



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

BULLETIN #3361
December 15, 2004

Discipline Discipline Penalties Imposed on Frederick Saturley – Violation of Regulation 1300.4(a) and (b)

Person Disciplined The Nova Scotia District Council of the Investment Dealers Association of Canada (the Association) has imposed discipline penalties on Frederick Saturley, at all material times a Registered Representative with BMO Nesbitt Burns Inc., a Member of the Association.

By-laws, Regulations, Policies Violated On September 29th, 2004, the Nova Scotia District Council considered, reviewed and accepted a Settlement Agreement negotiated between Mr. Saturley and Association Staff. Pursuant to the Settlement Agreement, Mr. Saturley admitted that between March 14, 1997 and August 20, 1997, he effected discretionary trades in client accounts without such accounts having been specifically approved and accepted in writing as discretionary accounts by a designated person of his Member firm, contrary to Association Regulation, 1300.4 (a) and (b).

Written reasons for the acceptance of the Settlement Agreement were issued on December 8, 2004.

Penalty Assessed The discipline penalties assessed against Mr. Saturley are:

- a) a fine in the amount of \$10,000; and that
- b) he re-write and pass the examination based on the Conduct and Practices Handbook for Security Industry Professionals administered by the Canadian Securities Institute within three (3) months.

Mr. Saturley is also required to pay \$5,000 towards the Association's costs of this matter.

Summary
of Facts

On or about March 10th, 1997, a middle-aged couple opened joint cash and margin accounts under the direction of the Respondent at the Halifax branch office of BMO Nesbitt Burns Inc. The New Account Application Forms completed at the time that the accounts were opened indicated that the clients' investment knowledge was average. However, they had no investment experience with common shares, preferred shares, bonds, new issues, options or commodities/futures.

The clients were not aware that Mr. Saturley was required to obtain their consent prior to carrying out trades in their accounts. None of their accounts had been accepted by BMO Nesbitt Burns Inc. as discretionary accounts pursuant to Association Regulation 1300.4 (a) and 1300.4(b). Mr. Saturley was accordingly not permitted to treat their accounts as discretionary accounts and was required to obtain the client's authorization at the time each specific trade was carried out. Although general discussions took place concerning the purchase of certain securities into their accounts, and Mr. Saturley believed that he had his clients' instructions to make trades on their behalf, he did not seek the clients' specific instructions as to the timing, price, or quantity of the trades.

Mr. Saturley resigned from BMO Nesbitt Burns Inc. on September 16, 1997 and moved to Midland Walwyn (subsequently, Merrill Lynch Canada). He is currently registered with the Association as a Vice-President, Registered Representative and as a Registered Representative – Options with CIBC World Markets Inc. Mr. Saturley had no prior disciplinary history with the Association.

A copy of the Settlement Agreement between and Association Staff is available on the Association's website under "Enforcement – Settlement Agreements".

Kenneth A. Nason
Association Secretary