



INVESTMENT DEALERS
ASSOCIATION OF CANADA

bulletin



ASSOCIATION CANADIENNE DES
COURTIERS EN VALEURS MOBILIÈRES

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For distribution to relevant parties within your firm

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Discipline

IDA imposes \$25,000 fine on Douglas Francis Corrigan and orders prohibition from acting as a branch manager

Nature of Proceeding	The Pacific District Council of the Investment Dealers Association of Canada (the “Association”) has imposed discipline penalties on Douglas Francis Corrigan who was, at all material times, Branch Manager at the Vancouver Branch of Thomson Kernaghan & Co. Limited (“TK”), a former member of the Association.
By-laws, Regulations, Policies Violated	After a contested hearing held over 7 days in the fall of 2004, a panel of the Pacific District Council, in a decision dated January 25, 2005, found that Mr. Corrigan as Branch Manager failed to adequately supervise the activities of SRJ when he was an Investment Representative (“IR”), and thereby failed to ensure that the handling of client business was within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry, in contravention of Association Regulation 1300.2.
Penalty	In its written penalty decision released on May 13, 2005, the panel ordered that Mr. Corrigan: a) pay a \$25,000 fine; b) pay \$15,000 in costs; and c) is prohibited from being or acting as a branch manager or compliance officer.

Summary
of Facts

In 1996, Mr. Corrigan was approved as Branch Manager of the Vancouver Branch of Dominick and Dominick Securities Inc. (“Dominick”) and worked there as a Registered Representative (“RR”) and Branch Manager until April, 1999, when Dominick’s Vancouver branch was assumed by TK, and re-opened as TK’s Vancouver branch (the “Branch”).

Mr. Corrigan was employed as an RR, and Branch Manager at the Branch from May 3, 1999 until July 31, 2001 (the “Relevant Period”).

During the Relevant Period, Mr. Corrigan, as Branch Manager, was responsible for approving, at the Branch, proposed new accounts.

During the Relevant Period, Mr. Corrigan, as Branch Manager, was also responsible for the daily supervision of account activity, and was responsible for the supervision of SRJ, an IR at the Branch.

SRJ Held Out as an RR

SRJ had been under the supervision of Mr. Corrigan since March, 1997, when SRJ, who was then an RR, joined Dominick’s Vancouver branch where Mr. Corrigan was the Branch Manager.

In April, 1997, SRJ’s registration as an RR was suspended because he failed to meet the education requirements to maintain his RR registration. In May, 1997, SRJ’s registration status was changed from RR to IR. Mr. Corrigan was fully aware of these events.

Throughout the Relevant Period, SRJ was an IR; he did not obtain his RR registration again until December 18, 2002.

SRJ lost his registration as an RR, and carried on business as an IR. SRJ and Mr. Corrigan both well knew the limitations upon SRJ, and Mr. Corrigan agreed to supervise SRJ to ensure there was no breach of conduct by SRJ acting as an IR. SRJ did not give up or transfer his book of business. He had his own personal identification code for Commission tracking purposes (“Broker Code”) that was not shared with any RR.

During the Relevant Period, SRJ opened 228 client accounts (the “Accounts”). All but 9 of the 228 new client forms were signed by Mr. Corrigan. Further, Mr. Corrigan testified that due to the one room office configuration at the Branch, and his close proximity to all of the brokers, he was very familiar with and monitored the day-to-day activities in the Branch.

With respect to the Accounts, SRJ signed the NCAFs as the RR of record; his name was on the monthly reporting forms, and there was no other RR on those reporting forms; and SRJ was the contact person for the Accounts, all of which were retail accounts. For each of the Accounts, SRJ was the person responsible for the client’s income, net worth, investment knowledge, risk tolerance and account objectives information, although the forms may have been filled in by the clients in some cases.

For each of the Accounts, SRJ signed the NCAFs in the section for the RR signature, and entered his Broker Code in the section designated for that item. Mr. Corrigan authorized the opening of most, if not all of the Accounts, and signed the NCAF as Branch Manager, even though he knew that SRJ was registered only as an IR and not an RR.

Throughout the Relevant Period, Mr. Corrigan knew, or ought to have known, that for each of the Accounts, SRJ was the person primarily responsible for servicing the Accounts, and that in so doing he was not acting as an assistant for any other RR. Mr. Corrigan took no action to ensure that an RR was in charge of the Accounts.

Of the 228 Accounts, 121 were for clients who resided in Ontario, Quebec, Manitoba, and Alberta when SRJ was not registered in any capacity in the those provinces.

On or about June, 2004, the Association and SRJ entered into a Settlement Agreement (the "Settlement Agreement") in which SRJ admitted, for the purpose of the Settlement Agreement, contraventions that he, "...by running his own book of business, and by being the primary person responsible for servicing the Accounts, and by signing NCAFs for the Accounts, acted as an RR, when he was only qualified and registered as an IR, ...".

The Panel was satisfied, on the whole of the evidence, that SRJ did not give advice with respect to specific securities or solicit orders from his clients.

The Panel was satisfied that the Association had proved that to the knowledge of Mr. Corrigan, SRJ opened 228 client Accounts and completed the New Client Application Forms as the RR of record. Once the NCAFs were completed, and after the Accounts were opened, copies of the NCAFs were sent to the clients. SRJ was being held out as an RR.

Further, Mr. Corrigan, as Branch Manager responsible for SRJ's conduct, permitted SRJ's name to appear as RR, or Account Representative on the monthly account statements and trade confirmations for the Accounts.

Further, the Panel was satisfied that Mr. Corrigan either knew, or ought to have known, that SRJ sent a letter to the new Account clients, which enclosed the New Client Application Form as well as other information, and that SRJ signed those letters as "Investment Advisor" which he was not permitted to do as an IR.

Penalty

In its penalty decision the panel stated that Mr. Corrigan, abdicated his responsibility as branch manager, and failed to adequately or properly supervise SRJ, knowing full well of his change of status from RR to IR.

The panel further stated that Mr. Corrigan blatantly disregarded his obligations as branch manager, notwithstanding that he knew a letter had been written to the Association emphasizing that as branch manager he would supervise the IR that was in his office, to ensure that there was no breach of conduct. In the panel's view Mr. Corrigan had the duty and responsibility, as branch manager, to not only check for errors and infractions, but to correct them when he saw them. The fact that there was a

compliance group in Toronto did not excuse him from properly carrying out his responsibilities as branch manager.

The panel indicated that Mr. Corrigan's negligence or failure to exercise due diligence in fulfilling his supervisory responsibilities was serious, and a significant fine was warranted. The panel also indicated that given Mr. Corrigan's experience as a branch manager, and the length of time during which he was required to oversee SRJ, that he had demonstrated that he was not suited to assuming the responsibilities of a branch manager in today's market place.

Previous Bulletin

The Association published bulletin #3395 on February 15, 2005 after the release of the panel decision on liability. A full copy of both the liability and penalty decisions of the Pacific District Council is available on the Association's website (www.ida.ca) under Enforcement > Reasons for Decisions in Disciplinary Hearings.

Kenneth A. Nason
Association Secretary