



Ontario Commission des  
Securities valeurs mobilières  
Commission de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*, R.S.O. 1990, c. S.5, AS AMENDED  
AND  
IN THE MATTER OF AN APPLICATION FOR REGISTRATION BY  
ANNA JOANNA KNIGHT  
SETTLEMENT AGREEMENT**

**I. INTRODUCTION**

1. This settlement agreement (the **Settlement Agreement**) relates to an application (the **Application**) for a reactivation of registration under the *Securities Act* (Ontario) (the **Act**) by Anna Joanna Knight (**Knight**), to be sponsored by Keybase Financial Group Inc. (**Keybase**).
2. In reviewing the Application, staff of the Ontario Securities Commission (**Staff**) became aware of information regarding Knight's conduct as a registrant which could form the basis for a recommendation by Staff to the Director that the Application be refused pursuant to section 27 of the Act.
3. In the event that Staff recommended to the Director that the Application be refused, Knight would be entitled to an opportunity to be heard (an **OTBH**) pursuant to section 31 of the Act in respect of Staff's recommendation.
4. In lieu of pursuing an OTBH, Staff and Knight have agreed to make a joint recommendation to the Director regarding the Application, as more particularly described in this Settlement Agreement.

**II. AGREED STATEMENT OF FACTS**

5. The parties agree to the facts as stated herein.

**A. Knight's Registration History**

6. Knight was registered as a dealing representative in the category of mutual fund dealer, (and prior to September 28, 2009, a salesperson in the category of mutual fund dealer) with the following registered firms:

(a) January 2001 to July 2002: National Bank Securities Inc.

(b) April 2004 to May 2017: International Capital Management (**ICM**)

7. Knight was registered as a branch manager with ICM from April 2004 to April 2015.

8. Knight was registered as a dealing representative in the category of exempt market dealer with ICM from April 2004 to May 2017.

9. On May 10, 2017, Knight resigned from her position at ICM.

**B. Review of Application**

10. In its review of the Application, Staff found the following:

(a) Knight kept and, in one instance, used pre-signed trading forms after undertaking to her firm that she would not request that a client sign a trade-related document unless the document had been fully completed;

(b) Knight sold prospectus-exempt products to clients when she was aware of facts giving rise to a serious undisclosed conflict of interest between her firm and her clients;

(c) Knight sold a prospectus-exempt product to two clients who were not qualified to purchase any prospectus-exempt products;

(d) Knight sold a prospectus-exempt product to clients when the product was not suitable, given the clients' income, risk tolerance and life circumstances;

(e) Knight sold the above-noted off-book prospectus-exempt products to clients under circumstances where she knew or ought to have known that the sale of the product was not in accordance with Ontario securities law.

(f) On one occasion Knight provided advice to clients with respect to selling specific securities when she was not registered as an adviser, and where no exemptions from the adviser registration requirement were available to her; and

### **C. Pre-signed Forms**

11. In 2014, Knight used two photocopied and altered forms in order to conduct trades for one client. This conduct was identified during a compliance examination conducted by staff of the Mutual Fund Dealers Association (**MFDA**) in 2015.

12. On February 16, 2016, Knight signed a document entitled “Advisor Undertaking”, at ICM’s request, wherein she undertook not to request a client to sign a trade related document unless the document had been fully completed prior to the client signing.

13. On February 29, 2016, Knight received a warning letter from the MFDA respecting her use of the two photocopied forms.

14. On November 15, 2016, during a subsequent compliance examination, the MFDA discovered again that Knight was had two incomplete trading documents which had been pre-signed by the client in her possession, one of which was used to effect a transaction.

