



Contact:
Jeffrey Kehoe
Director, Enforcement Litigation
(416) 943-6996

For distribution to relevant parties within your firm

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Discipline

Discipline Penalties Imposed on Peter Michael Smith – Violation of Regulations 1300.1(b)

Person Disciplined	The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Peter Michael Smith, at all relevant times a Registered Representative with Walwyn Stodgell Cochran Murray, Davidson Partners Limited, Midland Doherty, McNeil Mantha Inc. and Richardson Greenshields of Canada, then members of the Association.
By-laws, Regulations, Policies Violated	On June 26, 2002 the District Council reviewed and accepted a settlement agreement negotiated with counsel for the Association's Enforcement Department. In the settlement agreement, Mr. Smith acknowledged that he failed to ensure that the acceptance of orders for the account of a client were within the bounds of good business practice, contrary to Regulation 1300.1(b).
Penalty Assessed	The discipline penalties assessed against Mr. Smith are a fine in the sum of \$7,000 and payment of the Association's costs in the sum of \$2,000. In accepting the penalty, the District Council paid specific regard to the age of the matter and noted that a reduced penalty was appropriate in these specific circumstances.
Summary of Facts	<p>The Respondent opened an account for a client in January 1988. The client was then a 42-year old single woman with an annual salary of \$35,000. The client had minimal prior investment experience.</p> <p>In January 1988 the client inherited an actively traded portfolio from her step-father which had been managed by the Respondent. In February 1989 the client deposited shares of Noranda Inc. and Canadian Pacific Limited, which she had inherited from her natural father. In January 1990, the further sum of \$15,000 was deposited to a margin account opened by the Respondent.</p>

The US and Canadian margin accounts were opened by the Respondent despite the fact that they were not requested by the client. Trades were made on margin and when the client came to appreciate the significance and risk associated with trading on margin she advised the Respondent that she was uncomfortable with this activity.

The Respondent sought to reduce the margin exposure. The level of risk in the portfolio increased by virtue of the profile of securities remaining in the accounts.

The Respondent concedes that he ought to have taken more time with his client, as a novice investor, to ensure that his recommendations respecting margin were understood and appropriate.

Mr. Smith is currently employed by Canaccord Capital Corp.

Kenneth A. Nason
Association Secretary