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**BULLETIN #3460**

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## Discipline

### **Discipline Penalties Imposed on William Richard Booth Bell Wright; Violation of By-law 29.1, Regulation 1300.2, and Policy 2.**

Person Disciplined	A Hearing Panel of the Investment Dealers Association of Canada (Association) appointed pursuant to Association By-law 20 has imposed discipline penalties on William Richard Booth Bell Wright (Wright), at all material times the branch manager of the Vancouver branch office of Yorkton Securities Inc. (Yorkton), a Member of the Association.
By-laws, Regulations, Policies Violated	On August 26, 2005, a Hearing Panel considered, reviewed, and accepted a Settlement Agreement negotiated between Staff of the Enforcement Division of the Association (Association Staff) and Wright.  Pursuant to the Settlement Agreement, Wright admitted that from March 2000 to April 2001, he failed to properly supervise the opening of, and the activity in, the joint account of two clients (the T Account) and he failed to properly supervise the activity in the accounts of another client (the C Accounts), contrary to Association By-law 29.1, Regulation 1300.2, and Policy 2 (as they were in effect at that time).
Penalty Assessed	The following penalties were assessed against Wright: <ul style="list-style-type: none"> <li>• payment of a \$25,000 fine;</li> <li>• a requirement that he re-write and pass the Partners, Directors and Officers examination within 12 months of the effective date of the Settlement Agreement; and</li> <li>• payment of \$5,000 towards the Association's investigation and prosecution costs in this matter.</li> </ul>

Summary of Facts

#### **Background**

This matter relates to the period from March 2000 to April 2001. Between May 1997 and April 2001, Wright was the branch manager of the Vancouver branch office of Yorkton (the Vancouver Branch). In his capacity as branch manager, Wright was, among other things, responsible for the opening of new accounts and supervision of account activity at the Vancouver Branch.

As branch manager, Wright was also responsible for the supervision of George Otto Pappas (Pappas). Pappas was a registered representative (RR) who worked at the Vancouver Branch from on or about March 13, 2000 to on or about September 26, 2001, when Yorkton terminated Pappas's employment for cause.

At all material times, Pappas was the RR responsible for the joint account of C.T. and R.T. and the accounts of J.C.

### **T Account**

C.T. and R.T. were husband and wife. On or about November 25, 2000, they opened an account at the Vancouver Branch (the T account).

The New Client Application Form (NCAF) for the T Account recorded, among other things, that:

- C.T. was 64 years old;
- his annual income was \$21,000;
- R.T. was 57 years old;
- she worked as a waitress;
- her annual income was \$16,000;
- their estimated net worth was \$184,000 (\$109,000 in liquid assets and \$75,000 in fixed assets);
- their investment knowledge was minimal;
- their investment objectives were 100% short term; and
- their risk level was 100% high.

The NCAF also recorded that C.T. and J.T. had provided a cheque for \$25,000 that was to be deposited into the T Account. The cheque was subsequently deposited into the T Account.

On or about November 27, 2000, Wright approved the NCAF for the T Account, despite the fact that the investment objectives and the risk level that were indicated on the NCAF were inconsistent with the age, income, and net worth information that was recorded on the NCAF.

### **Activity in the T Account**

Between late November 2000 and February 2001, Pappas effected a high risk, short-term trading strategy primarily in large cap technology securities in the T Account. At times he traded on margin and in one instance he engaged in short-selling.

In December 2000 the T Account generated approximately \$2,950 in commissions.

As a result of the trading strategy that was effected by Pappas, C.T. and R.T. lost their entire \$25,000 investment.

The recommendations that were made and the orders that were effected in the T Account were not appropriate for C.T. and R.T., given their respective ages, financial situation, and investment knowledge.

### **C Accounts**

On or about February 7, 2000, J.C. opened a RRSP account and a locked-in RRSP account (collectively the C Accounts) at the Vancouver Branch. J.C. had been a client of Pappas when Pappas worked as an RR at another Member firm.

The February 7, 2000 NCAF for J.C. indicated that:

- J.C. was 47 years old;
- her annual income was \$36,000;
- her spouse's annual income was approximately \$50,000;
- she worked as a secretary;
- her investment objectives were 50% medium term, 30% short term, and 20% venture;
- her risk level was 50% medium and 50% high;
- her investment knowledge was good; and
- her estimated total net worth was \$230,000 (\$10,000 in liquid assets and \$220,000 in fixed assets).

On or about March 16, 2000, Wright approved the NCAF for the C Accounts.

### **Activity in the C Accounts**

#### *RRSP Account*

In or around March and April 2000, J.C. transferred approximately \$77,146 worth of Canadian mutual funds and large cap U.S. securities from an account she had maintained with Pappas at another Member firm, to her RRSP Account at the Vancouver Branch. The securities were sold and between April 2000 and March 2001, Pappas used the proceeds to effect a high risk, short-term trading strategy primarily in technology securities.

In May 2000, June 2000, July 2000, August 2000, and January 2001, the monthly commissions for the RRSP Account exceeded \$1,000.

By August 2000 the value of the account holdings had appreciated to approximately \$93,734.

By March 2001 the value of the account holdings had diminished to approximately \$25,366.

In total, J.C. lost approximately \$60,758 of the approximately \$77,146 that she transferred into the RRSP account.

*Locked in RRSP Account*

In or around July 2000, J.C. transferred approximately \$59,377 worth of mutual funds from an account she had maintained with Pappas at another Member firm, to her locked in RRSP Account at the Vancouver Branch. Like in the RRSP Account, the securities were sold and between July and March 2001, Pappas used the proceeds to effect a high-risk, short-term trading strategy primarily in technology securities.

By August 2000 the value of the account holdings had appreciated to approximately \$65,241.

In September 2000, the monthly commissions for the locked in RRSP Account exceeded \$1,000.

By March 2001 the value of the account holdings had diminished to approximately \$18,183.

In total, J.C. lost approximately \$41,194 of the approximately \$59,377 that she transferred into the locked in RRSP account.

The recommendations that were made and the orders that were effected in the C Accounts were not appropriate or suitable for J.C. given her age, financial situation, and investment knowledge.

**Supervision**

Wright did not make any inquiries of Pappas or the respective account holders, in relation to the opening of the T Account or the C Accounts.

Wright failed to take any action to prevent Pappas from making recommendations and effecting transactions in the T Account and the C Accounts, which were unsuitable for the respective account holders.

The Hearing Panel's written reasons will be posted on the Association's website when they become available.

Kenneth A. Nason  
*Association Secretary*