to collect electronic signatures was different from the email address held on file, contrary to Mutual Fund Dealer Rules 2.1.1, 2.5.1, 2.9, and 400 and MFDA Rule 5.1;

- (b) in March and April 2023, the Respondent failed to adequately query redemptions processed in the accounts of a client and investments made by two Approved Persons, contrary to Mutual Fund Dealer Rules 2.5.1, 2.2.6, and 200; and
- (c) between at least 2019 and 2025, the Respondent failed to have policies and procedures that would prohibit Approved Persons from accepting appointments as powers of attorney and executors by clients that ensured compliance with the Mutual Fund Dealer Rules (formerly MFDA Rules), contrary to Mutual Fund Dealer Rules 2.5.1, 2.10, and 2.3.1.

#### **PART V – TERMS OF SETTLEMENT**

37. The Respondent agrees to the following sanctions and costs:
- (a) the Respondent shall pay a fine in the amount of \$250,000, pursuant to Mutual Fund Dealer Rule 7.4.1.2(b);
  - (b) the Respondent shall pay costs in the amount of \$15,000, pursuant to Mutual Fund Dealer Rule 7.4.2; and
  - (c) the Respondent shall in the future comply with Mutual Fund Dealer Rules 2.1.1, 2.2.6, 2.3.1, 2.5.1, 2.9, 2.10, and 400 and MFDA Rule 5.1.
38. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees to pay the amounts referred to above immediately upon such acceptance, unless otherwise agreed between Enforcement Staff and the Respondent.

#### **PART VI – STAFF COMMITMENT**

39. If the Hearing Panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.

40. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Mutual Fund Dealer Rule 7 against the Respondent. These proceedings may be based on, but not limited to, the facts set out in Part III of this Settlement Agreement.

#### **PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT**

41. This Settlement Agreement is conditional on acceptance by the Hearing Panel.

42. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing in accordance with Mutual Fund Dealer Rule 7.4.4, and Rules of Procedure 14 and 15, in addition to any other procedures that may be agreed upon between the parties.

43. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.

44. If the Hearing Panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules and By-law No. 1 of CIRO, and any applicable legislation to any further hearing, appeal, and review.

45. If the Hearing Panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.

46. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.

47. This Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and CIRO will post a copy of this Settlement Agreement on the CIRO website. CIRO will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon

in this Settlement Agreement and the Hearing Panel's written reasons for its decision to accept this Settlement Agreement.

48. If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.

49. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the Hearing Panel.

**PART VIII – EXECUTION OF SETTLEMENT AGREEMENT**

50. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

51. An electronic copy of any signature will be treated as an original signature.

**DATED** this 3<sup>rd</sup> day of February, 2026.

“Witness”  
\_\_\_\_\_  
WITNESS

“David Grad”  
\_\_\_\_\_  
PFSL INVESTMENTS CANADA LTD.  
per: David Grad, EVP &  
General Counsel

“Alan Melamud”  
\_\_\_\_\_  
ALAN MELAMUD  
Enforcement Counsel on behalf of  
Enforcement Staff of the  
Canadian Investment Regulatory  
Organization

The Settlement Agreement is hereby accepted this 26<sup>th</sup> day of March, 2026 by the following Hearing Panel:

Per: "Emily Cole" \_\_\_\_\_  
Chair

Per: "Stuart Livingston" \_\_\_\_\_  
Industry Member

Per: "Vas Pachapurkar" \_\_\_\_\_  
Industry Member

**DATED** this 26<sup>th</sup> day of March, 2026.