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*Contact:*

Kenneth Kelertas  
Enforcement Counsel  
(416) 943-5781,  
kkelertas@ida.ca

*For distribution to relevant parties within your firm*

**BULLETIN # 2932**  
December 18, 2001

## Discipline

### Discipline Penalties Imposed on Northern Securities Inc. – Violation of By-law 17.1

**Person Disciplined** The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Northern Securities Inc. (“Northern”), a Member of the Association.

**By-laws, Regulations, Policies Violated** On December 12, 2001, the Ontario District Council considered, reviewed and accepted a Settlement Agreement negotiated between Northern and Staff of the Association’s Enforcement Department. Pursuant to the Settlement Agreement, Northern admitted that on February 28, 2001, March 29, 2001 and April 16, 2001, it failed to maintain its risk adjusted capital at a level greater than zero in accordance with Association Form 1, contrary to Association By-law 17.1.

**Penalty Assessed** The discipline penalty assessed against Northern was a fine in the amount of \$10,000. As well, Northern was ordered to pay \$5,000.00 toward the Association’s costs of the investigation and prosecution of this matter.

In addition, beginning December 31, 2001, Northern is to maintain a positive risk adjusted capital (“RAC”) in the amount of \$150,000. If at any time thereafter its RAC falls below \$150,000, Northern will maintain RAC in the amount of \$200,000 for a subsequent three month period. This condition will remain in force so long as Northern remains designated in Early Warning Level 2 by the Association.

**Summary of Facts** Northern is a Type II Introducing Broker. All of its clients’ accounts are held elsewhere by a carrying broker. On March 13, 2001, Northern reported a capital deficiency of \$147,000 as of February 8, 2001. Upon investigation by Association staff, this deficiency was revised to \$149,000. On March 14, 2001, Northern Financial Corporation (“NFC”), the parent company of Northern, injected \$270,000 into Northern by a subordinated loan to rectify the deficiency. On March 30, 2001, Northern reported a capital deficiency in the amount \$188,000 as at March 29, 2001. On the same day, NFC rectified the deficiency by extending its subordinated loan to Northern by \$211,000. This

deficiency was revised by Northern on April 12, 2001 to \$50,000. The revised figure was accepted by Association staff. On April 19, 2001, Northern reported a RAC deficiency of \$27,000 as of April 16, 2001. This deficiency was rectified by an additional subordinated loan from NFC to Northern in the amount of \$134,000 on April 17, 2001.

No client funds were placed in jeopardy as a result of the deficiencies.

At all material times, Northern acted responsibly in correcting its errors and injected the required capital immediately to address the deficiencies and cooperated fully with the Association in its investigation.

Kenneth A. Nason  
*Association Secretary*