



INVESTMENT DEALERS
ASSOCIATION OF CANADA

bulletin



ASSOCIATION CANADIENNE DES
COURTIERS EN VALEURS MOBILIÈRES

Contact:

For distribution to relevant parties within your firm

Tamara Brooks
Enforcement Counsel
(416) 943-5891

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Discipline

IDA imposes \$7,500 fine on Irene JUDT and orders permanent prohibition from acting in any registered capacity

Person Disciplined A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Irene Judt, at all material times a Member of the IDA.

By-laws, Regulations, Policies Violated Following a disciplinary hearing held on May 5, 2005, in Winnipeg, Manitoba a Hearing Panel found that Irene Judt violated By-law 29.1, in misappropriating funds from her clients and employer thereby engaging in conduct unbecoming or detrimental to the public interest. .

Penalty Assessed In its written decision released on June 1, 2005, the Hearing Panel ordered that Ms. Judt receive the following penalty:

- a) A permanent prohibition from approval to act in any registered capacity with a Member of the Association;
- b) A fine in the amount of \$7,500; and
- c) Costs in the amounts of \$,5000.

Summary of Facts Ms. Judt admitted liability by way of Agreed Statement of Facts and Contraventions, which is summarized below.

At all material times, Ms. Judt was dually employed at the Winnipeg branch office of Carpathia Credit Union (“Carpathia”) as an Investment Advisor (Mutual Funds), and its affiliated Investment Dealer, Credential Securities Inc. (“Credential”) as a Registered Mutual Funds Representative-Restricted. Ms. Judt sought employment with Credential to enable her to sell mutual funds to her Carpathia clients.

During the relevant period, in her dual employment capacity, Ms. Judt was responsible for clients’ investment and/or RRSP accounts held at Credential, and member accounts held at Carpathia. It was common for her to effect transactions between a client’s Credential account and Carpathia account. As a trusted and long-standing employee of Carpathia, Ms. Judt had access to the firm’s computer system that enabled her to deposit or withdrawal funds in or from client accounts without client notification or management approval.

Client MS

MS was a client of Ms. Judt who held accounts at both Carpathia and Credential. In March 2000, MS asked Ms. Judt to transfer \$5,000 from her Credential account in order to purchase a term deposit. Contrary to the client's instructions, Ms. Judt transferred \$4,907.28 on May 31, 2000 from MS's Credential account to one of Carpathia's general ledger accounts. Part of these funds was then diverted to Ms. Judt's husband's account through separate credit entries of \$461 and \$539.

On February 22, 2001, MS asked Ms. Judt about the term deposit. In response, Ms. Judt entered a \$5,000 term deposit purchase into the Carpathia computer system. She subsequently reversed the transaction, after having provided MS with a statement as proof of purchase.

After Ms. Judt was terminated, Carpathia reinstated MS's term deposit including interest retroactive to the date the instrument should have been originally purchased of March 28, 2000. After the Association advised her of monies owing to MS, Ms. Judt made arrangements with Carpathia to repay the amount paid by the firm.

Client CH

CH was a client of Ms. Judt who held accounts at both Carpathia and Credential. On July 5, 2001, CH de-registered \$5,402.25 from her RRSP account held at Credential. Ms. Judt received a cheque payable to CH to be deposited into the Carpathia account.

In order to give the false impression that the cheque had been deposited into CH's Carpathia account, Ms. Judt transferred \$5,402.25 from one of the Carpathia internal accounts to CH's Carpathia account. The original cheque for \$5,402.25 was not cashed until October 17, 2001. Ms. Judt used \$5,000 of the cheque funds to partially offset the misappropriated funds from the Carpathia internal account. The remaining \$402.25 was diverted to Ms. Judt's husband's account.

Client GZ

GZ was a client of Ms. Judt who held accounts at Carpathia and Credential. On February 13, 2002, GZ de-registered \$183.53 from his RRSP account held at Credential. A cheque for this amount payable to GZ was provided to the Respondent. On February 15, 2002, Ms. Judt misappropriated the cheque by depositing it into her husband's account. She repaid the funds to GZ in April 2002.

Client MF

MF was a client of Ms. Judt who held accounts at Carpathia and Credential. On February 27, 2002, at her client's request, Ms. Judt was to transfer \$2,500 from MF's Carpathia account to her Credential account. Instead, Ms. Judt debited \$2,500 from the client's Carpathia account and credited her own husband's account for the same amount. The following day, Ms. Judt reimbursed MF in full by reversing the transaction.

Client GR

GR was a client of Ms. Judt who held accounts at Carpathia and Credential. On March 19, 2002, GR asked Ms. Judt to transfer \$5,000 from her Carpathia account to her Credential account. At first, Ms. Judt transferred \$5,000 from GR's Carpathia account to her own husband's account. Within hours, both of these transactions were reversed. Ms. Judt then debited \$5,000 from the client's Carpathia account and credited \$4,500 to the client's Credential account as requested. The remaining \$500 was misappropriated to Ms. Judt's husband's account.

Ms. Judt reimbursed GR the following day.

PENALTY

In arriving at its penalty decision, the panel found the offences to be serious and considered the background of Ms. Judt as well as the particulars of the facts. The panel took particular consideration of all of the following issues at arriving at its decision:

1. That the amount Ms. Judt had taken into her own possession was \$1,085.00;
2. That the entire sum had been repaid to the investor clients;
3. That the guidelines for a minimum penalty had been put in place subsequent to the occurrence of the events complained of;
4. That Ms. Judt had cooperated with the investigation by the Association;
5. That the penalty imposed should be a serious deterrent to the industry in order that this behaviour be eliminated;
6. That there were no issues in this particular case of any other misbehaviour on the part of Ms. Judt in the nature of either inappropriate advice or inappropriate investment of clients' money;
7. That Ms. Judt was not a member of the investment industry deriving her income based on commission but rather was a salaried employee; and
8. Ms. Judt's personal circumstances from which she had suffered.

A full copy of the penalty decision of the District Council is available on the Association's website (www.ida.ca) under Enforcement>Reasons for Decisions in Disciplinary Hearings.

Kenneth A. Nason
Association Secretary