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*For distribution to relevant parties within your firm*

**BULLETIN #2986**

April 19, 2002

## Discipline

### Discipline Penalties Imposed on Chris Stewart – Violation of By-law 29.1 and Regulation 1300.1(c)

Person Disciplined	The Alberta District Council (the “District Council”) of the Investment Dealers Association of Canada (the “Association”) has imposed discipline penalties on Chris Stewart, at all material times a registered representative with ScotiaMcLeod Inc. (now Scotia Capital Inc.) and Wolverton Securities Inc., Members of the Association.
By-laws, Regulations, Policies Violated	On March 5 and April 4, 2002, the District Council considered a Settlement Agreement and amended it with the consent of the respondent by imposing a higher penalty than originally negotiated. Pursuant to the Settlement Agreement, Mr. Stewart admitted that he failed to use due diligence to ensure that recommendations made for a client’s account were appropriate and in keeping with her investment objectives contrary to Regulation 1300.1(c). Mr. Stewart further admits he engaged in conduct unbecoming a registered representative by acting in furtherance of trades while his status as a registered representative was suspended for failure to meet educational requirements, contrary to Association By-law 29.1.
Penalty Assessed	The discipline penalty assessed against Mr. Stewart are a fine in the amount of \$7,000.00 for contravention of Regulation 1300.1(c); a fine in the amount of \$5,000.00 for contravention of By-law 29.1; disgorgement of commissions in the amount of \$1,800.00; a requirement that he rewrite and pass the examination based on the <i>Conduct and Practices Handbook for Securities Industry Professionals</i> as administered by the Canadian Securities Institute, and a requirement that he submit to strict supervision for a period of 24 months upon re-entry to the industry. The Settlement Agreement as originally negotiated had provided for a period of strict supervision of 12 months but this period was increased at the request of the District Council and with the consent of the Respondent. Finally, he was ordered to pay the Association’s costs in the amount of \$3,200.00.

Summary  
of Facts

The sanctions levied against Mr. Stewart arose from his conduct towards one of his clients ("M"), a 21 year old unemployed student.

The funds M had invested with Mr. Stewart were from the settlement of an insurance claim resulting from an accident she suffered when she was 16 years old. The primary investment objective of this account was to generate income. M had very little investment knowledge or experience and relied on Stewart for advice.

Prior to opening her account with Stewart, M had a cash account with another member of the Association for about a year. The account held conservative investments and generated approximately \$400.00 a month in income.

Stewart purchased Limited Partnership Units for M, a purchase he recommended for its tax advantages at a time when he knew and had recorded that M's annual income was less than \$10,000.00.

Stewart also purchased Westshore Terminals Trust Units Instalment Receipts for M in February, 1997. By November 1997, this security represented 33% of M's account. Income producing securities were sold to pay for the second instalment on the trust units which were due January 30, 1998. When the second instalment was purchased, this security represented roughly 75% of the holdings in M's account.

As a registered representative, Mr. Stewart was required to complete either the Canadian Investment Management Course Part 1 or the Professional Financial Planning Course offered by the Canadian Securities Institute within 30 months of being registered. He did not complete either of the required courses and his registration was therefore changed from that of "registered representative" to "investment representative" during the period from August 21, 1997 to November 28, 1997. Mr. Stewart solicited an order for M's account on October 16, 1997 from home while he was not allowed to be in the office and not permitted to solicit trades.

Mr. Stewart is not currently employed with any Member of the Association.

Kenneth A. Nason  
*Association Secretary*