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Contact:

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Tamara Brooks
Kathryn Andrews
Enforcement Counsel
(416) 364-6133
tbrooks@ida.ca
KAndrews@ida.ca

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Discipline

Discipline Penalties Imposed on Robertson Rodger Dow; Violations of By-law 29.1

Person Disciplined A Hearing Panel appointed pursuant to IDA By-law 20 imposed discipline penalties on Robertson Rodger Dow, at all material times an Approved Person with the Toronto office of Octagon Capital Corporation (“Octagon”), an IDA Member firm. Mr. Dow’s motion for a stay of the proceeding was dismissed.

**By-laws,
Regulations,
Policies Violated** Following a disciplinary hearing held on June 27, 2006, in Toronto, Ontario, a Hearing Panel found that Robertson Rodger Dow engaged in conduct unbecoming, contrary to Association By-law 29.1, by accepting orders to trade from an individual he knew or ought to have known to have had a history of securities violations and/or association with organized crime. Further, Mr. Dow was found to have violated By-law 29.1 for having concealed from Octagon the fact that he was taking trading instructions from persons not authorized in writing and that the true identity of beneficial owners of accounts were different than as identified in account documentation. Finally, Mr. Dow accepted trading instructions from persons who were not the owners of the accounts and were not authorized to give instructions.

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

- Permanent prohibition from approval to act in any registered capacity with a Member of the Association;
- A fine in the amount of \$300,000;

- Disgorgement of commissions in the amount of \$361,972.

Mr. Dow is also required to pay costs of \$110,000 towards the Association's costs of the investigation and the prosecution.

Summary of Facts The Investigation was initiated as a result of information received from the U.S.A. Securities and Exchange Commission ("SEC") in July 2003.

The Clients

Mr. Dow initially became involved with Phil Gurian ("Gurian"), Jeanne Schnapik ("Schnapik") and Rheel Cote ("Cote") in 2000, while employed as a registered representative at Northern Securities Inc. ("Northern"), a Member firm. Cote is a Canadian citizen with dual residency in Florida and is Schnapik's common-law spouse. Schnapik is Gurian's mother and a French national with dual residency in Ontario and Florida. Gurian is also a Florida resident who pled guilty in February 2000 to U.S. Federal criminal charges including mail fraud, and conspiracy to commit securities fraud, mail fraud and wire fraud. In the early 1990's, the National Association of Securities Dealers ("NASD") permanently banned Gurian from the American securities industry. Mr. Dow became aware of Mr. Gurian's past early on in their relationship.

Mr. Dow opened accounts at Northern in the names of Gurian, Schnapik and Cote as well as corporate accounts in the name of Benil Finance Ltd. ("Benil"). Schnapik was named as the client contact and beneficial owner of the Benil accounts. Mr. Dow accepted trading instructions on the Benil accounts from Gurian.

The Move to Octagon

In January 2002, Mr. Dow moved to Octagon. He opened accounts for Schnapik and Cote as well as six Benil accounts and one account named Blue-Green T.

Even though Octagon did not permit American residents to open accounts or maintain trading authority, Mr. Dow "had an agreement with Phil [Gurian] to continue business as usual." Mr. Dow continued to take instructions from Gurian and others in relation to six Benil accounts and the Blue-Green T account.

Mr. Dow's trading for Gurian was mostly short selling over-the-counter bulletin board stocks through market makers in the United States. He also took instructions from Gurian with respect to "making a market" in the stock Hi-Energy.

The Benil and Blue-Green T Accounts at Octagon:

Schnapik remained the named client contact and beneficial owner for the Benil accounts at Octagon. The first Benil account ("Benil #1") was opened in January 2002 and an additional five (5) Benil accounts were opened a few months later. Gurian did not open any accounts at Octagon nor was he listed as either a beneficial owner or as having trading authority over any of the Benil accounts.

Mr. Dow admitted that Benil #1 was opened for Schnapik's benefit while Gurian directed the trading. Benil #1 actively traded from February 2002 until at least February 2004.

Benil #2 - #6 and the Blue Green T accounts were operated by individuals who had not been identified nor revealed as beneficiaries as part of the account documentation on file. Mr. Gurian had significant involvement in directing the trading in the accounts. The accounts traded inclusively from February 2002 to February 2004.

The Remond Articles

Two related articles written by Carol Remond regarding HiEnergy and Gurian were published on the Dow Jones newswire in February 2003. The articles talked about HiEnergy's investors having a connection to Gurian, while linking him to Benil Finance, Cote, Schnapik and organized crime.

Mr. Dow told the Association that he had read the Remond articles at the time they were released. He had discussed the articles with Gurian who denied the allegations.

Concealment of Information from Octagon

Although given the opportunity to disclose information to Octagon, Mr. Dow never advised Octagon that he was working with Gurian to create a market for HiEnergy or that others were instructing him on the 6 Benil and the Blue Green T accounts. Further, Mr. Dow never advised Octagon that Benil #2 through #6 and Blue Green T were trading for the benefit of others not named on the account documentation. Mr. Dow did not describe the true circumstances of the operation of these accounts to Octagon.

Other

Mr. Dow has not been registered with the Association since September 2005.

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

Association Secretary