

**IN THE MATTER OF  
STAFF'S RECOMMENDATION FOR THE REFUSAL  
OF REGISTRATION OF SITAL SINGH DHILLON**

**OPPORTUNITY TO BE HEARD BY THE DIRECTOR  
UNDER SECTION 31 OF THE SECURITIES ACT (ONTARIO)**

**Decision**

1. Sital Singh Dhillon (**Dhillon**) applied in June 2016 for registration as a mutual fund dealing representative of Shah Financial Planning Inc. (**Shah**).
2. On August 9, 2016 staff (**Staff**) of the Ontario Securities Commission (**Commission**) advised Dhillon that Staff had recommended to the Director that his registration be refused on the basis that he lacked the integrity and proficiency required for registration and that his registration was otherwise objectionable.
3. Staff based its recommendation on two factors – Dhillon's failure to meet the proficiency requirement under section 3.5 of National Instrument 31-103 *Registration Requirements, Exemptions, and Ongoing Registrant Obligations* (**NI 31-103**) and his prior conduct at three registered firms. Due to the seriousness of the unproven allegations made by Dhillon against compliance personnel of these registered firms, the registered firms will be referred to as "Firm A", "Firm B" and "Firm C" throughout this decision
4. The opportunity to be heard (**OTBH**) with respect to Staff's recommendation to refuse the registration of Dhillon took place on June 23, 2017.
5. My decision is to refuse the application for registration of Dhillon for the reasons set out in this decision.

**The Law**

6. Subsection 27(1) of the *Securities Act* (Ontario) provides that the Director shall register a person unless it appears to the Director that the person is not suitable for registration or that the registration is otherwise objectionable. Subsection 27(2) states that in considering whether a person is suitable for registration, the Director shall consider the requirements prescribed in the regulations relating to proficiency, solvency and integrity.

**Proficiency issue**

7. Section 3.5 of NI 31-103 sets out the proficiency requirement for registration as a mutual fund dealing representative. The relevant part of section 3.5 is paragraph 3.5(a) which requires a mutual fund dealing representative to pass the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam.
8. Dhillon passed the Canadian Investment Funds Course Exam in November 1990, almost 27 years ago. Subsection 3.3(1) of NI 31-103 states that an individual is deemed to have not passed an examination unless the individual passed the examination not more than three years before the date of their application for registration. The date of Dhillon's application for registration was June 14, 2016 (**application date**). Accordingly, Dhillon's completion of the Canadian Investment Funds Course Exam in 1990 does not satisfy section 3.5 of NI 31-103.

9. Subsection 3.3(2) of NI 31-103 provides two exemptions from the rule requiring that courses be completed within three years of the date of an application for registration. Staff argued, and I agree, that neither of these exemptions applies to Dhillon.
10. The first exemption (set out in paragraph 3.3(2)(a) of NI 31-103) provides that the three-year period does not apply if the individual was registered in the same category of registration anywhere in Canada during that three-year period. This exemption does not apply to Dhillon since he has not been registered since June 26, 2012.
11. The second exemption (set out in paragraph 3.3(2)(b) of NI 31-103) provides that the three-year period does not apply if the individual has gained 12 months of relevant securities industry experience during the three-year period.
12. I was provided with a number of certificates related to training courses attended by Dhillon in the three-year period prior to the application date. After review of these certificates, my decision is that these training courses in their totality do not constitute 12 months of relevant securities industry experience during the three years prior to the application date.

#### **Decision on proficiency issue**

13. Accordingly, I concur with Staff's position that Dhillon does not meet the proficiency requirement for registration. In making this decision, I agree with Staff's argument that the proficiency deficiency alone (without considering the prior conduct/integrity issues outlined below), is sufficient to refuse Dhillon's application for registration. However, since this proficiency issue could be addressed by Dhillon passing the required exam or gaining the relevant securities industry experience to be able to rely upon an exemption from passing the exam, I will also address the prior conduct/integrity issues raised by Staff.

#### **Prior conduct/integrity issues**

##### ***Dhillon's 2012 application for registration***

14. In September 2012, Dhillon applied for registration as a mutual fund dealing representative with Teammax Investment Corporation (the **2012 Application**). After review of the 2012 Application, on April 9, 2013, Staff sent a letter to Dhillon advising him that Staff had recommended to the Director that the 2012 Application be refused on the basis that Dhillon lacked the necessary integrity to be registered. No OTBH was scheduled and the 2012 Application was ultimately abandoned in February 2014.
15. Staff based its recommendation to refuse the 2012 Application on a number of factors related to Dhillon's prior conduct and integrity. Each of these factors is discussed in more detail below and also formed the basis for Staff's recommendation to refuse Dhillon's current application for registration as a dealing representative of Shah:
  - (a) Issues at Firm B,
  - (b) Issues at Firm C,
  - (c) Preparing a false tax return, and
  - (d) Misrepresentations to Staff.

