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For distribution to relevant parties within your firm

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Discipline

Discipline Penalties Imposed on Jerry Ivo Jaager - Violations of By-law 29.1 and Regulation 1300.1(c)

Person Disciplined	The Pacific District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Jerry Ivo Jaager, at the relevant time a Registered Representative at the Penticton, B.C. branch office of Midland Walwyn Capital Inc. (now Merrill Lynch Canada Inc.), a Member of the Association.
By-laws, Regulations, Policies Violated	<p>On October 7, 1999, the District Council reviewed and accepted a settlement agreement that had been negotiated with the Association's Enforcement Division staff. Pursuant to the settlement agreement, Mr. Jaager acknowledged that he:</p> <ol style="list-style-type: none">1) in relation to three clients, failed to disclose the degree of risk associated with making an investment in a security, contrary to Association By-law 29.1, and gave undertakings as to the future value of the security, contrary to section 35 of the <i>Securities Act</i>, S.B.C. 1985, c. 83, as amended (now section 50 of the <i>Securities Act</i>, R.S.B.C. 1996, c. 418);2) Failed to ensure that the new account application forms for two clients documented changes to the essential facts relating to the clients' relevant personal circumstances and investment objectives, contrary to By-law 29.1;3) failed to use due diligence to ensure that a recommendation made for the accounts of two clients was appropriate and in keeping with their investment objectives, contrary to Association Regulation 1300. 1(c);4) effected a trade in the account of a client without the client's authority, contrary to Association By-law 29.1; and5) borrowed \$18,000 from a client and failed to disclose the arrangement to his firm, contrary to Association By-law 29.1.
Penalty Assessed	The discipline penalties assessed against Mr. Jaager are a fine in the

amount of \$30,000, a condition of any re-approval by the Association in any registered capacity that he must re-write and pass the examination based on the *Conduct and Practices Handbook for Securities Industry Professionals*, and a condition of re-approval by the Association in any registered capacity that he must submit to being closely supervised for a period of 12 months. In addition, Mr. Jaager is required to pay \$6,000 toward the Association's costs of investigation of this matter.

Summary
of Facts

In the spring and summer of 1994, Mr. Jaager became interested in the progress of Dentonia Resources Ltd. ("Dentonia") a junior, non-producing diamond exploration and mining company listed on the Vancouver Stock Exchange which was awaiting the results of its first significant core sample. Mr. Jaager convinced three clients to purchase shares in Dentonia by giving them positive undertakings as to the future value of the securities without disclosing the risks involved with such an investment. The clients collectively lost approximately \$59,000 following the announcement of poor assay results in or about August, 1994.

In respect of two of these clients, Mr. Jaager was aware that their investment objectives had changed from 100% speculative when their accounts were opened in December 1992 to 100% long-term growth with low risk by the spring of 1994, due to material changes in their personal circumstances. However, Mr. Jaager failed to update these clients' new account application forms to reflect these changes.

The changes to the circumstances and investment objectives of these clients rendered Mr. Jaager's recommendation that they purchase shares of Dentonia unsuitable for either of them.

Also, on or about August 8, 1994, Mr. Jaager purchased 1,000 shares of Kettle River Resources Ltd. at \$11.375 for the account of another client. This client's account with Midland Walwyn Capital Inc. had not been constituted as a discretionary account in accordance with Association Regulation 1300.4, and the client never authorized the purchase. The trade was subsequently cancelled by Midland Walwyn Capital Inc.

Finally, Mr. Jaager borrowed \$18,000 from yet another client, and he failed to disclose this loan arrangement to his Member firm.

Mr. Jaager repaid the loan; he has not made restitution to the other clients.

Mr. Jaager is no longer employed in the industry.

Lyn M. Gilchrist
Association Secretary