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For distribution to relevant parties within your firm

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Discipline

Discipline Penalties Imposed on James Joseph McHugh - Violation of By-laws 29.1

Person Disciplined	The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on James Joseph McHugh , at the relevant time a Registered Representative with Equion Securities Canada Limited (“Equion”) a Member of the Association.
By-laws, Regulations, Policies Violated	<p>On January 27, 2000, the District Council considered, reviewed and accepted a settlement agreement that had been negotiated by the Association Enforcement Division staff with Mr. McHugh. Under the settlement agreement Mr. McHugh admitted that he had engaged in conduct unbecoming a registered representative by:</p> <ul style="list-style-type: none">a) obtaining a loan for personal use from a client in the sum of \$30,000;b) facilitating a beneficial purchase of shares for a client in a corporation whose shares were not available to the general public; andc) failed to disclose to Equion his personal dealings with the client, contrary to Association By-law 29.1.
Penalty Assessed	<p>The discipline penalties assessed against Mr. McHugh are a fine of \$20,000, a suspension from acting in any supervisory capacity for a period of seven years, a requirement that he rewrite and pass the examination based on the <i>Conduct and Practices Handbook for Securities Industry Professionals</i>, and a requirement that he be closely supervised for a period of twelve months.</p> <p>In addition, Mr. McHugh is required to pay \$2,750 toward the Association’s costs of investigation of this matter.</p>
Summary of Facts	Mr. McHugh was responsible for the management of two client trust accounts. In December 1997, in response to a complaint from the clients, the member firm conducted an internal investigation regarding Mr. McHugh’s handling of the trust accounts.

It was discovered that Mr. McHugh had borrowed the sum of \$30,000 from the clients for personal use on October 15, 1996 and that Mr. McHugh was unable to repay the loans upon maturity. Mr. McHugh did repay the loan in full after the Member firm's internal investigation.

On October 31, 1996 Mr. McHugh received the sum of \$25,000 from the clients, which funds were used to purchase shares beneficially in a private company. A Unanimous Shareholders Agreement for the company restricts the purchase of shares to certain individuals and no prospectus for the company has ever been filed. In purchasing the shares on behalf of the clients, Mr. McHugh circumvented the Unanimous Shareholders Agreement and contravened the Securities Act by trading in securities that had not been cleared for distribution and for which no prospectus exemption was available.

Mr. McHugh is currently employed with Equion Securities Canada Ltd. at its Whitby branch office.

Timothy P. Ryan
Association Counsel and Secretary