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Discipline

Discipline Penalties Imposed on Frederick Monte Ponech – Violation of By-law 29.1 – Conduct Unbecoming

Person Disciplined The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on **Frederick Monte Ponech** at the relevant time a Registered Representative with Merit Investment Corporation (now Rampart Securities Inc.), a Member of the Association, at its office located in Toronto, Ontario.

By-laws, Regulations, Policies Violated By written decision dated July 19, 2000, the Ontario District Council has concluded a disciplinary proceeding concerning allegations made by the Association Enforcement Division staff that Mr. Ponech had contravened Association rules through the following conduct:

1. During the time period from May 1 to May 28, 1997, the Respondent effected six trades in the account of Ms. Carolyn McAllister upon the instructions of a third party, Mr. Steven Lucas, when no written authorization to permit such trading activity existed and thereby engaged in business conduct which is unbecoming or detrimental to the public interest contrary to By-law 29.1.
2. During the time period May 1 to May 28, 1997, the Respondent failed to use due diligence to learn the essential facts relative to every order accepted when he made recommendations on Ms. McAllister's account to purchase 6,000 shares of Scorpion Minerals Inc. and 8,500 shares of Tullaree Resources Ltd. based on unreliable and unsubstantiated pieces of information contrary to Regulation 1300.1(a).
3. During the period May 1 to May 28, 1997, the Respondent failed to use due diligence to ensure that every order accepted for the account of Ms. McAllister was within the bounds of good business practice when he exceeded his mandate and invested over \$10,000 in speculative investments contrary to Regulation 1300.1(b).

4. During the time period May 1 to May 28, 1997, the Respondent failed to use due diligence to ensure that recommendations made for the account of Ms. McAllister were appropriate for the client and in keeping with her investment objectives contrary to Regulation 1300.1(c).

At the conclusion of the case for the Association, it was agreed that the contested hearing be converted into an uncontested hearing pursuant to Association By-law 20.14.

The District Council found against Mr. Ponech on counts 3 and 4, counts 1 and 2 were dismissed.

Penalty Assessed The discipline penalty assessed against Mr. Ponech is an Order of a fine of \$6,500 plus a supervision order requiring a review of Mr. Ponech's trades, monthly, for six months. He must also pay \$4,000 in costs to the Association. As a condition of his continued registration, Mr. Ponech must re-write and pass the Conduct and Practices Handbook examination administered by the Canadian Securities Institute.

Summary of Facts Mr. Ponech took instructions from a third party to effect six trades on behalf of a client despite the fact that there was no written authorization from the client to permit such activity. Also, Mr. Ponech recommended stocks where there was no reliable data to suggest that the companies were profitable or approaching profitability. He relied heavily on unsubstantiated communications with principals of the two companies rather than a proper, systematic analysis of the merits of the proposed investments.

Susanne M. Barrett
Association Secretary