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Discipline

Discipline Penalties Imposed on Thomas Clarke; Violations of By-law 29.1

Person Disciplined A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Thomas Clarke, at all material times a Registered Representative with Caldwell Securities Ltd., a Member of the IDA.

By-laws, Regulations, Policies Violated Following a Settlement Approval hearing held on January 24, 2007, in Toronto, Ontario, a Hearing Panel accepted the Settlement Agreement.

Pursuant to the Settlement Agreement, Mr. Clarke admitted he engaged in conduct unbecoming contrary to Association By-law 29.1 in that he:

- (i) Conducted unauthorized trading in two client accounts;
- (ii) Issued false and misleading account documents which misrepresented the holdings in the accounts to those same two clients;
- (iii) Forged the signatures of those same two clients; and
- (iv) Filed false hold mail authorizations without the knowledge or consent of those same two clients.

Penalty Assessed The discipline penalties assessed as against Mr. Clarke are:

1. He is prohibited from approval to act in any registered

capacity with a member of the Association for a period of one year;

2. A fine in the amount of \$55,000;
3. Following the one year suspension period, he will be permitted to resume his employment at Caldwell Securities Inc. in a registered capacity;
4. Following the one year suspension period, he will be subject to the following restrictions and conditions on his registration:

- i. All trading must have the prior approval of a Director of the Member;
- ii. He shall only enter the premises of the Member when he is accompanied by another employee of the Member;
- iii. The CEO of the Member or his designate will monitor the securities in his client accounts on a daily and monthly basis;
- iv. Any client account generating in excess of \$1500 per month in commissions will be reviewed by the CEO of the Member or his designate;
- v. He will only sell packaged products, Investment Management Services, or mutual funds; and
- vi. Unsolicited orders from clients must have prior approval of the Member.

5. The CEO of the Member or his designate will file a report on a monthly basis with the Association in an agreed upon form which confirms the Member's compliance with the Restrictions. That report will also confirm whether Mr. Clarke, to the Member's knowledge, is conducting himself in accordance with the restrictions.

6. Mr. Clarke agrees that in the event that he does not conduct himself in accordance with the restrictions that govern his registration and in accordance with good business practices as determined by the CEO of the Member, or his designate, or the Association, he will immediately surrender his registration as a registered representative and will not reapply to be a registered representative.

7. The restrictions and conditions on registration set out in subparagraphs 3 to 5 above will continue to apply for the duration of the Respondent's registration with the Association.

8. Mr. Clarke will also pay the IDA's investigation and prosecution costs in the amount of \$10,000.

Summary of Facts Mr. Clarke has been employed with Caldwell Securities Ltd. (the "Member") since 1991. The misconduct at issue in this case took place during the period July 2002 to May 2005.

Mr. Clarke admitted to the Member and the Association that he had

engaged in unauthorized trading in two client accounts, one of whom was Mr. Clarke's father. He conducted over 200 unauthorized trades during the period in question.

He further admitted that he attempted to conceal the trading and losses suffered as a result, by providing the clients with false account statements on three occasions.

Mr. Clarke also admitted that he forged the signatures of those two clients and filed false hold mail forms, the intent of which was to deceive the firm and the clients. These forms were filed in an attempt to conceal the unauthorized trades.

Serious financial losses were suffered by the clients as a result of the unauthorized trading. The clients have been reimbursed for their losses by Mr. Clarke and the Member. Mr. Clarke has contributed the sum of \$368,000 towards those settlements and continues to contribute amounts to the Member for this purpose.

Since the misconduct was discovered in mid-2005, Mr. Clarke has been working under strict supervision with very serious restrictions.

Apart from these proceedings, Mr. Clarke has no disciplinary record with the Association.

He admitted his misconduct both to the Member and the Association, and cooperated with the Association in its investigation.

The Chairman of the Member appeared at the settlement approval hearing and expressed his interest and support together with his willingness to personally monitor and work with Mr. Clarke in the future.

The panel recognized that strict and close supervision places a severe onus on both Mr. Clarke and his employer. In this case, that supervision is to continue for as long as Mr. Clarke is registered with the Association.

For further details, please see the Settlement Agreement and the Hearing Panel's reasons posted on the Association's website at www.ida.ca.

Kenneth A. Nason
Association Secretary