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*For distribution to relevant parties within your firm*

**BULLETIN # 2774**  
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## Discipline

### Discipline Penalties Imposed on Robert William Stevenson Beaty – Violations of By-law 29.1 and Regulations 1300.1(a), 1300.1(c) and 200.1

Person Disciplined	The Pacific District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Robert William Stevenson Beaty, at the relevant time a Registered Representative at the Vancouver, B.C. branch office of former Association Members Burns Fry Limited and Nesbitt Thomson Inc., and of Nesbitt Burns Inc., ("Nesbitt Burns", now BMO Nesbitt Burns Inc.) a Member of the Association.
By-laws, Regulations, Policies Violated	<p>On September 28, 2000, 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. Beaty acknowledged that he:</p> <ol style="list-style-type: none"><li>1) failed to use due diligence to ensure that recommendations he made for the account of a client were appropriate for the client and in keeping with her investment objectives, contrary to Association Regulation 1300.1(c);</li><li>2) traded in a security on behalf of a client and/or participated directly or indirectly in its distribution without a receipt for a prospectus for the security having been obtained in accordance with section 42 of the <u>Securities Act</u> (now section 61), and without knowing or inquiring into whether the trade in or distribution of the security was exempt from the requirements of section 42, thereby failing to observe high standards of ethics and conduct in the transaction of his business and engaging in business conduct or a practice which is unbecoming and detrimental to the public interest, contrary to Association By-law 29.1;</li><li>3) traded in or advised on a security on behalf of a client without complying with his Member firm's internal policies governing private securities transactions, and without complying with relevant industry standards, thereby failing to use due diligence to learn the essential</li></ol>

facts about the order, contrary to Association Regulation 1300.1(a), failing to observe high standards of ethics and conduct in the transaction of his business, and engaging in business conduct or a practice which is unbecoming and detrimental to the public interest, contrary to Association By-law 29.1; and

- 4) traded in a security on behalf of a client without recording the transaction on the books of his Member firm, and without sending his client confirmation in respect of or monthly statements disclosing the transaction, contrary to Association Regulation 200.1.

**Penalty Assessed** The discipline penalties assessed against Mr. Beaty are a fine in the amount of \$19,000.00, a condition of re-approval by the Association in any capacity that he must re-write and pass the examination based on the *Conduct and Practices Handbook for Securities Industry Professionals*. In addition, Mr. Beaty is required to pay \$3,000.00 toward the Association's costs of investigation of this matter.

**Summary of Facts**

From December 1990 until January 1995, Mr. Beaty was responsible for the investment account of a client whose initial investment objectives comprised 50% income and 50% mutual funds. The cash account was converted to a margin account in April, 1994, and, when Mr. Beaty moved from Burns Fry Limited to Nesbitt Thomson Inc. in July, 1994, the new account investment objectives were changed to 20% income, 65% moderate growth and 15% aggressive trading.

From May, 1993 until January 1995, Mr. Beaty failed to recommend sufficient income-generating securities to meet his client's investment objective for income, and debit interest charged to the account in 7 months following the conversion of the account to a margin account exceeded the amount of income generated in the account.

In or about late November, 1994, Mr. Beaty introduced his client to an investment opportunity that involved the payment of \$25,000.00 to an entity known as World Shopping Network Inc. ("WSN") in return for a right to participate in a percentage of the annual gross sales of WSN. Mr. Beaty represented to his client that this opportunity was being presented to her outside the context of his Member firm, but the funds used to acquire the security were withdrawn from her account. Mr. Beaty acted as a conduit in respect of all communications and documentation between his client and WSN. This investment in WSN carried a high degree of risk and was extremely speculative. The client lost the full amount of her investment in WSN, though she realized an overall profit from the trading in her account.

Mr. Beaty admits the investment in WSN was a security, but says he did not believe it was a security at the time of the trade. He was unaware of whether the security was properly qualified for sale in accordance with the British Columbia Securities Act, and made no inquiries in that regard.

Further, Mr. Beaty failed to comply with his Member firm's internal policies governing registered representatives' participation in private securities transactions, and further failed to comply with applicable

industry standards. Mr. Beaty also failed to record the transaction on the books of his Member firm and to send his client confirmation of the trade or proper monthly statements.

Mr. Beaty is no longer registered with the Association.

Suzanne M. Barrett  
*Association Secretary*