

OFFICE OF THE ADMINISTRATOR
OF SECURITIES
DEPARTMENT OF JUSTICE

P.O. Box 5001
77 Germain Street, Suite 102
Saint John, New Brunswick
E2L 4Y9
Telephone (506) 658-3060
FAX (506) 658-3059



PROVINCE OF NEW BRUNSWICK
PROVINCE DU NOUVEAU-BRUNSWICK

BUREAU DE L'ADMINISTRATEUR
DES VALEURS MOBILIÈRES
MINISTÈRE DE LA JUSTICE

C.P. 5001
77, rue Germain, Pièce 102
Saint John, Nouveau-Brunswick
E2L 4Y9
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FAX (506) 658-3059

Province of New Brunswick

In the Matter of the Securities
Act, R.S.N.B. 1973, c. S-6, and
amendments thereto;

and

In the Matter of the
Registration of Ronald Austin
Woodman.

Decision and Reasons

Hearing: Friday, February 1, 1991, 9:30 a.m.

Appearances: Edouard O. LeBlanc, Deputy Administrator of
Securities, New Brunswick;
Ronald Austin Woodman, Registrant;

Decision and Reasons of Donne W. Smith, Jr., Administrator of Securities of New Brunswick:

At the request of the Deputy Administrator of Securities, and pursuant to the Securities Act, (Security Frauds Prevention Act) R.S.N.B., 1973, c. S-6, and amendments thereto, a Hearing was ordered to review the suitability of Ronald Austin Woodman for continuing registration as a salesperson under the Act. At the time of the Hearing, Mr. Woodman was an employee of Canadian Scholarship Trust Consultants Inc., a registered educational savings plan dealer.

At the Hearing evidence was given that Mr. Woodman first became registered under the Securities Act on December 18, 1990. Mr. Woodman's registration, like that of his employer, is restricted to distributing only approved educational savings plans.

Pursuant to the registration requirements of the Office of the Administrator, Mr. Woodman executed a Securities Fraud Information Centre Request form on December 21, 1990. Subsequently the form was returned by the RCMP Securities Fraud Information Centre, in Ottawa, indicating that a conviction might be on record as relating to the applicant. Only with fingerprints could a conclusive determination be made. No conviction was disclosed on Mr. Woodman's Securities Fraud Information Centre Records Request form, as required by the form.

Upon receipt of the returned form, the Deputy Administrator commenced an investigation pursuant to normal practice. He contacted the registrant, Mr. Woodman. While there is conflicting evidence regarding the nature of conversations between the Deputy Administrator and the registrant, Mr. Woodman did acknowledge a criminal conviction similar to that alleged by the SFIC. No fingerprints have been offered by Mr. Woodman in order to conclusively determine that the individual named in the returned record is the registrant.

The Deputy Administrator testified that as a result of telephone conversations with Mr. Woodman on January 15, 16, and 18, 1991 he determined that Mr. Woodman's registration should be suspended pending a full hearing before the Administrator. By a Notice of Suspension from Registration and Hearing, issued January 22, 1991 a hearing date was set for January 31, 1991 at 1:30 p.m. This was subsequently amended, with the consent of parties, to February 1, 1991 at 9:30 a.m. Mr. Woodman acknowledges receipt of this Notice.

The Notice indicates that "the purpose of the hearing will be to consider whether [Mr. Woodman's] suspension is warranted or whether it should be continued or whether registration should be cancelled". The registrant was advised that he could be represented by legal counsel. The Hearing was conducted on February 1, 1991.

The Deputy Administrator alleges that Mr. Woodman's failure to disclose a criminal conviction as required by the SFIC form brings into question the registrant's continuing suitability for registration under the Securities Act. More particularly, the Deputy Administrator argues that the nature of Mr. Woodman's response to the Deputy Administrator's questioning of the SFIC record is such that the registrant cannot be deemed suitable to deal with the general public.

Mr. Woodman, in response, argues strongly that the Hearing should focus solely upon his suitability for registration in relation to his conviction, which he acknowledges, rather than upon disagreements with the Deputy Administrator's approach to the investigation. It should be noted that because the conviction occurred 24 years before, it was not necessary to disclose it on the separate application form. Question 15(b) requires disclosure only of convictions in the previous 15 years.

