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Discipline

Discipline Penalties Imposed on Lawrence Edward Boscoe; Violations of By-law 29.1, Regulation 1300.1 (a) and Regulation 1300.1 (c) (now Regulation 1300.1 (q))

Person Disciplined	A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Lawrence Edward Boscoe (“Boscoe”), at all material times a Registered Representative with the Vancouver, BC office of Yorkton Securities Inc. (“Yorkton”), a Member of the IDA. (Yorkton subsequently became First Associates Investments Inc., which has subsequently become Blackmont Capital Inc.)
By-laws, Regulations, Policies Violated	Following a settlement hearing held on November 9, 2005 in Vancouver, BC, a Hearing Panel reviewed, considered and accepted a Settlement Agreement wherein Boscoe admitted the following violations: <ol style="list-style-type: none">1. On August 27, 2001, he failed to use due diligence to ensure that he learned the essential facts relative to his client, HF, contrary to Regulation 1300.1 (a);2. Between August 31, 2001 and December 12, 2001, he recommended that his client, HF purchase high risk securities for his accounts, which resulted in the amount of high risk securities in his accounts to exceed his objectives, contrary to Regulation 1300.1 (c) (now Regulation 1300.1 (q)).3. On December 13, 2001, he completed or caused to be completed a New Client Account Form (“NCAF”) for his client, HF, which amended HF’s investment objectives and risk factors, which amendments were not in the best interests of the client, contrary to By-law 29.1; and4. Between August 2001 and December 2002, he conducted business in an unprofessional manner, contrary to By-law 29.1.
Penalty Assessed	The penalty assessed against Boscoe was a fine of \$25,000, a one year suspension, a pre-condition of re-approval in any capacity that Boscoe successfully complete the Conduct and Practices Handbook Course administered by the Canadian Securities Institute, and as a further pre-condition of re-approval in any capacity, Boscoe must pay the fine and costs herein in full. Boscoe was also ordered to pay \$5,000 towards the Association’s costs of this matter.

Summary
of Facts

Boscoe was employed by Yorkton from February 7, 1989 to December 31, 2002 when he was terminated by that firm.

Boscoe knew HF as a “bar buddy” from their local Legion. HF became interested in a security through two promoters who were also patrons of the Legion. The promoters formally introduced HF to Boscoe, who then opened accounts at Yorkton. Boscoe did not participate in the completion of the NCAF to open HF’s accounts. Rather, Boscoe gave HF a blank NCAF while at the Legion. He did not complete it at the time because of the drinking taking place. HF took the form away and a friend helped him complete the NCAF. HF returned the completed NCAF to Boscoe at the Legion and while Boscoe checked to ensure that it was signed, he did not otherwise review the NCAF with HF. The NCAF had a pre-printed instruction at the top which stated “To be completed by the Registered Representative.” Accordingly, Boscoe failed to know his client, HF.

At the time that his accounts were opened, HF was 57. His fixed assets were \$400,000 and his liquid assets were \$100,000, which was an RRSP held through his employer. This RRSP represented HF’s entire life savings. The investment objectives recorded on his NCAF stated 50% long-term, and 50% venture. His risk factors were recorded as 100% medium.

After his accounts were opened at Yorkton, HF transferred his RRSP holdings, \$119,929.85 over to Yorkton.

Boscoe’s business was focused on penny stocks, which he defined as being securities priced less than \$5. He also described penny stocks to be “venture” and high risk. Between August 31 and December 12, 2001, Boscoe recommended various high risk, penny stock securities for HF’s accounts. The percentage of high risk securities in HF’s accounts during the period ranged from 8.65% to 100%, notwithstanding that his NCAF had no allowance for high risk securities. All recommendations were made by Boscoe. Accordingly, Boscoe made unsuitable recommendations for HF’s accounts, contrary to Regulation 1300.1 (c), now 1300.1 (q). The losses incurred by HF as a result of these unsuitable purchases was \$19,327.14, which amount was not reimbursed to the client.

On December 7, 2001, the Compliance Manager at Yorkton e-mailed Boscoe to advise that the holdings in HF’s account contained 42.5% low-risk securities, 8.5% medium risk securities and 49% high-risk securities. The e-mail stated that the account contents did not match with the client’s stated objectives and risk tolerance and instructed Boscoe to either bring the account contents into line with the stated objectives or obtain a risk letter from HF.

An NCAF update was completed for HF’s accounts which was the same as the original except that the investment objectives were amended to 50% short-term and 50% venture and the risk level was 100% high. Boscoe gave the completed NCAF update to HF at the Legion to sign, without any explanations about the necessity of the form. HF did not ask any questions since he trusted Boscoe. At the time, there were no material changes to HF’s circumstances nor did HF’s actual investment objectives or risk factors change from the original NCAF. The amended NCAF essentially permitted investment in any security regardless of risk, which was unsuitable for HF, who was in the latter part of his working life at the time.

Further, Boscoe confirmed that the sole purpose of the NCAF update was to reflect the nature of the investments already in HF's accounts at the time or to "paper" the account, which was not in the best interests of the client, contrary to By-law 29.1.

Boscoe patronized a bar at least 6 days a week and he admitted to having an alcohol problem. Notwithstanding that his business was focused on penny stocks, which oftentimes move very quickly and are highly volatile and illiquid, Boscoe conducted about 5-6% of his business in a bar. This consisted of taking orders after market hours when he would not necessarily know what price the securities were trading at, whether clients had sufficient funds to make purchases or how purchases would affect a client's suitability parameters. He did not carry a day timer or notebook with him when he conducted his business at the bar, so any notes he took were made on napkins or scrap paper.

In conducting his business in the manner that he did, Boscoe did not observe the high standards of ethics and conduct in the transaction of his business, contrary to By-law 29.1.

Boscoe is not currently registered in the industry.

The Decision of the Hearing Panel in this matter will be posted to the Association's website www.ida.ca.

Kenneth A. Nason
Association Secretary