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**BULLETIN #3563**

July 24, 2006

## **Discipline**

### **Discipline Penalties Imposed on Randal Jerome Hazen – Violation of By-law 29.1**

**Person Disciplined** A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Randal Jerome Hazen, at all material times an Approved Person with the Mississauga Branch of CIBC World Markets Inc. (“CIBC”), an IDA Member firm.

**By-laws,  
Regulations,  
Policies Violated**

A disciplinary hearing was held on June 21, 2006, in Toronto, Ontario.

Pursuant to an Agreed Statement of Facts, Mr. Hazen admitted that during the period February, March and August, 2000 he engaged in business conduct which is unbecoming or detrimental to the public interest in that he acted contrary to s. 53 of the Ontario Securities Act when he solicited and traded in investments for a group of his Ontario clients in two off-book private placements which were not available for distribution in Ontario, without the knowledge or approval of his Member firm employer, in violation of Association By-law 29.1.

**Penalty Assessed** In addition, Mr. Hazen agreed to the following penalties:

1. A fine in the amount of \$10,000;
2. An undertaking to provide the Association, within 30 days of the effective date of the Settlement Agreement, with a payment schedule of the monthly payments being made to CIBC for the reimbursement of his clients; and in the event the Respondent is in default of any of the scheduled repayments, he shall be immediately and without further notice suspended from approval with the Association until such time as the default is cured; and

3. Costs in the amount of \$5,000.

Mr. Hazen acknowledged that but for internal discipline sanctions imposed by CIBC the Association's penalties would have been more onerous.

The Hearing Panel received submissions by Staff of the Enforcement Department of the Association and counsel for Mr. Hazen, regarding whether a period of suspension was appropriate and if so of what duration. On July 12, 2006, the Hearing Panel provided written reasons for its decision.

Summary of Facts Mr. Hazen is currently employed as a Trading Officer First V.P., Registered Representative and Registered Representative Options by CIBC.

### **First Private Placement**

In or about February and March 2000, Bee-Trade Inc. (Bee-Trade) sought to raise funds through a private placement financing.

According to the Subscription Agreement, the Bee-Trade offering was available for distribution in the United States by virtue of the "accredited investor" exemption pursuant to the *U.S. Securities Act of 1933*.

In Ontario, Bee-Trade did not file a preliminary or final prospectus with the Ontario Securities Commission as required under s. 53 of the *Ontario Securities Act*, (OSA) and did not rely upon any prospectus exemption that was available in Ontario at the time. Accordingly, the Bee-Trade private placement was not available for distribution to Ontario residents.

After conducting a due diligence investigation, the Respondent approached a select group of his Ontario CIBC clients to invest in the private placement. In February and March 2000, fifteen of his clients, including the two complainants, invested in the private placement for a total investment of approximately US\$595,000. Of this total the complainants invested approximately CD\$80,000. The Respondent, together with his spouse, also personally invested approximately US\$60,000 in Bee-Trade.

### **Second Private Placement**

In or about August 2000, Bee-Trade was offering a second private placement.

As with the first private placement, the second offering was available for distribution in the U.S. However, Bee-Trade did not file a preliminary or final prospectus for the second private placement with

the Ontario Securities Commission as required under s. 53 of the OSA, and did not rely upon any prospectus exemption that was available in Ontario at the time. Accordingly, this second private placement was not available for distribution to Ontario residents.

The Respondent again approached a select group of his Ontario CIBC clients to invest in this second financing. In August 2000, twelve of his clients invested in the private placement for a total investment of approximately US\$260,000.

### **Outcome of the Private Placements**

Mr. Hazen initially consulted with his Branch Manager at the time with respect to the Bee-Trade subscription agreement. Thereafter, during February and March, 2000 and during August, 2000, his Branch Manager initialed several of the letters of authorization with respect to the Bee-Trade transactions in order that client funds could be withdrawn from their respective accounts. However none of the investments were recorded on the books or records of CIBC.

In July 2001, Bee-Trade advised its investors that it was in dire financial circumstances. Bee-Trade's shares were never registered with the SEC and the company never became listed on a public exchange. The company is no longer in operation.

### **Conduct of Respondent**

The Respondent failed to take reasonable steps to ensure that the Bee-Trade securities being offered under the two private placements were qualified under Ontario law to be traded in the Province of Ontario and thereby acted in violation of OSA s. 53. The Respondent has admitted to Association Staff that he was unaware that any security sold to Canadian residents must be approved for sale.

In addition, contrary to CIBC's internal policy, the Respondent failed to obtain express prior approval from the CIBC Legal & Compliance Department before soliciting the Bee- Trade investments from his clients. The Respondent has admitted to Association Staff that he was unaware of the procedures set out in CIBC's Compliance Manual that required him to obtain such prior approval.

In considering whether a suspension ought to be imposed, the Hearing Panel noted that Mr. Hazen has suffered a significant internal disciplinary penalty. He paid a fine of \$25,000, relinquished the use of the title VP for a period of three months and re-wrote and passed the CPH examination in October 2004. In addition he was required to compensate CIBC for the client losses of approximately \$80,000 on which debt he continues to make regular payments. He also served a period of close supervision for approximately 6 months (although this was initially related to another matter).

The Panel noted that while a breach of securities laws is a serious matter, the specific facts of each case must be taken into consideration. The Panel was of the view that the imposition of a suspension, which by necessity causes a disruption in the ability to earn an income, is not required when there has been no deliberate deception or reckless harmful behaviour. It was noted that in this case there were significant mitigating factors including the internal discipline and a lack of knowledge and understanding by Mr. Hazen of the transactions in question.

Kenneth A. Nason  
*Association Secretary*