



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 N° 3373**

December 23, 2004

## Discipline

### **Discipline Penalties Imposed on Jean-Claude Paradis and Leduc & Associés Valeurs Mobilières (Canada) Itée; Violations of By-Law 29.1 and Policy N° 2**

Person  
Disciplined

A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Leduc & Associés Valeurs Mobilières (Canada) Itée (“Leduc & Associés”), a Member of the IDA, and on Jean-Claude Paradis who, at the relevant time, was the Ultimate Designated Person of Leduc & Associés, also registered as the Branch Manager, Senior Vice-President, Chief of Operations, Chief Financial Officer, Director, as well as Designated Person Responsible for options and Registered Options Representative.

By-laws,  
Regulations,  
Policies Violated

According to a decision rendered on August 12, 2004, following a disciplinary hearing held in Montreal, Quebec, on April 26, 27 and 28, and June 3, 2004, the Hearing Panel found both Jean-Claude Paradis and Leduc & Associés guilty of having engaged in business conduct unbecoming or detrimental to the public interest during the period of June 2000 to February 2001, contrary to By-law 29.1, in that:

Jean-Claude Paradis

- failed to deal effectively and diligently with a complaint made by a client in accordance with Policy N° 2

Leduc & Associés

- failed to ensure that a client’s complaint was dealt with effectively and with due diligence by a designated qualified person, in accordance with Policy N° 2.

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Penalty  
Assessed

According to a decision rendered on November 25, 2004, following a penalty hearing held on October 13, 2004, the Hearing Panel imposed the following penalties on:

Jean-Claude Paradis :

- a fine in the amount of \$10,000;
- the requirement to rewrite and pass the Partners, Directors and Officers examination.

Leduc & Associés :

- a fine in the amount of \$40,000;

Jean-Claude Paradis and Leduc & Associés are also jointly required to pay the sum of \$15,137.76 towards the Association's costs in this matter, that is 25% of the total costs incurred in this case.

Summary of  
Facts

During the period from 2000 to 2001, Leduc & Associés had a sub-branch in Hudson in the Province of Quebec, for which the officer responsible was Jean-Claude Paradis.

Warren J. McCaffrey, registered only since 1998, was the sole representative of Leduc in Hudson and carried out his activities at this sub-branch alone. Jean-Claude Paradis was responsible for supervising McCaffrey's activities at this sub-branch.

In April 2000, McCaffrey failed to sell securities to cover a purchase as his client had requested and this error resulted in a loss for the client of close to \$45,000. On June 20, 2000, following this error, the client filed a complaint with Leduc & Associés requesting that his account be credited with the value of the securities.

Jean-Claude Paradis intervened to establish the amount of compensation that McCaffrey should pay the client and, in September 2000, a settlement agreement was reached with the client, according to which McCaffrey had to personally reimburse him \$46,610.14.

Being pressured by the client to whom this commitment had been made in September 2000, McCaffrey began to divert funds from his other clients' accounts, and then diverted other funds to reimburse these first victims, and so on and so forth. McCaffrey diverted almost \$240,000 in total from his clients' accounts until he finally paid the settlement amount in February 2001.

*(Reference: May 15, 2003 Disciplinary Bulletin N° 3151 in the Matter of Warren J. McCaffrey)*

In the opinion of the Hearing Panel, although an agreement was reached with the client within two months of receipt of his complaint, Jean-Claude Paradis and Leduc & Associés failed in their obligation to deal with the complaint effectively and diligently, in accordance with Policy n° 2, by deciding to leave it up to McCaffrey to settle the client's complaint himself and compensate the client directly. This was the trigger for the fraudulent activities committed by McCaffrey who was being pressured by the client and who had to quickly find \$46,610.14, a sizable amount of money for a young investment advisor with little experience, in a context of a bearish market in the technologies sector in which he was primarily carrying out his activities.

Other violations were also alleged against Jean-Claude Paradis and Leduc & Associés, concerning breaches related to the supervision exercised and the failure to establish and maintain adequate internal controls. The Hearing Panel however concluded that the evidence put forward concerning these violations was not sufficiently conclusive.

Following the cessation of the dealings of Leduc & Associé with the public, the latter submitted its intention to resign as IDA Member (Bulletin N° 3050). The IDA Member rights and privileges of Leduc & Associés were suspended on May 21, 2003 (Bulletin N° 3154) and the resignation process is still in progress.

Jean-Claude Paradis has not been registered in the employ of a Member firm of the IDA since September 30, 2003.

Kenneth A. Nason  
*Association Secretary*