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BULLETIN # 2921
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Discipline

Discipline Penalties Imposed on Groome Capital.Com Inc. – Violation of By-laws 17.1 and 17.2

Person Disciplined	The Quebec District Council of the Investment Dealers Association of Canada (“the Association”) has imposed discipline penalties on Groome Capital.Com Inc., a Member of the Association.
By-laws, Regulations, Policies Violated	<p>On November 22, 2001, the Quebec District Council considered, reviewed and accepted a settlement agreement negotiated between Groome Capital.Com Inc. and the Association staff.</p> <p>Pursuant to the settlement agreement, Groome Capital.Com Inc. admitted that it failed to maintain at all times its risk adjusted capital at a level greater than zero, contrary to By-law 17.1 and that it failed to keep at all times proper financial books and records, contrary to By-law 17.2.</p>
Penalty Assessed	<p>The discipline penalty assessed against Groome Capital.Com Inc. is a fine in the amount of \$30,000.</p> <p>In addition, Groome Capital.Com Inc. is required to pay \$2,500 towards the Association’s costs of this proceeding.</p>
Summary of Facts	<p>A current review by the Association staff of the Monthly Financial Report filed by the Member for the month-ended December 31, 2000, disclosed several irregularities requiring adjustments to the Monthly Financial Report, particularly regarding margins on inventory positions.</p> <p>These miscalculations resulted in an over assessment of the Risk Adjusted Capital and, consequently, the failure to notify the regulator of the triggering of the Early Warning Level 2 in December 2000.</p> <p>In filing its Monthly Financial Report as at February 28, 2001, Groome Capital.Com Inc. reported a capital deficiency.</p> <p>Further on-site reviews performed by staff revealed that the financial information reported to the Association for the months ending on January 31, 2001 and on February, 2001 did not provide an exact figure of Groome</p>

Capital.Com Inc.'s financial position for the related periods. Once the required adjustments were made, notably in the calculation of margin on some inventory positions and in the calculation of securities concentration charges, the corrected figure revealed a capital deficiency amounting \$305,000 as at January 31, 2001 and \$444,000 as at February 28, 2001.

The capital deficiency was rectified on March 29, 2001 by obtaining a subordinated loan but Groome Capital.Com Inc. was still being designated in the Level 2 of the Early Warning category of the Early Warning System and subject to some restrictions.

However, no client account balances suffered any losses or were put at risk as a result of the capital deficiencies.

Effective August 8, 2001, the firm's brokerage assets were purchased by Desjardins Securities Inc.

Groome Capital.Com Inc. is currently in the process of resigning its membership with the Association.

Kenneth A. Nason
Association Secretary