



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*

**BULLETIN #3276**  
May 4, 2004

## Discipline

### Discipline Penalties Imposed on Paul Alexander Bishop – Violations of By-law 29.1 and Regulation 200.1(i)(3).

Person Disciplined	The Ontario District Council of the Investment Dealers Association (“the Association”) has imposed discipline penalties on Paul Alexander Bishop, at the material times a Registered Futures Contract Representative Options at various Toronto offices of CFG Financial Group Inc. or its predecessor firms (LFG Futures Canada Inc. and CFG Futures Canada Inc.).
By-laws, Regulations, Policies Violated	Prior to the commencement of the disciplinary hearing held on April 19, 2004, Mr. Bishop admitted to the facts and violations as alleged in the Notice of Hearing. Specifically, Mr. Bishop acknowledged that he engaged in several instances of conduct unbecoming contrary to By-law 29.1 in that he misappropriated funds from six clients, issued fictitious account statements to six clients, engaged in unauthorized trading, and compensated a client for trading losses without the Member’s firms knowledge. He also admitted to effecting trades for a client account on instructions from a third party without written authorization, contrary to Regulation 200.1(i)(3).
Penalty Assessed	In light of the admissions made by Mr. Bishop, the only issue to be addressed by the Ontario District Council was penalty. Following submissions by both parties to the proceeding, the Ontario District Council agreed with the recommendation put forth by Enforcement Counsel of the Association and imposed the following discipline penalties upon Mr. Bishop: <ul style="list-style-type: none"> <li>• A lifetime ban from acting in any registered capacity with the Association;</li> <li>• Disgorgement of commissions in the amount of \$450.82; and</li> <li>• A global fine of \$410,000.</li> </ul> <p>The Ontario District Council also ordered Mr. Bishop to pay Association costs in this matter in the amount of \$39,816.25.</p>

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Summary  
of Facts

**Client DK**

In April 2002, DK opened a futures trading account with Mr. Bishop. Although the account was in DK's name, DK left the trading in the account to be directed exclusively by his brother. Despite verbal authorization, there was no proper written third party authorization permitting DK's brother to trade in the account.

On August 27, 2002, Mr. Bishop bought and sold six U.S. T-bonds futures contracts in DK's account at a total loss of USD\$1,968.75, without the client or his brother's authorization. Total commission charged for these transactions was USD\$520.68, 50% of which was paid to Mr. Bishop.

When confronted by the client's brother about these trades, Mr. Bishop advised him that these were trading errors and undertook to correct them. However, despite repeated assurances from Mr. Bishop, the corrections were not made. After being told by the client's brother that he was going to complain to head office, Mr. Bishop deposited \$2,000 of his personal monies into DK's account to partially compensate DK for the losses sustained in his account. Although Mr. Bishop used his own personal funds, Mr. Bishop led him to believe that the funds came from the firm, CFG Financial Group Inc. ("CFG").

**Client DW**

In August 2001, DW provided Mr. Bishop with USD\$2,000 to be deposited in an account in the name of Cancomm Capital Management Inc. ("Cancomm"), Mr. Bishop's own personal corporate account. The arrangement was for DW to engage in futures trading through the Cancomm account.

On September 28, 2001, Mr. Bishop and DW entered in a written agreement whereby Mr. Bishop would guarantee a return of 100% by the end of October 2001, for an investment amount of \$7,000 to be provided by D.W. According to the agreement, the investment was to be used in three ways:

- (1) To promote Mr. Bishop's website Techcan.com, a purported options advisory service;
- (2) To trade in the Cancomm account, with such trading also to train DW as a fund manager for Cancomm's fund account; and
- (3) In consideration for 1,000 shares of Cancomm

Pursuant to this agreement, the client provided Mr. Bishop with \$7,000 on October 2, 2001. Prior to this, in September 2001, DW also invested \$1,700 in the promotion of Mr. Bishop's website.

None of the investments funds provided by the client were deposited in the Cancomm account or used for their intended purpose as understood by the client. Instead, Mr. Bishop misappropriated the said funds and used it for his own personal benefit.

During the period from December 2001 to January 2003, the client placed numerous trade orders with Mr. Bishop to be executed through the Cancomm account , but Mr. Bishop did not execute any of them. However, Mr. Bishop would regularly provide the client with fictitious account statements that led the client to mistakenly believe that the trades did in fact take place in an account in the name of “DW, c/o Cancomm Capital Management Inc.”

#### **Client JH**

On or about September 6, 2002, DW’s friend, JH, provided \$3,500 to Mr. Bishop for the purpose of trading in the Cancomm account on his own behalf. DW was given written authorization to trade on behalf of JH. The arrangement was for DW to request the same trades for both himself and JH.

