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For distribution to relevant parties within your firm

BULLETIN #3182
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Discipline

Discipline Penalties imposed on Frederick Kenneth Walsh – Violations of Regulations 1300.1(c), 1300.4 and 200.1(i)(3)

Person Disciplined The Ontario District Council of the Investment Dealers Association of Canada (the "Association") has imposed discipline penalties on Frederick Kenneth Walsh, at the relevant time a Registered Representative Options employed by a Hamilton office of CIBC World Markets Inc. ("CIBC"), a Member of the Association.

By-laws, Regulations, Policies Violated On July 29, 2003 the Ontario District Council considered and accepted a Settlement Agreement negotiated between Mr. Walsh and Association staff.

Pursuant to the Settlement Agreement, Mr. Walsh admitted that he failed to use due diligence to ensure that certain recommendations made in four client accounts were appropriate for those clients and in keeping with their investment objectives, contrary to Association Regulation 1300.1(c).

He also admitted that he engaged in discretionary trading in respect of seven trades in three client accounts, contrary to Association Regulation 1300.4 and that he effected a trade in a client's account based on third party instructions without a trading authorization on file, contrary to Association Regulation 200.1(i)(3).

Penalty Assessed The discipline penalty assessed against Mr. Walsh is:

- a fine in the amount of \$50,000;
- disgorgement of commission in the amount of \$2,006.25; and
- strict supervision for one year.

Mr. Walsh is also required to pay the Association's costs in the amount of \$15,000.

Star Data:

On 8 occasions in 1997 and 1998, Mr. Walsh recommended and purchased shares of Star Data Inc. ("Star Data") in 3 client accounts. All of these clients are currently in their mid 60's to early 70's, were facing retirement and had limited prior investment experience. GF was seeking medium to long term growth with low to medium risk. She and RB/PB, who were husband and wife, all wanted to maintain conservative investments in their portfolios to provide for their retirement. PW's investment objective was for a reasonable rate of growth. Her risk tolerance was for low to medium risk investments.

Financial statements for Star Data indicate that it was a small cap company, it had never paid dividends and had a low revenue base. Star Data was a high risk security for these clients. The use of margin to purchase Star Data in their accounts increased the risk level of the purchase. By the summer of 1998 Star Data made up from between 20% to 40% of these clients' portfolios. There were unrealized losses for Star Data of \$7,214 (GF), \$13,316 (PB/RB) and \$7,296 (PW). The Star Data trades were unsuitable for GF, PB/RB and PW given their age, investment objectives and risk factors.

Luscar Coal:

Client JT is a retired widow in her mid 70's, with limited investment experience. She wanted her money to grow to prepare for her retirement and she did not want high risk.

A recommendation and purchase in June 1996 of Luscar Coal Income Trust, on installment, was not suitable for JT, given her investment objectives and her portfolio at the time, as the purchase accounted for some 30% of her portfolio and was an excessive concentration. As of December 31, 1999, the value of Luscar Coal was \$2.73/unit for an unrealized loss of \$21,810.

Discretionary trading:

From time to time, Mr. Walsh had general discussions with clients GF, PB/RB and JT about their investments. The clients received monthly statements and trade confirmation slips and became aware of the above transactions after they had occurred, but they did not know that Mr. Walsh was required to obtain their prior consent. They assumed that Mr. Walsh was authorized to conduct the above transactions in their accounts.

In June, 1996 and on occasion in 1997 and 1998, Mr. Walsh used his discretion with respect to the quantity, price and/or timing of the above 7 trades in the accounts of JT, GF and PB/RB, without their written authorization, and without the accounts having been accepted and approved as discretionary accounts by CIBC.

Third party trading instructions:

AP is in her mid 30's and married. In 1998, Mr. Walsh effected a trade in her investment account. Rather than obtaining her authorization, he accepted trading instructions from AP's husband, without there being on file an executed third party trading authorization.

Other:

Mr. Walsh was previously disciplined by the Ontario District Council in August 1996, as seen in Association Bulletin No. 2292.

Mr. Walsh has been registered since 1983 with CIBC and is currently employed as a Vice President and Associate Portfolio Manager Options, at a Hamilton office of CIBC.

Kenneth A. Nason
Association Secretary