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Discipline

Discipline Penalties Imposed on Joseph James Walsh - Three Violations of Regulation 1300.1 (c)

Person Disciplined	The Saskatchewan District Council of the Investment Dealers Association of Canada (the "Association") has imposed discipline penalties on Joseph James Walsh , at the relevant times a Registered Representative of TD Securities Inc. and Nesbitt Burns Inc, both Members of the Association.
By-laws, Regulations, Policies Violated	On April 18th, 2001, the Saskatchewan District Council issued their Reasons for Decision regarding disciplinary proceedings initiated by Association staff against Joseph Walsh. The District Council found that on three separate occasions involving two different clients, Mr. Walsh failed to use due diligence to ensure that recommendations made for the accounts of these clients were appropriate and in keeping with the investment objectives of the clients contrary to Association Regulation 1300.1(c).
Penalty Assessed	The discipline penalty assessed against Mr. Walsh is a fine of \$5,000.00 per client infraction for a total fine of \$10,000.00 and a prohibition from registration for a period of two (2) months per client infraction for a total prohibition of four (4) months. Mr. Walsh is further ordered to disgorge client commissions in the amount of \$1,743.00. In addition, the District Council ordered that upon return to the industry, Mr. Walsh be placed under close supervision for a period of twenty-four (24) months. Mr. Walsh is also required to pay \$5,000.00 toward the Association's costs of investigation of this matter. Finally, Mr. Walsh is prohibited from re-registration with the Association in any capacity until such time as the fines, disgorgement, and costs are paid in full.
Summary of Facts	While employed at Nesbitt Burns Inc., Mr. Walsh was the registered representative of record for the account of a client whose stated investment objectives were for 30% cash and 70% Moderate Growth. The client and Mr. Walsh agreed on the client's desire to invest 100% in low risk securities during the period of time when his account was at Nesbitt Burns

Inc. On or about May 9, 1996, Mr. Walsh recommended to the client the purchase of convertible debentures of Tee-Comm Electronics Inc. ("Tee-Comm"). These debentures contained a medium to high degree of risk. The client invested \$21,600.00 and when Tee-Comm subsequently declared bankruptcy, the client lost the entire investment. An examination of trading in the client's account from January 1995 to September 1996 produced evidence that in five (5) of these months the client's account contained speculative securities. In nineteen (19) months the account contained a percentage of medium risk securities ranging between 25% to 73%. The District Council determined that this conduct constituted a violation of Association Regulation 1300.1(c).

On September 11, 1996, the same client opened an RRSP account at TD Securities Inc. Mr. Walsh, who was now employed by TD Securities Inc., was the registered representative of record for the account. The client stated the investment objectives for the account as 25% safety, 5% income, 30% short-term capital gains, 30% medium-term capital gains and 10% long-term capital gains. Risk factors were 30% low and 70% medium risk. On January 6, 1997 Mr. Walsh recommended to the client the purchase of shares of Trillion Resources Ltd. On October 16, 1997, Mr. Walsh recommended to the client the purchase of shares of Breakwater Resources Ltd. Each of these securities contained risk factors that were not appropriate or in keeping with the client's stated risk factors. An examination of trading in the client's account from October 1996 to December 1997 produced further evidence that in each of the fifteen (15) months examined the account contained speculative securities which were not in keeping with the client's stated risk factors. The District Council determined that this conduct constituted a violation of Association Regulation 1300.1(c).

While employed at TD Securities Inc., Mr. Walsh was the registered representative of record for the account of another client whose stated risk factors were for 20% low, 70% medium and 10% high risk investments. The client's investment objectives were stated as 25% safety, 60% long-term growth and 15% short-term trading. The client's investment knowledge was noted as being limited. Between January 27, 1997 and July 24, 1997 Mr. Walsh recommended the purchase of five new issue trust units for the account. These purchases represented a significant concentration in the account. Two of the trust units involved installment receipts. The client had no additional funds to make the second instalment payments. An analysis of the client's account produced evidence that between March 1997 and June 1997 the account contained high-risk speculative securities in concentrations that varied from 38% to 69%. By August 1998, all securities purchased in the account had declined in value. Realized and unrealized losses were \$14,376.00. The District Council determined that this conduct constituted a violation of Association Regulation 1300.1(c).

Mr. Walsh was the subject of previous discipline by the Association (see Bulletin # 2678). He is no longer employed in the securities industry.

Kenneth A. Nason
Association Secretary