Mr. Bishop did not execute any of the trades that were supposed to have been executed on JH’s behalf and used the \$3,500 for his own benefit. In September and October 2002, Mr. Bishop provided the client with fictitious account statements that led JH to mistakenly believe that the trades did in fact take place in an account in the name of “JH, c/o Cancomm Capital Management Inc.”

#### **Client JM**

JM opened an account with Mr. Bishop in January 2002. In May 2001, the client lost almost his entire investment. After complaining to Mr. Bishop in August 2001, Mr. Bishop arranged with the client to trade in what he called an “omnibus account”.

In September 2002, Mr. Bishop provided JM with fictitious statements for the “omnibus account”. As of September 30, 2002, the fictitious account statement indicated a closing balance of over USD\$13,000. The client only discovered this was false information in December 2002 when the branch manager at CFG advised him that he only had \$65.00 in his account.

#### **Client BK**

During the month of January 2002, BK provided \$39,050 to Mr. Bishop to be deposited in the Cancomm account for the purpose of trading on the client’s behalf. Mr. Bishop did not deposit these funds in the Cancomm account, but instead placed the funds in Cancomm’s bank account and used them for his own personal benefit.

During the year 2002, Mr. Bishop provided BK with fictitious account statements that led the client to mistakenly believe that the trades in fact took place in an account in the name of “BK, c/o Cancomm Capital Management Inc.”

**(vii) Clients CF and BF**

CF and BF became clients of Mr. Bishop in January 2000. Over the course of approximately the next two years, these clients provided Mr. Bishop with funds totalling CAD\$80,000 and USD\$10,000, which was to be deposited in the Cancomm account for the purpose of trading on their behalf.

Mr. Bishop has admitted that approximately 60% of these funds were deposited in the Cancomm account and used for his own personal benefit. The remaining funds were used for other purposes including covering client losses.

Mr. Bishop did not execute any of the trade orders placed by BF. However, he provided the clients with fictitious account statements until his termination in December 2002 that led the clients to mistakenly believe that the trades did in fact take place in an account in the name of “CF and BF, c/o Cancomm Capital Management Inc.”

**Client SS**

In the spring of 2002, Mr. Bishop approached one of his clients, SS, to invest in two funds that he purportedly managed: (i) Diversified Futures Limited Partnership Fund (“Diversified Fund”), and (ii) Techcan.com Long Equity Options Fund (“Techcan Options Fund”). The Diversified Fund was not an active fund by 2002 and the Techcan Options Fund was a fictitious fund never registered with any provincial securities commission.

On June 3, 2002, SS subscribed to 1 unit of the Diversified Fund at a total cost of USD\$10,000. Mr. Bishop subsequently misappropriated the USD\$10,000 provided by the client and used it either for his own personal benefit or to compensate other clients for losses incurred. In order to conceal this misappropriation, Mr. Bishop issued fictitious monthly account statements for June, July, November and December 2002.

On May 17, 2002, SS subscribed to 3 shares of the Techcan Options Fund at a total cost of \$6,000. Mr. Bishop misappropriated the \$6,000 and used it either for his own personal benefit or to compensate other clients for losses incurred.

**Client RK**

In March 2001, Mr. Bishop solicited investments from his client, RK, in two funds that Mr. Bishop purportedly managed: (i) Cancomm Capital Management Options Fund (“Cancomm Fund”), and (ii) Techcan.com Short Options Fund (“Techcan Short Fund”). Both funds were fictitious and never registered with the Commission or any other provincial securities commission.

RK provided Mr. Bishop with \$4000, with \$2,000 to be invested in each fund. Mr. Bishop misappropriated the \$4,000 and used it for either his own personal benefit or to compensate other clients for losses incurred. In order to conceal his misappropriation, sometime in and around the end of November 2002, Mr.

Bishop issued a fictitious consolidated Portfolio statement for the Cancomm Fund covering the period from May 21, 2002 to November 20, 2002.

Mr. Bishop has provided compensation to clients DW. JH and JM.

One of the aggravating factors of this case was Mr. Bishop's prior disciplinary record. The conduct which was the subject-matter of this discipline hearing took place while Mr. Bishop was being investigated for other regulatory violations and continued while he was being formally disciplined by the Ontario District Council on September 30, 2002. At that time, Mr. Bishop was disciplined for engaging in conduct unbecoming and detrimental to the public interest for altering a Futures Account Application Form so that it would conform to the minimum requirements for opening such an account. (For further information of this previous matter, see IDA Bulletin #3056)

Mr. Bishop is currently not registered in any capacity with the Association.

Kenneth A. Nason  
*Association Secretary*