

2002 BCSECCOM 545

Settlement Agreement

Ascot Financial Services Limited and Reid Marvin Liske

Securities Act, RSBC 1996, c. 418

[para 1]

The following settlement of issues has been reached between Ascot Financial Services Limited (Ascot), Reid Marvin Liske (Liske) and the Executive Director.

Agreed Statement of Facts

[para 2]

As a basis for the undertakings and the orders referred to in this settlement, Ascot and Liske acknowledge the following facts as correct:

1. Ascot is a corporation incorporated under the laws of British Columbia on August 6, 1985. Ascot's head office within British Columbia is located at suite 260, 2755 Lougheed Highway, Port Coquitlam, B.C.
2. Ascot has been registered, pursuant to section 34 of the *Securities Act*, RSBC 1996, c. 418 (the Act) as a mutual fund dealer in British Columbia, since September 24, 1985.
3. Liske has been registered, pursuant to section 34 of the Act, as a mutual fund salesperson since February 15, 1985. In June 1989 he assumed the office of President of Ascot. Liske has been registered as a trading director and approved in accordance with section 65 of the *Securities Rules*, B.C. Reg. 194/97 (the Rules) as the designated compliance officer of Ascot since May 31, 1993.

Ascot

4. Staff (Staff) of the British Columbia Securities Commission (the Commission), as part of routine compliance examinations of Ascot conducted in August 1995 and December 2000 (the Examinations), determined that, from October 1995 to December 14, 2000 (the Relevant Period), Ascot failed to establish and apply written prudent business procedures for dealing with clients, in contravention of section 44(1) of the Rules.
5. Ascot designated a compliance officer and branch managers to approve the opening of new client accounts and to supervise transactions made on behalf of clients in British Columbia. However, Staff has determined from the Examinations that, during the Relevant Period, the compliance officer and branch managers failed to, for some clients, properly approve the opening of

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new client accounts and to supervise transactions made. Ascot failed to properly supervise the compliance officer and branch managers to ensure that they consistently and adequately performed their duties and followed company procedures, and, as a result, Ascot contravened section 47 of the Rules.

6. A sampling of Ascot client files reviewed by Staff during the Examinations evidences that Ascot's registered representatives failed to make inquiries of their clients in some instances during the Relevant Period regarding their general investment needs and objectives, the appropriateness of recommendations made, and the suitability of proposed purchases or sales, in contravention of section 48 of the Rules.
7. Staff has determined from the Examinations that, during the Relevant Period, Ascot had a procedure in place to inform clients about the availability of a copy of Ascot's most recently prepared statement of financial condition on request, as prescribed by section 50 of the Rules, but Ascot failed to supervise and apply the procedure to ensure that the required information was provided to every client.
8. Staff has determined from the Examinations that, during the Relevant Period, Ascot did not have procedures in place requiring that each of its branches or sub-branches be subject to regular periodic on-site examinations by Ascot's compliance staff to ensure that each branch and sub-branch was conducting business in accordance with the Act and Rules.
9. The deficiencies described in paragraphs 4, 5 and 6 went uncorrected despite Ascot receiving notice of these deficiencies in an exam letter from Staff dated October 30, 1995.

Liske

10. Liske, as the designated compliance officer of Ascot, had the obligation under section 65 of the *Rules* to ensure Ascot's compliance with the Act and the Rules. Staff has determined from the Examinations that, during the Relevant Period, Liske failed to:
 - (a) adequately approve the opening of new accounts and supervise transactions made on behalf of clients as required by section 47 of the Rules;
 - (b) adequately supervise Ascot's registered representatives and ensure that they made the necessary enquiries concerning their clients in order to determine their general investment needs and objectives, the

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appropriateness of recommendations made, and the suitability of proposed purchases or sales, as required by section 48 of the Rules; and

(c) ensure that Ascot complied with sections 44(1) and 50 of the Rules resulting in Ascot breaching these sections of the Rules as mentioned in paragraphs 4 and 7 above.

11. The deficiencies described in paragraphs 10(a), 10(b) and 10(c) went uncorrected despite Liske receiving notice of these deficiencies in an exam letter from Staff dated October 30, 1995.

Mitigating Factors

[para 3]

The Executive Director has taken into account the following facts as factors mitigating the sanctions which would otherwise have applied in the public interest:

1. Ascot and Liske represent that the deficiencies set out in this Agreement have been rectified;
2. Ascot and Liske represent that Ascot has completed on-site examinations of each of its branches and sub-branches and has established a program to ensure that each branch and sub-branch is subject to periodic compliance examinations in the future; and
3. Ascot and Liske represent that Ascot has received no complaints from clients arising from the deficiencies referred to in this Agreement.

Undertaking

[para 4]

Ascot undertakes to pay to the Commission, at the signing of this Agreement, the sum of \$20,000, of which \$5,000 represents the costs to the Commission of the investigation.

Order

[para 5]

Liske consents to an order by the Executive Director (the Order) under section 161(1)(f) of the Act, that, as a condition of his registration, Liske is prohibited from acting as a designated compliance officer until the later of:

- (a) three years from the date of this Order; and
- (b) the date Liske completes both the Branch Managers Course and the Officers', Partners' or Directors' Examination.

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Waiver

[para 6]

Ascot and Liske waive any rights they may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal relating to, in connection with or incidental to this Agreement and the Order.

June 6, 2002

ASCOT FINANCIAL SERVICES LIMITED

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Authorized Signatory)
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Name (Please print))
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Capacity)
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Witness Signature)
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Witness Name (Please print))
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Address)
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Occupation)

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_____))
REID MARVIN LISKE)

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Witness Signature)

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Witness Name (Please print))

_____))
Address)

_____))
Occupation)

June 13, 2002

Steve Wilson
Executive Director