## Issues at Firm B

16. Dhillon was registered with Firm B from 1999 to 2010. At the time of his registration with Firm B, Dhillon's registration was made subject to terms and conditions that the firm submit quarterly reports to Staff regarding his sales and client service activities for a period of two years. These terms and conditions were put in place because of a complaint made against Dhillon by his client, "RS", while Dhillon was registered with a previous firm, Firm A, which resulted in Firm A placing him on internal suspension (further details are set out below under "RS Complaint").
17. Staff identified four issues related to Dhillon's registration with WHS as set out below:
  - (a) *Repeated use of pre-signed forms.* This issue resulted in a final warning from Firm B stating that "[s]hould this occur in the future, we will have no alternative but to terminate our sponsorship of your mutual fund license". In addition, following his departure from Firm B, at least seven clients informed the Chief Compliance Officer (CCO) of the firm that Dhillon obtained pre-signed forms from them.
  - (b) *Internal suspension* for failing to respond to compliance audit findings related to his practice
  - (c) *Processing trade documents without approval of sponsoring firm/off-book trading.* Trade documents for two clients were forwarded for processing before those leveraged trades had been approved by Firm B.
  - (d) *Disrespect for compliance function/lack of governability.* During a Staff interview with Dhillon, Dhillon used language that caused Staff to believe he had a fundamental lack of respect and understanding for the role of a registered firm's compliance department, and that he therefore may not be governable. In the interview, Dhillon made several serious allegations of misconduct by compliance personnel of the firm without providing any evidence of the alleged misconduct. He also said a compliance employee was "jealous" of him and that Firm B's compliance department's questions were "constant harassment".
18. Dhillon's notice of termination from Firm B makes reference to Dhillon being the subject of an investigation by a securities regulatory authority (relates to the Mutual Fund Dealers Association of Canada (MFDA) investigation of the RS Complaint), unsuitable leverage recommendations to his clients, off-book trading, and submitting instructions for purchases that were declined by Firm B.

## Issues at Firm C

19. Dhillon was registered with Firm C from 2010 to 2012. Staff identified five issues related to his registration with Firm C as set out below:
  - (a) *Failure to observe reporting structure.* In March 2011, Dhillon was issued a warning letter by a very senior official at the Firm C group of companies stating that his conduct in dealing with Firm C's staff was inappropriate, and that unless he demonstrated a "marked improvement in both [his] actions and [his] attitude", the firm would terminate him for cause. Despite this warning, Dhillon also attempted on numerous occasions to circumvent the firm's compliance structure and escalate issues directly to the Ultimate Designated

Person (**UDP**) of the firm. One of the responses from the UDP stated that “[Dhillon’s] efforts to demean” the CCO would not be tolerated.

- (b) *Providing misleading information to compliance staff.* Dhillon incorrectly told compliance staff during an audit of his practice that the MFDA had closed its investigation relating to Dhillon’s leveraging practices for two of his clients while at Firm B. As a result of this lie, Firm C suspended Dhillon’s ability to place any new loans for non-registered accounts through Queensbury until the MFDA closed its file.
- (c) *Failure to respond to audit report filings on a timely basis and to conduct leverage reviews.* Dhillon was asked to complete a leverage review form for each of his clients and to submit at least 15 reviews each month until his client base was reviewed. Dhillon failed to complete these reviews despite repeated follow-up by Firm C.
- (d) *Disrespect for compliance function/lack of governability.* During a Staff interview with Dhillon, Dhillon used language that caused Staff to believe he may not be amenable to supervision by compliance personnel and that he therefore may not be governable. In the interview, Dhillon said that the warning letter sent to him was the result of the CCO wanting to “push him down” because he could not figure out Dhillon’s secret for providing high returns to his clients, the firm was looking for excuses to give him a hard time to “snatch” his business, *etc.*
- (e) *Pre-signed forms.* Firm C notified Dhillon that two account change forms submitted for one of his clients appeared to be pre-signed forms. Dhillon certified that he would review his client files for pre-signed forms, destroy any such forms that he found and not use pre-signed forms of any type.

### **Preparing a false tax return**

- 20. Dhillon prepared a tax return for a client, “JS”, who was a taxi driver. During a Staff interview, Dhillon acknowledged that he underreported the client’s income on the client’s 2010 tax return. Dhillon advised Staff that all taxi drivers were underreporting their income, and that his client was “forcing” him to do the same thing.

