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Discipline

Discipline Penalties Imposed on Wellington West Capital Inc., Walter N. Silicz, and Kevin Hooke - Violation of Policy #2 and By-law 29.1

Person Disciplined The Manitoba District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Wellington West Capital Inc. (“Wellington West”) a Member of the Association, Walter N. Silicz who was at all material times the Ultimate Designated Person for Wellington West, and Kevin Hooke who was at all material times the Chief Compliance Officer for Wellington West.

By-laws, Regulations, Policies Violated On October 31, 2000, the Manitoba District Council considered, reviewed and amended a Settlement Agreement negotiated between Wellington West, Walter N. Silicz, Kevin Hooke, and staff of the Association’s Enforcement Division. Pursuant to the Settlement Agreement the Respondents admitted that between October 1993 and March 1997 they failed to design, establish, oversee, and implement a compliance program which complied with Association requirements.

Penalty Assessed The discipline penalty assessed against Wellington West is a fine in the amount of \$75,000.00. In addition Wellington West was ordered to pay \$41,000.00 towards the Association’s costs of investigation of this matter.

The Settlement Agreement negotiated between Walter N. Silicz and the Association recommended, inter alia, a fine in the amount of \$25,000.00. The Manitoba District Council instead imposed a fine in the amount of \$10,000.00 against Mr. Silicz. In addition, Mr. Silicz is required to rewrite and pass the Partners, Directors, and Officers examination administered by the Canadian Securities Institute.

The discipline penalty assessed against Kevin Hooke is a fine in the amount of \$25,000.00. In addition, Mr. Hooke is permanently prohibited from acting as a compliance officer.

The investigation conducted by the Association did not disclose any

evidence that clients were harmed and there was no evidence of misconduct despite the compromise to the integrity of the self-regulatory system. Under the terms of the Settlement Agreement the Association indicated its satisfaction that Wellington West had taken adequate measures to remedy deficiencies in its sales compliance practice and the Association further expressed its satisfaction that Wellington West was now in compliance with Association By-laws, Regulations, and Policies as they relate to supervision and supervisory policy.

Summary of Facts

Wellington West became a Member of the Association in September 1993. At that time Wellington West had only two full time registered representatives, one of whom was Walter N. Silicz who, as the Ultimate Designated Person, would be conducting daily and monthly reviews pursuant to Association Policy # 2. To ensure that there was an additional layer of supervision, particularly of Mr. Silicz, the Association required Wellington West to hire a part time non-trading compliance officer as a condition of membership. Kevin Hooke provided a written undertaking to the Association promising to act as the part time non-trading compliance officer. One of Mr. Hooke's tasks was to supervise Mr. Silicz's accounts. By January 1996 Wellington West employed five full time registered representatives.

Between October 1993 and March 1997, Association staff conducted three Sales Compliance Reviews at Wellington West. Following completion of the final Sales Compliance Review in March 1997, Wellington West was notified that an investigation into the adequacy of their supervision and supervisory controls was underway. At the conclusion of the investigation certain inadequacies in supervision and supervisory controls were identified.

Daily Supervision – Association Policy # 2

Under the terms of the Settlement Agreement, the Respondents admitted that the Wellington West procedures for daily supervision lacked sufficient formality and the lines of responsibility were not sufficiently clear. This led to internal confusion over who was responsible for daily supervision. There was evidence that Mr. Silicz initialled commission sheets and trading blotters, however there was no written evidence of inquiries, responses, or follow up as required by Association Policy # 2. There was no documentation of Mr. Hooke's supervisory activity and no written evidence of inquiries, responses, or follow up. In addition it was determined that Mr. Hooke was not adequately monitoring the trading activities of Mr. Silicz as contemplated by the undertaking provided to the Association.

Monthly Supervision – Association Policy # 2

Under the terms of the Settlement Agreement, the Respondents admitted that the Wellington West procedures for monthly supervision lacked sufficient formality and the lines of responsibility were not sufficiently clear. This led to internal confusion over responsibility for monthly supervision. The method used by Mr. Silicz to select account statements for monthly review did not systematically ensure that he reviewed all

accounts with monthly commissions in excess of \$1,000.00. In addition, Mr. Silicz did not document his monthly reviews. Mr. Hooke did not adequately supervise the activities of Mr. Silicz as contemplated by the undertaking provided to the Association, nor did he conduct appropriate monthly reviews or document his action.

Notification of Service Fees – Association By-law 29.8

Under the terms of the Settlement Agreement, the Respondents admitted that between October 1993 and March 1997 Wellington West failed to provide clients with a written fee schedule as required by Association By-law 29.8.

National Policy # 41

Under the terms of the Settlement Agreement the Respondents admitted that between October 1993 and March 1997 Wellington West failed to provide clients with Forms B & C as required by National Policy # 41.

Suzanne M. Barrett
Association Secretary