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**BULLETIN 2792**  
November 28, 2000

## Discipline

### **Discipline Penalties Imposed on Rothenberg Capital Management Inc. – Violations of By-laws 17.2 and 17.2A, By-law 29.1 and Policy No. 3**

Person Disciplined	The Quebec District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Rothenberg Capital Management Inc., a Member of the Association.
By-laws, Regulations, Policies Violated	<p>On November 24, 2000, the Quebec District Council considered, reviewed and accepted a settlement agreement negotiated between the Member and staff of the Enforcement Division of the Association.</p> <p>Pursuant to the settlement agreement, Rothenberg Capital Management Inc. admitted having failed during the year 1998 to establish and maintain adequate internal controls in accordance with Policy No.3, thus violating By-law 17.2A, to establish and maintain proper system of books and records, contrary to By-law 17.2 and to ensure that designated persons properly supervise the financial operations of the firm, thus engaging in business conduct or practice unbecoming or detrimental to the public interest, contrary to By-law 29.1.</p>
Penalty Assessed	<p>The discipline penalties assessed against Rothenberg Capital Management Inc. are a fine in the amount of \$20,000 and the imposition of a condition of continued membership that Rothenberg Capital Management Inc. does not make any inter-companies transfers unless a duly legal right to set-off as per Chapter 3860 of CICA Handbook expressly permits it.</p> <p>In determining the appropriateness of the penalties, the District Council considered as mitigating factors the fact that since the violations occurred in 1998, the Respondent took appropriate steps to correct the identified failures, thereby reducing the risk of a recurrence, that Rothenberg Capital Management Inc. was a Type 1 introducing broker and that no risk for public investors resulted of the violations. The District Council also took into consideration the co-operation of the Respondent in the resolution of</p>

this matter.

In addition, Rothenberg Capital Management Inc. is required to pay \$5,000 towards the Association's costs of investigating this matter.

Summary  
of Facts

A current review by the Association staff of the Monthly Financial Report filed by the Member for the month-ended, February 28, 1998, disclosed an incorrect calculation of financial information due to netting of inter-companies accounts receivable against inter-companies payable, therefore underestimating the non-allowable assets.

On two separate occasions, in April and June of 1998, Rothenberg Capital Management Inc. contravened regulatory requirements as a result of an inappropriate cash transfer to another company and the failure to adequately monitor applicable financial rules. The amounts were transferred back upon request by the Association staff.

An on-site review of the records of Rothenberg Capital Management Inc., performed by the Association staff on December 4, 1998, disclosed that as of December 3, 1998, the Respondent reported inaccurate financial information as a result of an improper accounting of advances made to other companies during the first week of December 1998 and from an over-assessment of commissions revenues for the relative period.

Suzanne M. Barrett  
*Association Secretary*