Mr. Woodman's conviction in 1967 at age 28 of a minor criminal code offence resulted in a small fine. Mr. Woodman was very forthright in describing the circumstances surrounding this incident which, I determine, is not relevant to the questions of his suitability for registration under the Securities Act. However, should records have disclosed subsequent convictions of any kind, then the earlier one, on the contrary, might have been relevant to this Hearing.

The Deputy Administrator argues that Mr. Woodman's attitude towards the investigation of this matter is evidence of his lack of suitability to deal with the public, and therefore, affects his registration. Mr. LeBlanc alleges that Mr. Woodman used intimidating language and veiled threats in an attempt to prevent Mr. LeBlanc from pursuing his investigation. Mr. Woodman, in response, argues only that he was within his rights to strongly defend his position because his reputation as a teacher in his community was at stake. I do not find either of these arguments persuasive or conclusive in determining the central issue of suitability.

Pursuant to section 12(1)(c)(v) of the Securities Act:

The Administrator may order that

- c) a registration be suspended or cancelled upon
- v) the Administrator being satisfied that such action is in the public interest;

The Administrator may exercise a broad discretion in determining what is in the public interest and how it should be protected.

The question before the Administrator is whether Ronald Austin Woodman, by reason of the nature of his 1967 conviction or by his acknowledged failure to fully disclose his conviction on the SFIC form has failed in the first instance to meet the minimum standards necessary for registration, or subsequently, to maintain those high standards, thereby rendering him unsuitable for continuing registration.

The New Brunswick Securities Act requires that the Administrator impose minimum standards so that the investing public is protected from fraudulent activity. If these corporate or individual standards are not met or maintained the integrity of the industry is rightfully questioned. This is especially important in the securities industry where substantial client sums are entrusted by individuals to their advisors. Investors expect their investment advisors to be truthful, honest and forthright, and should they not be, the Administrator is directed by the Act to take appropriate action.

I have indicated that Mr. Woodman's conviction in 1967 does not, in my opinion, have any current relevance to the question of his continuing registration under the Act. No subsequent criminal offences are disclosed by any record. However, his responses to the inquiries of the Deputy Administrator, while in the first instance human, ultimately reflect upon Mr. Woodman. Certainly, each of us is concerned to protect our own reputation, and this concern may result at first in un-cooperative responses. However a registrant has a duty to assist the securities regulator and staff maintain the high standards of integrity within the securities industry. This demands full cooperation and assistance on a continuing basis, as well as full disclosure in the initial instance.

While Mr. Woodman at the hearing was concerned about explaining the nature of the conviction, the Deputy Administrator emphasized the failure of the registrant to fully disclose information which might affect his suitability for registration. Full disclosure is a fundamental principle in the securities regulatory process.

Mr. Woodman admits that, whether deliberately or through inadvertence, he did not disclose his past criminal conviction on the SFIC form. It is not the offence but rather the failure to disclose that is the central issue. The Administrator has an obligation to ensure that similar failures to disclose information do not occur again so that the high standards demanded by the securities industry and the Securities Act are maintained. Regretfully, I believe the registrant's failure to disclose a criminal code conviction on the SFIC form, as required, which conviction in itself and in the circumstances might not prevent registration, is nevertheless evidence that he did not appreciate then the high standards required of registrants under the Act. While I believe that the registrant is now fully aware of those standards, administrative action is still warranted.

Mr. Woodman's registration has been suspended effective January 22, 1991, pursuant to a Notice of Suspension from Registration and Hearing. Pursuant to section 12(1)(c)(v) of the Act, I hereby confirm that suspension and order that it remain in effect until February 19, 1991 at which time, at Mr. Woodman's request, and in the absence of any further detrimental information, his registration may be reinstated.

Pursuant to the Securities Act, Mr. Woodman has the right to appeal this decision.

Dated at Saint John this *6th* of February, 1991.



DONNE W. SMITH, JR.
ADMINISTRATOR

