



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22^e étage
20, rue queen ouest
Toronto ON M5H 3S8

Web site: www.osc.gov.on.ca

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF AN OPPORTUNITY TO BE HEARD
REQUESTED BY MICHAEL FORSEY**

DECISION OF THE DIRECTOR

Having reviewed and considered the settlement agreement signed by Michael Forsey on April 15, 2020, and by staff of the Ontario Securities Commission on April 16, 2020 (the “Settlement Agreement”), a copy of which is attached as Schedule “A” to this Decision, and on the basis of the Settlement Agreement, I, Pat Chaukos, in my capacity as Director under the *Securities Act*, R.S.O. 1990, c. S.5 (the “Act”), hereby make the following decision:

1. The registration of Michael Forsey under the Act as a dealing representative in the category of mutual fund dealer is revoked effectively immediately.

April 22, 2020
Date

“Pat Chaukos”
Pat Chaukos

Schedule "A"

**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF AN OPPORTUNITY TO BE HEARD
REQUESTED BY MICHAEL FORSEY**

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. This settlement agreement (the "Settlement Agreement") relates to the opportunity to be heard (the "OTBH") under s. 31 of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") that has been requested by Michael Forsey ("Forsey"), a registered mutual fund dealing representative, regarding the recommendation by staff of the Ontario Securities Commission ("Staff") that his registration be revoked pursuant to s. 28 of the Act.

2. As more particularly described in this Settlement Agreement, during a time that he was not registered under the Act, Forsey held himself out as engaging in the business of trading and advising in securities, and did engage in the business of trading and advising in securities, contrary to s. 25 of the Act.

3. Through this Settlement Agreement, Forsey consents to Staff's recommendation to the Director that his registration be revoked.

II. AGREED STATEMENT OF FACTS

4. The parties agree to the facts as stated below.

A. The Registrant

5. Forsey has been registered under the Act as follows:

(a) mutual fund salesperson (before September 28, 2009) and dealing representative (after September 28, 2009) with Quadrus Investment Services Canada Ltd. (“Quadrus”) from April 23, 2001 to October 31, 2017; and

(b) mutual fund dealing representative with Sterling Mutuals Inc. (“Sterling”) from April 3, 2018 to April 1, 2020.

6. Forsey has carried on his financial services business (mutual funds and insurance products) in and around the London and Strathroy areas. From 2010 to 2019, Forsey provided financial services to clients as an associate of Masterpiece Financial Inc., a Strathroy-based financial planning company.

7. Staff is only aware of one disciplinary incident involving Forsey prior to this matter. On October 27, 2017, Quadrus sent Forsey a letter stating that it had found 11 blank pre-signed forms in 7 of his client files, and internal disciplinary measures were taken as a result. On March 29, 2018, the Mutual Fund Dealers Association of Canada issued a warning letter to Forsey regarding that conduct.

B. Termination by Quadrus and Sale of Book of Business to PG

8. Forsey was terminated by Quadrus effective October 31, 2017. Pursuant to s. 29(3) of the Act, a registered individual’s registration is suspended when their employment with their sponsor firm is terminated. Accordingly, this termination had the effect of immediately suspending Forsey’s registration.

9. Upon his termination, Forsey was given the opportunity by Quadrus to sell his book of business to another registered individual, and Forsey elected to sell his book of business to PG. Under this agreement, PG was to pay over to Forsey all of the trailer fees earned from clients he assumed from Forsey for a period of three years.

10. In November 2017, Forsey entered into discussions with Sterling about reactivating his registration with that firm. Forsey applied for registration through Sterling on November 14, 2017, and was approved as a registrant on April 3, 2018.

C. Forsey Engages in Unregistered Trading and Advising

11. Forsey's violations of s. 25 of the Act occurred during the period November 1, 2017 (the day following his termination from Quadrus) to April 2, 2018 (the day prior to his reactivation of registration with Sterling).

