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 Maurice Guy Brazeau – Violations of By-law 29.1

Person Disciplined	A Hearing Panel of the Investment Dealers Association of Canada ("the Association") appointed pursuant to IDA By-law 20 has imposed discipline penalties on Maurice Guy Brazeau, at the relevant time a Registered Representative with HSBC Securities (Canada) Inc. and BMO Nesbitt Burns Inc., Members of the Association.
By-laws, Regulations, Policies Violated	On October 20, 2004, a Hearing Panel of the Ontario District Council considered, reviewed, and accepted a Settlement Agreement negotiated between Mr. Brazeau and Staff of the Enforcement Department of the Association. Pursuant to the Settlement Agreement, Mr. Brazeau admitted that between December 2000 and July 2001, he engaged in conduct unbecoming or detrimental to the public interest, contrary to Association By-law 29.1, in that he:

(a) traded contrary to the best interests of two clients by arranging for the purchase and sale of an illiquid stock in their joint account for the purpose of attempting to generate capital losses for the financial benefit of one of Mr. Brazeau's other clients;

(b) processed five unauthorized purchases in the joint account of the same two clients in an attempt to make up for losses generated in their account; and

(c) improperly represented to his clients that there would no loss to their joint account as a result to the trades conducted in paragraphs (a) and (b) above.

Penalty Assessed

The discipline penalties assessed against Mr. Brazeau were:

- a fine in the amount of $35,000;
- disgorgement of commissions in the amount of $1,568.28;
- a prohibition on receiving registration approval with any Member firm of the Association for a period of three (3) years, commencing October 20, 2004;
- as a condition of his re-approval by the Association in any registered capacity with any Member of the Association, that he successfully re-write the examination based on the Conduct and Practices Handbook for Securities Industry Professionals;
- close supervision for a period of 12 months upon any subsequent registration approval with a Member firm of the Association;
- costs of the Association's investigation and prosecution of this matter in the amount of $20,000; and
- in the event that Mr. Brazeau fails to comply with any of the above discipline penalties, the District Council may, upon application by the Senior Vice-President, Member Regulation, and without further notice to the Mr. Brazeau, suspend his approval until the fine and costs are paid in full, and the other conditions fulfilled.

Summary of Facts

Between February 1998 and March 2001, Mr. Brazeau was employed at the Ottawa office of HSBC Securities (Canada) Inc. (or its predecessor) ("HSBC") as Vice-President, Registered Representative – Options. Mr. Brazeau transferred his registration to the Ottawa office of BMO Nesbitt Burns Inc. ("BMO") in April 2001. He was employed there as a Registered Representative – Options until his termination for cause in September 2001. He has not been registered with the Association since that time.

At all material times, Mr. Brazeau was the Registered Representative for L.P and M.P., a married couple. The clients held a joint margin account at HSBC. When Mr. Brazeau transferred to BMO, the clients moved their joint account there as well.

In December 2000, Mr. Brazeau wished to accommodate the wishes of another client who wished to sell certain illiquid stock in order to generate losses for tax purposes. Mr. Brazeau approached L.P. and asked whether L.P. would buy and hold some of the other client's stock for a period of 30 days, after which the transaction would be reversed. Mr. Brazeau assured L.P. that the transaction would not result in any losses to his account. While L.P. did not like the idea, Mr. Brazeau was able to convince him and his wife to participate in the transactions. However, when the securities were sold in February 2001, there was a loss to the joint account of L.P. and M.P of almost $4,000.00.

To make up for the losses, Mr. Brazeau made five unauthorized purchases in the joint account of L.P. and M.P. Sometime in and around March 2001, L.P. learned of the unauthorized trades. When L.P. confronted Mr. Brazeau, Mr. Brazeau promised L.P. that they would not lose any money on these stocks. Subsequent to this discussion, and after Mr. Brazeau moved to BMO, Mr. Brazeau made two further unauthorized purchases in the clients' joint account. When the clients learned of the further unauthorized trades, L.P. called Mr. Brazeau and again Mr. Brazeau guaranteed that the joint account would not lose any money from the unauthorized purchases.

Each of the stocks that Mr. Brazeau purchased in anticipation of a profit to pay back the loss realized on the first transactions suffered a substantial decline in value. In total, the unauthorized trades resulted in losses to the client's joint account of close to $202,000.

The clients were ultimately compensated for their losses by the Member firms.

Written reasons for the acceptance of the Settlement Agreement by the Hearing Panel will be posted on the Association's website in due course.

Kenneth A. Nason
Association Secretary