### **D. Sale of Prospectus-Exempt Securities Giving Rise to Conflict of Interest**

16. Starting in or about 2012, Knight sold promissory notes issued by Invoice Payment Solutions Inc. (**IPS**). The principals and owners of ICM are John Sanchez and Javier Sanchez. Knight reported to John Sanchez. Knight was aware that both John Sanchez and Javier Sanchez had an ownership interest in IPS. As a result, Knight knew or ought to have known that there was a conflict of interest between ICM and any client to whom she recommended purchasing IPS notes, as the sale of these notes was in the personal interest of the principals of her firm.

17. Knight did not disclose the conflict of interest in writing, properly disclose the nature and extent of this conflict of interest to those clients or seek their informed consent to the investments despite the conflict of interest.

**E. Sale of Prospectus-Exempt Securities to Unqualified Clients**

18. Knight sold a \$100,000 IPS promissory note to MR and MBC who were not accredited investors within the meaning of section 73.3 of the Act, and where no other exemptions were available under the Act or National Instrument 45-106 *Prospectus Exemptions*.

19. The information set out in the New Account Application Form (NAAF) indicated that the clients did not have the requisite annual income, nor did they have the minimum required financial assets to qualify as accredited investors.

20. Despite the information set out in the NAAF, Knight recommended and sold the prospectus-exempt security to these unqualified clients.

**F. Know Your Product and Suitability**

22. The IPS notes were high risk prospectus-exempt products and Knight knew or ought to have known that they were high risk products. However, Knight did not treat these securities as high risk products when she recommended and sold the securities.

23. Knight sold the above-noted \$100,000 IPS note to MR and MBC for whom it was not suitable, given the clients' income and life circumstances. The clients had a low annual household income. MR and MBC informed Knight that they required income from their investments in the short term, as they were in the process of leaving their jobs to care for parents overseas for approximately one to two years and would be semi-retired.

24. While the IPS Notes were part of an overall retirement plan for MR and MBC that had been prepared by Knight, Knight failed to recognize that there was a significant risk that these

clients could experience hardship if the income from this high risk investment was reduced or lost.

25. In respect of the sale of IPS promissory notes, Knight indicated in a letter to MFDA staff that when she sold these notes to her clients she “understood the business as a whole and any potential business risks.” However, while Knight was generally aware of the nature of the business of IPS and its track record in paying interest and principal on the promissory notes when due, at the time when she sold the product she had not:

- reviewed any independent assessment of the product;
- received any disclosure package respecting the product;
- reviewed any documents relating to the operations of the business; or
- ascertained whether the business was profitable or not.

26. As such, contrary to her letter to the MFDA, Knight did not, at the point of sale, fully understand, nor did she fully address, the potential risks and significant suitability concerns involving the sale of this investment to her clients.

#### **G. Provision of Tailored Share Sale Advice to Clients**

27. On August 24, 2016 Knight provided advice relating to two specific securities to two of her clients, recommending that they sell a “good” portion of the shares they owned in two companies. The shares of both of the companies are listed on the New York Stock Exchange. Knight was not registered as an advising representative when providing this advice to her clients.

28. At the time of this advice, Knight had intended it to be part of the implementation of a financial plan for her clients, however, she now acknowledges that this advice was not permitted under her registration category at the time.

## **H. Sale of Off-Book Products**

29. Between approximately February 23, 2012, and October 24, 2016 Knight sold IPS notes, including renewals of one-year IPS notes, which were not, from and after early 2014, listed on ICM's books and records. Knight was encouraged to sell these products by her firm and did so with the approval of the principals of ICM, however, Knight did so under circumstances where she knew or ought to have known that the off-book sale of these products was not in compliance with Ontario securities law.

30. In particular, while the IPS notes were transacted through ICM, Knight knew that ICM had stopped listing this product on the ICM statements of account from and after approximately 2014, and that her clients' holdings of IPS notes were listed on an "appendix" to the quarterly ICM statement of account on IPS letterhead. Knight knew, or ought to have known, that all prospectus-exempt products sold through ICM were required to be listed on the quarterly ICM statement of account for each client in accordance with MFDA rule 5.3.2, but Knight continued to sell IPS notes after she became aware that this product was no longer being included on the ICM quarterly statements for her clients.

