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BULLETIN # 2855
June 14, 2001

Discipline

Discipline Penalties imposed on The Financial Centre Securities Corporation – Violations of By-laws 17.1, 17.2 and 17.2A

Person Disciplined	The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on The Financial Centre Securities Corporation ("the Member"), a Member of the Association.
By-laws, Regulations, Policies Violated	<p>On June 6, 2001, the Ontario 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, the Member admitted that, during its 1998-99 fiscal year, it failed to keep and maintain a proper system of financial books and records, contrary to By-law 17.2 of the Association, and failed to establish and maintain adequate internal controls in accordance with Policy 3 of the Association, contrary to By-law 17.2A of the Association. In addition, the Member admitted that, in or around September 1999, it failed to maintain sufficient risk-adjusted capital, contrary to By-law 17.1 of the Association.</p>
Penalty Assessed	The discipline penalty assessed against the Member is a fine in the amount of \$25,000.00. In addition, the Member is required to pay \$3,500.00 towards the Association's costs of investigating this matter.
Summary of Facts	At all material times, Samuel Kenneth Jack Aquino ("Aquino") was the officer of the Member responsible for financial-compliance matters. The Association requires that both internal accounts and bank accounts be monitored and reconciled at least monthly. During the Member's 1998-99 fiscal year, Aquino and the Member failed to reconcile bank balances reported by ISM with the balances that showed on the Member's own records. This failure constituted a violation of By-laws 17.2 and 17.2A of the Association.

On December 20, 1999, the Association was advised by the Member that its financial reports for September 30, 1999, would show a capital deficiency as of that date. The deficiency arose when the Member made year-end adjustments that included an increase in expenses to write off certain "unreconciled differences" between the Member's general ledger and the balances reported by ISM. This adjustment would not have been necessary had Aquino or the Member performed adequate reconciliations during the year. As of the end of December 1999, the Member had corrected the capital deficiency by securing payment of receivables from certain related companies.

The Member has taken corrective actions to avoid a repetition of these events, including appointing a new CFO. No client account balances suffered any losses as a result of these events described above.

Discipline penalties have also been imposed on Aquino (see Bulletin 2854).

Susanne M. Barrett
Association Secretary