



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: Adib Khaldi (also known as “Deebo”)

NOTICE OF HEARING

NOTICE is hereby given that a first appearance will take place by teleconference before a hearing panel of the Atlantic Regional Council (“Hearing Panel”) of the Mutual Fund Dealers Association of Canada (“MFDA”) on December 1, 2022 at 12:00 p.m. (Atlantic), or as soon thereafter as the appearance can be held, concerning a disciplinary proceeding commenced by the MFDA against Adib Khaldi (the “Respondent”). Members of the public who would like to listen to the teleconference should contact hearings@mfd.ca to obtain particulars.

DATED this 5th day of October, 2022.

“Michelle Pong”

Michelle Pong
Director, Regional Councils

Mutual Fund Dealers Association of Canada
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
Telephone: 416-945-5134
Email: corporatesecretary@mfd.ca

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

Allegation #1: Between July 2020 and September 2020, the Respondent engaged in securities related business outside the Member by providing investment advice to individuals in respect of non-mutual fund securities through the use of an online forum, contrary to MFDA Rules 1.1.1, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1).

Allegation #2: Between July 2020 and September 2020, the Respondent engaged in an unapproved outside activity by receiving monthly subscription payments in relation to an online forum where he provided investment advice to individuals, contrary to the Member's policies and procedures and MFDA Rules 1.3, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1).

Allegation #3: Between July 2019 and January 2020, the Respondent processed 18 transactions in respect of 13 clients as redemptions and purchases, rather than as switches, thereby:

- a) engaging in conduct which gave rise to a conflict of interest which the Respondent failed to disclose to the Member, or ensure was addressed by the exercise of responsible business judgment influenced only by the best interests of the client, contrary to MFDA Rules 2.1.4¹ and 2.1.1; or
- b) failing to comply with the Member's policies and procedures with respect to the processing of trades as switches, contrary to MFDA Rules 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1).

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. Between December 2018 and September 2020, the Respondent was registered as a dealing representative in Nova Scotia with Scotia Securities Inc., a Member of the MFDA (the "Member").

¹ On June 30, 2021, MFDA Rule 2.1.4 was amended to conform with client focused reform amendments to National Instrument 31-103 that came into effect on the same day. As the conduct addressed in this Notice of Hearing pre-dated the amendment to this Rule, all allegations set out in this Notice of Hearing that make reference to that Rule concern the version of the Rule that was in effect between February 27, 2006 and June 30, 2021.

2. On September 16, 2020, the Member terminated the Respondent as a result of the conduct described below, and he is not currently registered in the securities industry in any capacity.

3. At all material times, the Respondent carried on business in the Dartmouth, Nova Scotia area.

Allegation #1 – Acting Outside the Respondent’s Registration Status

4. At all material times, the Member’s policies and procedures prohibited its Approved Persons from engaging in securities related business outside the Member.

5. On or about May 21, 2022, the Respondent was placed on paid suspension as a result of an investigation into his sales practices.

6. In or around July 2020, while under paid suspension, the Respondent created a subscription based investment service called “Simple Picks”, where the Respondent, using a pseudonym known as “Deebo”, would provide individuals with specific investment recommendations regarding non-mutual fund securities through the use of online instant messaging platforms.

7. In particular, the Respondent would make specific recommendations to buy or sell publicly traded equity securities. The Respondent would also provide price targets and stop loss prices to accompany the investment recommendations, and occasionally provide commentary on market trends.

8. Individuals could sign up online and pay a monthly subscription payment to access the Simple Picks platform.

9. Between July 2020 and September 2020, the Respondent, through Simple Picks, made at least 23 individual buy or sell recommendations to subscribers regarding individual securities selections, and collected monthly subscription payments of \$49.99 a month, totaling at least \$599.88, from seven individuals who subscribed to the platform during this period.

10. The Respondent was not registered to provide advice in respect of non-mutual fund securities. The Respondent’s recommendation of non-mutual fund securities was not done for the account of the Member or through the facilities of the Member.