12. Forsey's unregistered trading and advising took at least three forms:

- (a) *Representing to clients that he would manage their portfolios* – In November and December 2017, Forsey sent out a standard form email to some of his former clients to inform them about his departure from Quadrus, and to set out their options going forward, which included continuing to invest their funds with Quadrus or “continu[ing] to work with me when my transition is complete”. In these emails, Forsey also wrote: “If you elect to stay with me I will be managing your portfolio through [PG] during the transition.” By making this representation to clients, Forsey held himself out as engaging in the business of trading and advising in securities without registration, contrary to s. 25 of the Act.

- (b) *Providing clients with investment advice* – Forsey regularly emailed portfolio reports to his former clients with advice to either make a change to some aspect of their portfolio, or to remain invested in the existing portfolio. By providing this type of advice, Forsey engaged in the business of advising in securities without registration, contrary to s. 25 of the Act.
- (c) *Providing clients with documents for the buying or selling of securities* – Forsey regularly received instructions from his former clients to buy or sell mutual funds, and would in turn instruct his administrative assistant, NK, to prepare the documents necessary to effect these transactions, which Forsey or NK would then provide to the former clients. In some instances, Forsey provided NK with the know-your-client information used to prepare the forms, and he also provided instructions to NK regarding the specific mutual funds to be bought or sold. All such documents indicated that PG was the dealing representative of record, and included PG’s representative code. Once signed by the former clients, the documents would be given to PG to sign. By carrying out this activity, Forsey engaged in the business of trading in securities without registration, contrary to s. 25.

13. Staff is aware of at least 30 clients towards whom Forsey directed the activities in paragraph 12 above.

14. It is Forsey’s position that he undertook these activities in an attempt to provide continuous client service and to maintain a relationship with clients during his transition from Quadrus to Sterling. However, Forsey acknowledges that, as he was not registered at the time, he was not permitted by Ontario securities law to carry out these activities, and that they instead should have been performed by a duly registered individual.

D. Staff Takes Regulatory Action Against Forsey

15. On January 16, 2020, following an investigation into the matters described herein, Staff sent a letter to Forsey informing him that it had recommended to the Director that his registration be revoked pursuant to s. 28 of the Act, based on his unregistered trading and advising. Upon receipt of Staff's letter, Forsey sent a request to the Director for an OTBH pursuant to s. 31 of the Act

16. After the scheduling of the OTBH, Forsey sold his book of business to another Sterling dealing representative. Staff has made inquiries of Sterling and is reasonably satisfied that the firm has in place appropriate measures to guard against the prospect of further unregistered trading and advising by Forsey regarding this book of business.

III. ADMISSIONS BY FORSEY AND CONSENT TO REVOCATION

17. Forsey admits that by engaging in the conduct described in paragraphs 11 to 13 above, he held himself out as engaging in the business of trading or advising in securities without registration, and engaged in the business of trading and advising in securities without registration, contrary to s. 25 of the Act.

18. Forsey consents to Staff's recommendation to the Director that his registration be revoked pursuant to s. 28 of the Act.

IV. ACKNOWLEDGMENTS

19. Staff acknowledges the following:

- (a) Forsey cooperated with Staff's investigation into his conduct. Specifically, Forsey voluntarily provided Staff with documents and testimony.

- (b) Staff is not aware of any monetary loss to clients caused by Forsey's actions as described in this Settlement Agreement.
- (c) By selling his book of business to another Sterling dealing representative, Forsey has sought to minimize any disruption to clients that could have otherwise resulted from a revocation of his registration.
- (d) By agreeing to settle this matter, Forsey has accepted responsibility for his breach of Ontario securities law, and has saved Staff and the Director the resources required to conduct an OTBH.

20. The parties acknowledge that if the Director does not accept this Settlement Agreement and the recommendation contained herein:

- (a) This Settlement Agreement and all related negotiations between the parties shall be without prejudice.
- (b) Forsey will be entitled to the OTBH that he has requested.

Michael Forsey

Elizabeth King
Deputy Director
Compliance and Registrant Regulation

Date

Date