### **Misrepresentations to Staff**

- 21. Dhillon misrepresented several matters to Staff. For example, Dhillon advised Staff that he had never had any client complaints while working with Firm B, despite being informed in writing by the MFDA that they were in investigating the RS Complaint. Dhillon also advised Staff that he had never had any client complaints during the time he was registered, despite the RS Complaint and two others. In addition, in the 2012 Application, Dhillon made three misrepresentations as set out below:
  - (a) He failed to disclose complaints against him and the MFDA investigation into his leveraging practices.
  - (b) He failed to disclose that Firm C suspended his ability to place any new investment loans for non-registered accounts and that his practice was further restricted by extending this suspension to registered accounts.

- (c) He failed to disclose that he was the subject of a suitability complaint.

### **RS complaint**

22. In July 1998, Firm A sent Dhillon a letter advising him that it had suspended his agent agreement because the firm had received information alleging that he had accepted monies from a client and deposited that money into his personal bank account. Dhillon returned \$2,000 of the \$9,000 he received from RS. In November 1998, Dhillon resigned from Firm A and advised the firm that it could transfer \$7,000 to RS from Dhillon's "earned money". In December 1998, Firm A notified the Commission of the RS Complaint and of Dhillon's resignation from the firm.

### **Dhillon is sanctioned by the MFDA**

23. In August 2015, the MFDA published its Decision and Reasons in *Re Sital Singh Harjinder Dhillon (Decision)* in which it found that in May and June 2010, Dhillon made leveraged investments in two client accounts without the knowledge and approval of his sponsoring firm, contrary to MFDA Rules 1.1.2, 2.1.1, and 2.5.1.
24. In December 2015, the MFDA published its Reasons for Decision (Penalty) in which it imposed the following penalties against Dhillon – a six-month prohibition on conducting securities-related business in any capacity with a MFDA member firm, a \$15,000 fine and \$5,000 in costs. MFDA staff has advised that the fine and costs ordered have been paid.
25. The MFDA Panel found that "the Respondent's testimony was at times contradictory, tangential and frequently self-serving. The Respondent was frequently unresponsive to questions and had difficulty responding directly to questions." (Decision at para 18). Similar behavior was exhibited by Dhillon at the OTBH and, based on my review of the transcripts, Dhillon exhibited similar behavior during Staff's interviews with him.

### **Decision on prior conduct/integrity issues**

26. My decision is to also refuse Dhillon's application for registration on the basis that he lacks integrity (and the requisite proficiency as set out above). I also find that registering Dhillon would be otherwise objectionable.
27. In *Re Mithras Management Ltd.* (1990), 13 OSCB 1600, the Commission set out its views on past conduct as an indicator of future conduct, as follows:
- ...the role of this Commission is to protect the public interest by removing from the capital markets...those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts...We are here to restrain, as best we can, future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient. In so doing we must, of necessity, look to past conduct as a guide to what we believe a person's future conduct might reasonably be expected to be (at 1610-11).
28. As set out above, Dhillon has been involved in misconduct at three firms – Firm A, Firm B and Firm C. During the OTBH (and as a result of my review of the transcript of the Staff interview with Dhillon), it was clear to me that Dhillon refuses to be accountable for his actions at any of

the firms. Based on several unproven allegations by Dhillon against the three firms, it was also clear to me that Dhillon has little, if any, respect for the compliance oversight function at registered firms, nor does he believe he is in any way required to be subject to that oversight. He also clearly does not understand his obligations as a registrant. Lastly, it was clear to me that despite being found to have contravened several MFDA rules by an MFDA panel, Dhillon refuses to believe his conduct was in any way inappropriate or that it did not comply with MFDA rules.

29. I was also deeply troubled by Dhillon's misrepresentations to Staff and by his inappropriate and unproven comments at the OTBH regarding Staff hiding evidence and information from him.
30. My conclusion is that Dhillon's conduct at three registered firms has clearly demonstrated that he is not governable – either by a registered firm or by the Commission. He lacks any remorse for his conduct and refuses to acknowledge he has done anything wrong. Dhillon blames registered firms for failing to understand the way he conducts his practice. He also lacks respect for, and understanding of, the compliance function at registered firms. As a result, it is my decision that the application for registration of Dhillon as a mutual fund dealing representative of Shah be refused.

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Marriane Bridge, FCPA, FCA  
Deputy Director, Compliance and Registrant Regulation Branch  
Ontario Securities Commission  
July 31, 2017