## **III. ADMISSIONS AND REPRESENTATIONS BY KNIGHT**

30. Knight admits that she used photocopied forms as set out in the MFDA's warning letter dated February 29, 2016, that she signed an undertaking addressed to ICM on February 16, 2016 promising not to use photocopied forms or any forms which were not completed in full before being signed by the client, but that on November 15, 2016 she had in her possession and was working with two incomplete forms that had already been signed by the client, one of which was used to process a transaction.

31. Knight admits that by obtaining two pre-signed forms and using one of those forms to process a transaction, she failed to deal fairly, honestly, and in good faith with her clients, contrary to s. 2.1(2) of National Instrument 31-505 *Conditions of Registration*.

32. Knight admits that she sold prospectus-exempt securities to clients when she was aware that the principals of her firm, John Sanchez and Javier Sanchez, were also major shareholders of the issuer, giving rise to a conflict of interest between her firm and her clients. Furthermore, the clients were not advised of the nature and extent of the conflict of interest, contrary to s. 13.4 of

National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103).

33. Knight admits that she sold the above-noted prospectus-exempt securities to clients where no exemption to the prospectus requirement was available, contrary to s. 53(1) of the Act.

34 Knight admits that she sold prospectus-exempt securities to clients when the product was not suitable for her clients, given the clients' income and life circumstances, contrary to s. 13.3 of NI 31-103.

35. Knight admits that she provided individual tailored advice to clients with respect to selling specific securities when she was not registered as an adviser, in breach of s. 25(3) of the Act.

36. Knight admits that she sold the above-noted off-book prospectus-exempt securities to clients under circumstances where she knew or ought to have known that the sale of the product was not in accordance with Ontario securities law.

37. Knight represents as follows:

- (a) her misconduct with respect to pre-signed forms was not done to defraud her clients or to process transactions that had not been authorized and instructed by those clients, but rather she believed that she was doing so for her clients' convenience;
- (b) the client for whom the November 2016 pre-signed form was used had previously signed a limited trading authority and provided instructions for the subject transaction;
- (c) she takes full responsibility for her actions and regrets her misconduct;
- (d) she has suffered financial and reputational harm as a result of his misconduct;
- (e) if she is registered in the future, she will comply with all applicable provisions of Ontario securities law and the rules of any self-regulatory organization to which she may be subject, and will observe high standards of honest and responsible business conduct; and

(f) she recognizes and acknowledges that any additional instance of providing tailored advice, selling prospectus-exempt securities to an unqualified client, failing to comply with know your product and suitability requirements, selling a product which is not listed on the client's quarterly account statement generated by the firm, selling a product where there is an undisclosed conflict of interest, or the further use of pre-signed or photocopied forms could result in the permanent loss of her registration.

#### **IV. JOINT RECOMMENDATION TO THE DIRECTOR**

38. In order to resolve the matter of the Application, and on the basis of the Agreed Statement of Facts and the Admissions and Representations by Knight set out in this Settlement Agreement, Staff and Knight make the following joint recommendation to the Director:

(a) Knight will withdraw the Application and will not reapply until both of the following conditions have been met:

(i) a full audit report of Ms. Knight's financial planning business has been completed. The completed audit report must be included with a future registration application. The audit report shall cover a period of at least 12 months, and the audit period shall commence no sooner than September 21, 2017. The audit report shall be prepared at Ms. Knight's expense and shall be conducted by an independent third party. The audit report must provide verification that Ms. Knight's financial planning business has been conducted in full compliance with all relevant legislation, regulations, standards and rules; and

(ii) a full audit report of Ms. Knight's insurance business has been completed. The completed audit report must be included with a future registration application. The audit report shall cover a period of at least 12 months, and the audit period shall commence no sooner than September 21, 2017. The audit report shall be prepared at Ms. Knight's expense and shall be conducted by an independent third party. The audit report must provide verification that Ms. Knight's insurance business has been conducted in full compliance with all relevant legislation, regulations, standards and rules;

(b) before reapplying for registration, Knight shall also successfully complete both of the following courses and any application for registration shall include proof that both courses have been successfully completed:



- (i) one of the Canadian Securities Course (Canadian Securities Institute), the Investment Funds in Canada Course (Canadian Securities Institute), or the Canadian Investment Funds Course (IFSE), and
- (ii) the Ethics and Professional Conduct Course (IFSE).

