INVESTMENT DEALERS ASSOCIATION OF CANADA

bulletin

ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

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For distribution to relevant parties within your firm

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Discipline

Discipline Penalties Imposed on Rogers & Partners Securities Inc. and J. David McKeown - Violation of By-law 30.3 (iv)(4), By-law 29.1 and By-law 17.1

Person Disciplined	The Alberta District Council of the Investment Dealers Association of Canada (the "Association") has imposed discipline penalties on Rogers & Partners Securities Inc. ("Rogers & Partners") a Member of the Association, and J. David McKeown who was at all material times the Chief Financial Officer for Rogers & Partners.
By-laws, Regulations, Policies Violated	On April 16, 2001 the Alberta District Council considered, reviewed and accepted a Settlement Agreement negotiated between Rogers & Partners, J. David McKeown, and staff of the Association's Enforcement Division. Pursuant to the Settlement Agreement the Respondents admitted that between February 1998 and November 1999 they failed to obtain the prior written consent of the Vice-President, Financial Compliance to increase the non-allowable assets of Rogers & Partners while Rogers & Partners was in Early Warning level 2. The Respondents further admitted that they failed to disclose to Association staff the ownership of a seat on the Toronto Stock Exchange (the "TSE") as required by Association By-laws and Generally Accepted Accounting Principles ("GAAP"). Finally, the Respondents admitted that Rogers & Partners failed to maintain its risk-adjusted capital at a level greater than zero in accordance with Association Form 1.
Penalty Assessed	The discipline penalty assessed against Rogers & Partners is a fine in the amount of $25,000.00. In addition Rogers & Partners was ordered to pay $2,500.00 towards the Association's costs of investigation of this matter. The discipline penalty assessed against J. David McKeown is a prohibition from acting as a Chief Financial Officer with any member firm of the Association for a period of eighteen (18) months.
Summary	*Contraventions 1 and 2*

of Facts

As a result of the operations of Rogers & Partners, both Rogers & Partners and Mr. McKeown acknowledged that effective February 25, 1998 Rogers & Partners was in Early Warning level 2 and that Association By-law 30.3 (iv)(4) was operable. By-law 30.3 (iv)(4) prohibits a member from materially increasing its non-allowable assets without the prior written consent of the Vice-President, Financial Compliance. A stock exchange seat is listed as a non-allowable asset on Association Form 1.

Between February 27th, 1998, and June 23rd, 1998, Rogers & Partners actively sought and obtained a seat on the TSE by entering into an agreement with CT Securities Inc. for the purchase of a seat held by them. At no time did the Respondents communicate to the Association, directly or indirectly, its intention to acquire a TSE seat nor did the Respondents obtain the prior written consent of the Vice- President, Financial Compliance with respect to the purchase of the seat. Rogers & Partners enjoyed full rights and privileges of membership on the TSE as of June 23rd, 1998. Further, the Respondents did not record the acquisition of the TSE seat on any financial reports until after it received an invoice for payment from CT Securities Inc. in November 1999. GAAP requires the immediate reporting of a contingency if it materially affects the financial position of the reporter.

The panel found that the failure to obtain the prior written consent of the Vice-President, Financial Regulation constituted a violation by the Respondents of Association By-law 30.3 (iv)(4). The panel further found that by failing to record the purchase of the TSE seat on any accounting record as required by Association By-laws and GAAP, Rogers & Partners engaged in a business conduct or practise that was unbecoming or not in the public interest contrary to Association By-law 29.1.

Contravention 3

Between October 31st, 1998, and November 3rd, 1999, Rogers & Partners risk adjusted capital was deficient on six different occasions. Two of the deficiencies were accurately reported to the Association and four were inaccurately reported. The inaccurate reporting was a direct result of Rogers & Partners failing to record the purchase of the TSE seat in its monthly financial reports as required. The capital deficiencies ranged from a low of 0.67% of capital employed to a high of 11% of capital employed. The panel determined that this constituted a violation by the Respondents of Association By-law 17.1.

In determining the appropriate penalty the panel considered several factors. There was no available evidence to establish that the Respondents, in failing to report the acquisition of the TSE seat, deliberately withheld that information or took active steps to conceal it. There was no prior related misconduct by either Rogers & Partners or Mr. McKeown. No client funds were placed in jeopardy as a result of the actions of either party. Given the existence of these factors, the Panel determined that the penalties proposed in the Settlement Agreement would be accepted and imposed. Absent these mitigating factors, the Panel felt that significantly greater penalties could have been imposed.

Kenneth A. Nason
Association Secretary