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Discipline

Discipline Penalties Imposed on Martin Brunetta – Violations of Association Regulation 1300.1(a) and By- Law 29.1

Person Disciplined A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Martin Brunetta, at all material times an Approved Person at CIBC World Markets Inc., an IDA Member firm.

By-laws, Regulations or Policies Violated On April 26, 2007, the Hearing Panel examined a Settlement Agreement negotiated between the Staff of the IDA and the Respondent. For the reasons outlined in its decision rendered on June 12, 2007, the Hearing Panel decided to accept the Settlement Agreement.

Under the terms of this Settlement Agreement, Martin Brunetta has admitted:

COUNT 1

In January 2004, he failed to use due diligence, with respect to two foreign clients, to remain informed of the essential facts relative to these clients, as well as their orders and the accounts accepted, contrary to Association Regulation 1300.1(a) and By-law 29.1;

COUNT 2

Between January and October 2004, he executed some fifty transactions in client accounts on the instructions of third parties, without the records of the investment dealer showing that any written authorization or ratification had been granted by the clients, contrary to the provisions of Association Regulation 200.1(i)(3), By-law 17

and By-law 29.1.

COUNT 3

On or about February 27, 2004, he followed instructions purportedly originating from two foreign clients, to transfer to third parties the sums of \$330,000 and \$125,000 respectively, without verifying the nature of these transfers, since he did not know these clients and had never spoken to them, and without verifying the authenticity of their signatures, contrary to Association By-law 29.1.

The following penalties have been imposed:

Penalties
Assessed

- a fine in the amount of \$30,000;
- the assessment of costs in the amount of \$7,000;
- as a condition for his continued approval, the requirement that he undergo strict supervision by the Member firm employing him for a period of six months from the effective date of the Settlement Agreement, failing which approval will be suspended;
- the requirement that he retake and pass the Conduct and Practices Handbook Course administered by CSI within six months of the effective date of the Settlement Agreement;
- an additional fine in the amount of \$1,451.32, representing the commissions received by the Respondent on the transactions covered by the agreement.

Summary of Facts

On or about January 5, 2004, the Respondent opened a Canadian investment account for a foreign client, under his registered representative code, whereas this account had already been opened under the code of another representative of the same Member firm;

In fact, the Respondent managed this client's account while he was the assistant of the other representative;

The Respondent never met this foreign client, nor did he ever speak with him;

According to the New Client Account Form, identification of this foreign client was done with a copy of the passport, translated into English and French;

On or about January 21, 2004, the Respondent opened a Canadian account in the name of another foreign client;

The Respondent opened this account without meeting the client and without speaking to him;

The account was opened based on information provided by a third party, also a client of the Respondent and a registered representative of an IDA Member firm;

The New Client Account Form indicates that, for identification purposes, the Respondent based himself solely on a photocopy of the foreign client's passport, whereas this document is written in Arabic and the Respondent does not understand this language;

Between January and October 2004, approximately forty-four (44) transactions were executed in the account of this foreign client;

All orders relative to these transactions were given by a third party, whereas according to the documentation in the client file, only the foreign client was permitted to give orders regarding this account;

The client file contained no written authorization or ratification from the client;

What's more, on or about January 29, 2004, a Canadian account was transferred to the Respondent by a registered representative of the same Member firm;

From January to October 2004, approximately seven (7) transactions were executed in this account;

All orders relative to these transactions were given by a third party;

The client file contained no written authorization to trade in favour of this third party and no written ratification from the client;

On or about February 27, 2004, the Respondent received written instructions purportedly from the foreign client, requesting the transfer of all of the assets held in his Canadian account, in the amount of \$330,000, to another Canadian account belonging to another foreign client;

The Respondent simply executed these instructions without any further verification of the nature of the transfer, even though he had never met these two foreign clients or even spoken to them and he had not verified the authenticity of the signature appearing on the written instructions;

Furthermore, on or about March 22, 2004, the Respondent executed without question the written instructions purportedly given by the foreign client, to transfer an amount of \$125,000 from his Canadian account to another financial institution, to be credited to the account of a third party;

The Respondent did not verify the authenticity of the signature appearing on the written instructions relative to said transfer, even though he had never met or even spoken to the foreign client in question;

The Respondent was the object of a letter of warning from the Member firm in connection with these actions;

As of the date of this agreement, the Respondent was still a registered representative of the Member firm;

The Respondent has no history with the Association;

The Staff of the Association has sent a statement to FINTRAC relative to the alleged facts.

Kenneth A. Nason
Association Secretary