(c) if Knight complies with paragraphs 38(a) and (b) above, then upon Knight reapplying for registration in the future as a dealing representative in the category of mutual fund dealer, Staff will not recommend to the Director that her application be refused unless Staff becomes aware after the date of this Settlement Agreement of any additional conduct impugning Knight's suitability for registration or rendering her registration objectionable, and provided she meets all other applicable criteria for registration at the time she applies for registration;

(d) in the event that Knight's registration is reactivated, her registration shall be subject to the terms and conditions set out in Schedule "A" for a period of at least one year; and

(e) Knight shall not be eligible to apply for registration as a dealing representative in the category of exempt market dealer as long as her registration is subject to the terms and conditions set out in Schedule "A".

39. The Parties submit that their joint recommendation is reasonable, having regard to the following factors:

(a) Knight has recognized and acknowledged her misconduct, and has provided assurances to Staff that she will conduct herself appropriately if she is registered again in the future;

(b) The joint recommendation requires Knight to enhance her proficiency through further education relating to her professional responsibilities as a registrant;

(c) The period of time Knight is to be without registration under the Settlement Agreement is consistent with other relevant decisions of the Director;

(d) The terms and conditions proposed by the Settlement Agreement provide a means to detect or prevent future misconduct of a similar nature by Knight;

(e) Knight has suffered financial and reputational harm as a result of her misconduct;

(f) Knight has been co-operative with Staff in its review of the Application; and

(g) By agreeing to this Settlement Agreement, Knight has saved Staff and the Director the time and resources that would have been required for an OTBH.

40. Staff and Knight acknowledge that if the Director does not accept this joint recommendation:

(a) this joint recommendation and all discussions and negotiations between Staff and Knight in relation to this matter shall be without prejudice to the parties; and

(b) Knight will be entitled to an OTBH in accordance with section 31 of the Act in respect of any recommendation that may be made by Staff regarding her registration status.

41. The parties agree that this Settlement Agreement, and any Director's decision approving of it, will be published on the OSC's website and in the OSC Bulletin.

“Marriane Bridge”, FCPA, FCA  
Deputy Director, Compliance and Registrant Regulation Branch  
Ontario Securities Commission

Dated: July 13, 2018

## Schedule "A"

### Terms and Conditions

The registration of Anna Joanna Knight (the "Registrant") under the *Securities Act* (Ontario) (the "Act") is subject to the following terms and conditions, which were imposed by the Director pursuant to section 27 of the Act:

#### Strict Supervision

1. For a period of at least twelve months from the date of registration these terms and conditions are imposed:

(a) The registration of the Registrant shall be subject to strict supervision by her sponsoring firm.

(b) The Registrant's sponsoring firm is to submit written monthly supervision reports (in the form specified in Appendix A) to the Ontario Securities Commission (the "OSC"), Attention: Deputy Director, Registrant Conduct Team, Compliance and Registrant Regulation Branch, and also to the Mutual Fund Dealers Association ("MFDA"), Attention: Manager, Compliance. These reports will be submitted within 15 calendar days after the end of each month.

(c) The Registrant must immediately report to the OSC's Deputy Director, Registrant Conduct Team, Compliance and Registrant Regulation Branch if she is under investigation by the MFDA or is reprimanded in any way by the MFDA.

