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For distribution to relevant parties within your firm

BULLETIN #3317
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Discipline

Discipline Penalties Imposed on Steven Rodney Jeske – Violation of By-law 29.1.

Person Disciplined The Pacific District Council of the Investment Dealers Association of Canada (the “Association”) has imposed discipline penalties on Steven Rodney Jeske, at all material times an Investment Representative with Thomson Kernaghan & Company Limited, a member of the Association.

By-laws, Regulations, Policies Violated On June 28, 2004, the Pacific District Council considered, reviewed and accepted a Settlement Agreement negotiated between Mr. Jeske and Association Staff. Pursuant to the Settlement Agreement, Mr. Jeske admitted that:

He engaged in business conduct or practice which was unbecoming or detrimental to the public interest contrary to Association By-law 29.1 by running his own book of business, and by being the primary person responsible for servicing accounts for his clients, and by signing New Client Application Forms for the accounts, thereby acting as a Registered Representative, when he was only qualified and registered as an Investment Representative.

Penalty Assessed The penalties assessed against Mr. Jeske are:

- (a) a fine in the amount of \$15,000.00;
- (b) a condition of his continuing approval to act in a registered capacity with any Member that the fine and costs herein be paid.

Mr. Jeske is also required to pay \$2,000.00 towards the Association’s costs of this matter.

Summary of Facts

Mr. Jeske was approved as a Registered Representative (“RR”) in October 1994 subject to his successful completion of Part 1 of the Canadian Investment Management Course (the “CIM Course”) or the Professional Financial Planning Course (the “PFP Course”) within 30 months (by April 14, 1997).

On April 15, 1997 the deadline for Mr. Jeske’s completion of either the PFP Course or Part 1 of the CIM course passed without him having completed either course. He was therefore no longer qualified to act as an RR

On May 16, 1997 Mr. Jeske applied to the Association to be registered as an Investment Representative (“IR”). In his application he acknowledged that his status as a RR had been “suspended.” As part of his application, Mr. Jeske wrote a letter to the Association acknowledging his “change of status” from RR to IR and that he was aware the change meant he could not “give investment advice or solicit orders from clients.”

Mr. Jeske was approved as an IR in May 1997 and continued to be registered as an IR until December 2002 when his registration as a RR was reinstated after his successful completion of the PFP course.

Mr. Jeske was employed as an IR at Thomson Kernaghan & Co. Limited (“TK”) from May 3, 1999 until December 19, 2001 (the “Relevant Period”).

When employed as an IR at TK, Mr. Jeske had his own personal identification code for commission tracking purposes (“Broker Code”). This Broker Code was not shared with any RR. After TK deducted its percentage, Mr. Jeske was entitled to all commissions credited to the Broker Code.

During the Relevant Period, Mr. Jeske serviced more than 200 accounts (“the Accounts”) for over 100 individual or corporate clients (“His Clients”). The Accounts were opened during the Relevant Period or reopened at TK consequent upon Mr. Jeske’s transfer from Dominick & Dominick Securities Inc. to TK.

Generally, in respect of the Accounts opened during the Relevant Period, His Clients gave the Mr. Jeske the information contained on the New Client Application Form (“NCAF”) verbally and/or by filling out a NCAF that Mr. Jeske caused to be mailed to them and returning it to Mr. Jeske signed together with other related account opening documentation. Upon receipt of the signed and completed NCAF and other related account opening documentation Mr. Jeske submitted the account opening documents to TK’s branch manager’s assistant, who in turn would submit them to TK’s Vancouver Branch Manager for review and signature, who in turn would forward the documents to TK’s Head Office Compliance for final review and approval. Upon approval by TK’s Head Office Compliance an account number was assigned and the account would be opened.

For each of the Accounts, Mr. Jeske signed the completed NCAF in the section designated for “R.R. Signature” and filled in his Broker Code in the section designated for Broker Code identification.

Securities transactions were made in most of the Accounts. From May 1999 through February 2000 the monthly account statements and trade confirmation slips for the Accounts identified Mr. Jeske as the RR for each Account. From March 2000 throughout the balance of the Relevant Period the monthly account statements and trade confirmation slips for the Accounts identified Mr. Jeske as the Account Representative for each Account.

Throughout the Relevant Period, the Accounts were Mr. Jeske's accounts in that he was the person primarily responsible for servicing the Accounts and that in so doing he was not acting as an assistant to the Branch Manager or any other RR.

TK was a full service firm as opposed to a discount broker.

At no time during the Relevant Period did Mr. Jeske give advice with respect to specific securities, or solicit orders from His Clients. All securities transactions in the Accounts were within the investment objectives established by the clients for their respective Accounts.

The NCAF for each of the Accounts was signed and approved by Mr. Jeske's Branch Manager at TK and was also approved by TK's head office Compliance before any of the Accounts were opened.

The Branch Manager and TK's head office knew that Mr. Jeske was registered as an IR as opposed to an RR. Neither the Branch Manager or TK's head office advised Mr. Jeske that the his registration status precluded him from servicing His Clients during the Relevant Period in the manner he did and Mr. Jeske did not understand that he was so precluded.

A Notice of Hearing and Particulars has been issued against Mr. Jeske's Branch Manager at TK alleging, among other allegations, a failure to properly supervise Mr. Jeske.

In January 2002, the Association added close supervision as a condition to Mr. Jeske's registration as an IR until the outcome of the Association's investigation into the within matter (the "Existing Conditions").

Mr. Jeske continued to be registered as an IR until December 18, 2002 when his registration as a RR was reinstated after his successful completion of the PFP course. His registration remained subject to the Existing Conditions.

Except for being subject to the Existing Conditions since January 2002, Mr. Jeske had no previous disciplinary history with the Association and had satisfactorily performed under the Existing Conditions.

A copy of the reasons of the Pacific District Council is available on the Association's website under Enforcement > Reasons for Decisions in Disciplinary Hearings.

Kenneth A. Nason
Association Secretary