INVESTMENT DEALERS ASSOCIATION OF CANADA

bulletin

ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

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For distribution to relevant parties within your firm

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Discipline

Discipline Penalties Imposed on Marlow Group 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 Marlow Group Securities Inc. (Marlow), a Member of the Association.
By-laws, Regulations, Policies Violated	On July 22, 2004, the Ontario District Council considered, reviewed and accepted a Settlement Agreement negotiated between Marlow and Staff of the Association's Enforcement Department. Pursuant to the Settlement Agreement, Marlow admitted that on December 31, 2003, it failed to maintain its risk adjusted capital (RAC) 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 Marlow was a fine in the amount of $30,000. As well, Marlow was ordered to pay $4,000.00 toward the Association's costs of the investigation and prosecution of this matter. Further, effective July 22, 2004, Marlow is to maintain a positive RAC in the amount of $100,000 for a period of 12 months. If at any time thereafter its RAC falls below $100,000, Marlow will maintain RAC in the amount $150,000 for the subsequent 12 month period. Any further capital deficiency may result in Staff bringing further disciplinary action against Marlow. In addition, the Chief Financial Officer function for Marlow shall be executed by an individual other than Terrence W. Marlow while he holds any other executive position of Marlow including President and/or Chief Executive Officer.
Summary of Facts	Marlow is a Type I Introducing Broker. On January 23, 2004, Marlow filed a Monthly Financial Report (MFR) with the Association indicating a RAC of $44,000. Upon review of the MFR by Association staff, the following adjustments were made:

(a) exclusion of a $50,000 capital injection via an increase in subordinated loan until appropriate subordinated loan documentation, as prepared and provided by Marlow subsequent to February 3, 2004, had been approved by the Association;

(b) exclusion of a $50,000 corporation advisory fee receivable;

(c) exclusion of a $20,000 margin amount; and

(d) other miscellaneous exclusions of $3,000;

As a result, there was capital deficiency of $39,000.

Marlow corrected the capital deficiency effective February 11, 2004. No client funds were placed in jeopardy as a result of the deficiency.

The capital deficiency was the result of an inadvertent or careless error and there was no evidence of an intentional disregard for regulatory requirements on the part of Marlow.

Kenneth A. Nason
Association Secretary