#### Delivery of Documents

2. For a period of at least twelve months from the date these terms and conditions are imposed:

(a) The Registrant may not process any transactions for a client without the client's written authorization, which must be delivered to the Registrant's sponsoring firm at the time the Registrant processes the transaction.

(b) If the Registrant processes a transaction for a client using a document that is signed or initialed by a client and that is not the original version of the document (a "**Copied Document**"), the Registrant must deliver the original document to her sponsoring firm within one week of the transaction to permit the firm to verify the authenticity of the Copied Document, including whether the Copied Document was created using a pre-signed form.

*These terms and condition of registration constitute Ontario securities law, and a failure by the Registrant to comply with these terms and conditions may result in further regulatory action against him, including a suspension of his registration.*

## Appendix "A"

### Strict Supervision Report

*This strict supervision report must be completed by the firm's chief compliance officer or his or her designate.*

*The undersigned certifies that all supervisory activities required by this strict supervision report have been properly performed, and that reasonable steps have been taken to confirm the accuracy of the information provided in this report.*

Print name: \_\_\_\_\_

Sign name: \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_

#### Instructions

1. This is a strict supervision report and is required by the terms and conditions (the **"Terms and Conditions"**) on the registration of the individual to which it relates (the **"Registered Individual"**).
2. While the Registered Individual is subject to the Terms and Conditions:
  - (a) each trade made by the Registered Individual must be pre-approved by their sponsoring firm (excluding trades made through pre-authorized contribution plans implemented prior to the imposition of the Terms and Conditions); and
  - (b) on a monthly basis, this report must be completed and a copy must be sent to staff of the Ontario Securities Commission (**"Staff"**).
3. For the purpose of this report, "trade" means the purchase, sale, or any other form of transfer of securities.
4. The review of trades undertaken by the firm pursuant to the Terms and Conditions must check for the following:
  - (a) no trades have been made in any client account until the full and correct documentation is in place;
  - (b) the Registered Individual has not been granted any power of attorney over any client accounts;
  - (c) all payments for the purchase of securities were made payable to the dealer or the fund company, and there were no cash payments accepted by the Registered Individual;

- (d) all applicable fees have been appropriately disclosed to the client in writing;
- (e) investment suitability (including the suitability of leveraging, if any);
- (f) the use of pre-signed, forged, or otherwise irregular documents;
- (g) excess trading or switching;
- (h) any additional issues specifically identified in the Terms and Conditions as being subject to trade reviews for the purpose of this strict supervision report; and
- (i) any other issues identified by the firm during the review;

(collectively, the “**Review Issues**”).

5. If a Review Issue has been identified with respect to a proposed trade, the firm must not approve the trade until the Review Issue has been resolved to the firm’s satisfaction.
6. The firm must maintain a copy of this report in its records, including following the removal of the Terms and Conditions or the termination of the Registered Individual’s employment with the firm.
7. This report and all related documents that the firm is required to deliver to Staff pursuant to the Terms and Conditions shall be delivered using the Electronic Filing portal on the website of the Ontario Securities Commission.
8. If the firm identifies that it has failed to comply with anything in these Instructions, the firm shall immediately deliver to Staff written notice of its non-compliance and its explanation for the non-compliance.

**Part A – Trading Information**

1. The name of the Registered Individual is: \_\_\_\_\_.
2. The Registered Individual’s sponsoring firm is \_\_\_\_\_.
3. The Terms and Conditions were imposed on \_\_\_\_\_.
4. The period covered by this report is \_\_\_\_\_.
5. During the reporting period, the Registered Individual made \_\_\_\_\_ trades in \_\_\_\_\_ different client accounts, of which \_\_\_\_\_ were leveraged trades. These numbers do not include trades made through pre-authorized contribution plans implemented prior to the imposition of the Terms and Conditions.

**Part B – Supervision Information**

1. Describe the process that was used to review all trades identified in Part A for the existence of the Review Issues:

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