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Discipline

Discipline penalties imposed on Serge Bélec – Violations of By-law 29.1 and Regulation 1300.4 and Regulation 1300.5

Person Disciplined The Québec District Council of the Investment Dealers Association (the Association) has imposed discipline penalties on Serge Bélec who, at the material time, was a registered representative with the Sainte-Thérèse, Québec branch of Leduc & Associés Securities Canada Ltd., a Member of the Association.

By-laws, Regulations, Policies Violated According to a decision dated July 5, 2004, following a disciplinary hearing held on March 30, 2004, the Québec District Council found that Serge Bélec:

- (a) Made two unauthorized transactions on the account of his client SK, contrary to Regulation 1300.4 and Regulation 1300.5;
- (b) Made four unauthorized transactions on the account of his client AMK, contrary to Regulation 1300.4 and Regulation 1300.5;
- (c) Engaged in conduct that was unbecoming by offering to compensate his clients SK and AMK for losses suffered, without the authorization of his employer, contrary to By-law 29.1.

Penalties Assessed The discipline penalties assessed against Serge Bélec are:

- A fine of \$16,000;
- The requirement to rewrite and pass the *Conduct and Practices Handbook Course* administered by the Canadian Securities Institute;
- The condition that any re-approval is to be followed by a twelve (12) month period of close supervision;
- The payment of \$9,000 towards the Association's costs in this matter;
- A prohibition against seeking re-approval from a Member until such time as the fine and costs herein have been paid in full.

In determining the appropriate penalties, the Québec District Council took into consideration, in particular, the fact that the respondent acknowledged his guilt, which avoided the expenditure of considerable time and expense.

Summary of
Facts

Mr. Bélec was registered as a mutual funds representative between July and December 1999, then as a registered representative with Leduc & Associés Securities Canada Ltd., between December 1999 and the termination of his employment in May 2002.

In July 1999, Mr. Bélec opened an account on behalf of AMK, who was 19 years old at the time. Various investments were made with his client's approval. In July 2000, on Mr. Bélec's recommendation, AMK took out a \$30,000 bank loan for investing in two mutual funds. Mr. Bélec then opened an off-book account with a mutual fund for investing on his client's behalf using, among other things, the \$30,000 loan. In September 2000, he opened another off-book account with a mutual fund on AMK's behalf, but for investments belonging to her sister SK.

Between December 5, 2000 and January 2, 2001, when the assets of AMK and SK were declining considerably, Mr. Bélec made four unauthorized transactions on the off-book account of his client AMK and two on SK's account, transferring sums varying between \$15,000 and \$35,000 between various funds. Mr. Bélec was trying in this way to reduce his clients' losses in order to avoid having to tell them of their shrinking assets.

Following some margin calls, the clients realized that their assets had declined and that unauthorized transactions had been made on their accounts. They complained to Mr. Bélec about this situation. In response, the latter offered to compensate them for their losses, without clearing it with his superior.

Serge Bélec has not been a registered representative in the employ of an Association Member since the termination of his employment with Leduc & Associés Securities Canada Ltd. in May 2002.

Kenneth A. Nason
Association Secretary