

Contact:
Elsa Renzella
Enforcement Counsel
(416) 943-5877

For distribution to relevant parties within your firm

BULLETIN #3252
February 10, 2004

Discipline

Discipline Penalties Imposed on KRESIMIR BEGIC – Violations of By-laws 29.1 and 29.3

Person Disciplined The Ontario District Council of the Investment Dealers Association (“the Association”) has imposed discipline penalties on Kresimir Begic, at the material times a Registered Representative at the Toronto office of HSBC Securities (Canada) Inc., a Member of the Association.

By-laws, Regulations, Policies Violated On January 30, 2004, the Ontario District Council considered, reviewed and accepted a Settlement Agreement negotiated between Mr. Begic and Association Staff.

Pursuant to the Settlement Agreement, Mr. Begic acknowledged that he engaged in conduct unbecoming contrary to By-law 29.1 in the he engaged in personal financial dealing with a client without the Member firm’s knowledge and circumvented prospectus exemption requirements as set out in s. 72(1)(d) of the *Ontario Securities Act*. Mr. Begic also admitted to participating in an oversubscribed issue without first making a bona fide offer of the security to the public, thereby violating By-law 29.3.

Penalty Assessed The discipline penalties assessed against Mr. Begic are a fine in the amount of \$15,000 and disgorgement of commissions in the amount of \$3,452.46. Also, as conditions of re-approval by the Association, Mr. Begic is required to successfully re-write the examination based on the *Conduct and Practices Handbook for Securities Industry Professionals*; and is required to be subject to a period of close supervision for six months. In addition, Mr. Begic is required to pay \$4,000.00 towards the Association’s costs of this matter.

As a further penalty term imposed by District Council, Mr. Begic will be prohibited from acting in any registered capacity with the Association until the fine, disgorgement and costs ordered are paid in full.

Summary
of Facts

In early 2000, HSBC was a co-underwriter for a private placement offering of preferred shares of Nu-Wave Photonics Inc. (“Nu-Wave”). This private placement was issued in Ontario pursuant to the prospectus exemption as set out in s. 72(1)(d) of the *Ontario Securities Act*. Section 72(1)(d) provides that a prospectus is not required for a distribution where each purchaser, *as principal*, invests a minimum of \$150,000 in the issue.

Mr. Begic approached one of his clients, T.M., about jointly participating in this private placement. An agreement was reached with the client to jointly purchase the minimum amount of \$150,000 in Nu-Wave shares through T.M.’s account held at HSBC. On March 24, 2000, T.M. subscribed to 21,000 preferred shares of Nu-Wave at a purchase price of US\$5.00 per share. The purchase was executed through his margin account at HSBC. Mr. Begic and his brother paid T.M. for half of this purchase.

Mr. Begic was not permitted to purchase shares in the Nu-Wave issue through his Pro-account. According to HSBC internal policy, new issues could not be purchased by any Pro-account unless it was demonstrated that client orders for the new issue have been fully satisfied. Mr. Begic did not take any steps to determine his eligibility to participate in the Nu-Wave distribution. If he had, he would have discovered that the offering was oversubscribed and increased in size from US\$20 million to US\$40 million.

HSBC did not become aware of this joint purchase until late January 2003, which ultimately resulted in Mr. Begic’s termination.

Mr. Begic is currently not registered in any capacity with the Association.

Kenneth A. Nason
Association Secretary