11. By virtue of the foregoing, the Respondent engaged in securities related business that was not carried on for the account of the Member and through the facilities of the Member, contrary to the Member's policies and procedures and MFDA Rules 1.1.1, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1).

Allegation #2 – Outside Business Activities

12. At all material times, the Member's policies and procedures required its Approved Persons to disclose all outside activities to the Member and seek prior approval from the Member before engaging in such activities.

13. As described in paragraphs 9-10, above, between July 2020 and September 2020, the Respondent received monthly subscription fees totaling at least \$599.88 from seven individuals who subscribed to the Simple Picks platform.

14. The Respondent failed to disclose to or seek approval from the Member to engage in the outside activities with respect to Simple Picks.

15. By virtue of the foregoing, the Respondent engaged in conduct contrary to the Member's policies and procedures and MFDA Rules 1.3, 2.1.1, and 1.1.2 (as it relates to Rule 2.5.1).

Allegation #3 – The Respondent Processed Switches as Redemptions and Purchases

16. At all material times, the Member's policies and procedures required its dealing representatives to process transfers between mutual funds of the same fund family as switches rather than as a redemption and subsequent purchase.

17. Between July 2019 and January 2020, the Respondent processed 18 transactions in respect of 13 clients as redemptions and purchases, rather than as switches.

18. In particular, the Respondent processed the redemptions of clients' existing mutual funds and subsequently purchased new mutual funds within the same fund family using the redemption proceeds, when the transactions could have been processed as switches.

19. To process the transactions, the Respondent had the clients sign redemption forms or provide verbal instructions to redeem their existing mutual fund holdings to a cash position, and subsequently, within 3 to 8 days, the Respondent would have the clients sign purchase forms or

provide verbal instructions to authorize transactions to purchase units of mutual funds in the same fund family as the mutual funds that had been redeemed.

20. By processing the transactions in the manner described above, the Respondent exposed the clients to the risk of market loss while the clients' assets were not invested while the trades settled. Had the Respondent completed the transactions as switches (rather than redemptions and purchases), the transactions would not have exposed the clients to this risk as the assets would have remained continuously invested.

21. The processing of transactions as redemptions of the mutual funds that the client held and subsequently applying the proceeds of those redemptions to the purchase of new mutual funds resulted in losses in the investment accounts of clients for whom these transactions were processed that could have been avoided if the transactions had been processed as switches, as follows:

Client	Loss
JW	\$59.34
RW	\$733.95
JA	\$350.17
AF	\$317.73
PM	\$15.17
CP	\$221.66
SH	\$63.77
PL	\$109.94
GH	\$319.14
EL	\$526.95
MB	\$45.59
EJ	\$528.44
SM	\$174.50
TOTAL:	\$3,465.45

22. At the material time, transactions carried out as redemptions and purchases contributed more towards meeting the Member's performance targets than conducting transactions as switches. By processing the transactions as described above as redemptions and purchases, the Respondent received additional compensation totaling approximately \$558.

23. The Respondent did not disclose to or obtain approval from the Member to process the transactions described above in paragraphs 17-19 as redemptions and purchases, rather than as switches.

24. By virtue of the forgoing, the Respondent:

- a) engaged in conduct which gave rise to a conflict or potential conflict of interest that the Respondent failed to disclose to the Member or the clients in writing or ensure was addressed by the exercise of responsible business judgment influenced only by the best interests of the clients, contrary to MFDA Rule 2.1.4; or
- b) failed to comply with the Member's policies and procedures and MFDA Rules 2.1.1 and 1.1.2 (as it relates to Rule 2.5.1).

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; and
- 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 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
800 - 6th Avenue SW, Suite 850
Calgary, AB T2P 3G3
Attention: Justin Dunphy
Email: jdunphy@mfd.ca

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

- a) providing four 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 one 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.

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