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**BULLETIN #3680**

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## Discipline

### **Discipline Penalties Imposed on Robert John Travers; Violations of By-law 29.1 and 18.14.**

**Person Disciplined** A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Robert John Travers, who was at all material times a registered representative with the Montreal, Quebec office of CIBC World Markets Inc, a Member firm of the IDA.

**By-laws, Regulations, Policies Violated** Following a settlement hearing held on September 12, 2007, in Montréal, Québec, the Hearing Panel considered, reviewed and accepted a Settlement Agreement negotiated between Mr. Travers and the Association Staff.

Pursuant to the Settlement Agreement, Mr. Travers admitted that he acted contrary to By-law 29.1 and 18.14 in that he:

- had undisclosed personal business;
- borrowed from clients without the firm's knowledge or consent;
- had defrauded a client;
- misappropriated funds belonging to a client;
- breached an undertaking to the firm to not solicit any further loans from clients.

**Penalty Assessed** The sanction imposed on Mr. Robert John Travers is a permanent prohibition on registration as a registered representative with the Association.

**Summary of Facts** The Association initiated an investigation into the conduct of the

Respondent deemed necessary following the receipt on October 21, 2002, of the Uniform Termination Notice (“UTN”) indicating the resignation of the Respondent on October 11, 2002.

### **The Respondent**

- The Respondent was registered with the Association as a registered representative (“RR”) since April 27, 1988.
- The Respondent was employed as a RR by Prudential Bache Securities from April 27, 1988 to June 29, 1990 when his licence was transferred to Burns Fry Ltd. following a merger.
- The Respondent was approved as a RRO on January 15, 1991.
- On October 1, 1994, Burns Fry Ltd. merged with Nesbitt Burns Ltd.
- On April 5, 1995, the Respondent’s licence was transferred from Nesbitt Burns Ltd. to Wood Gundy inc. (now the Member Firm **CIBC World Markets inc.** (hereinafter, «CIBC»)).
- He resigned from CIBC, sub-branch of 600, De Maisonneuve, Montreal, on October 11, 2002.
- Since his resignation, the Respondent has not been employed with any Member Firm and has not been an approved person with the Association.

### **Renaissance Recycled Rubber inc.**

- The Respondent incorporated a company named Renaissance Recycled Rubber inc. (hereafter “RRR”).
- The purpose of the company was to acquire the assets and intellectual property of a tire recycling complex (hereafter “the H project”).
- A company named K. Inc was the majority shareholder of RRR and the Respondent was named president and sole director of RRR.
- K. was the Respondent’s holding company.
- The Respondent suggested to one of his clients, D.H. different transactions to raise \$50,000 to invest in the H project.
- On or about March 21, 2000, D.H.’s holding company subscribed for 5,000 shares and of the capital of the

corporation that eventually became RRR.

- The sum of money invested by D.H.'s holding company was transferred to K.in trust.

### **R.T. and I. Capital inc.**

- In 2001, Mr. R.T. was introduced to the Respondent in order to invest in RRR.
- Mr. R.T. was also at the time the sole director and shareholder of a company named I. Capital inc.
- Mr. R.T. solicited amongst others the Respondent in order to become a director and shareholder of I. Capital inc.
- On or about April 12, 2001, the Respondent became director and shareholder of I. Capital inc.
- The employer of the Respondent was named as I. Capital inc.'s security firm.
- The Respondent states that this investment was disclosed to his employer.
- The Respondent's employer's denies this affirmation.
- The Respondent's employer could not find any form that would have been filled out by the Respondent in order to disclose his participation in I. Capital inc.
- On or about April 30, 2001, I. Capital inc. offered \$2,500,000 in real estate guarantees to RRR to facilitate the financing of the acquisition of the H project.
- On or about April 30, 2001, RRR made an offer on the H project for the amount of \$1,000,000.
- RRR was asked for a deposit of \$75,000 and a second cheque for also \$75,000.

### **Different loans taken**

- On or about May 31, 2001, the Respondent accepted a loan for \$75,000 from his client Mr S.K.
- This loan amount was deposited in the account of RRR.
- On that same day, RRR issued a cheque for \$75,000.
- On or about June 5, 2001, the Respondent accepted a loan of

\$75,000 from his client D.H. in the name of the company RRR.

- This sum was used by RRR on the H project.
- On or about October 1, 2001, the Respondent's client, Ms M.B., purchased 250,000 shares of RRR at \$0.10 per share, without the knowledge or approval of his employer.
- On or about October 2, 2001, the Respondent accepted a loan of \$75,000 from his client, Ms M.B.
- The amount of this loan was deposited in the account of RRR.
- On or about October 2, 2001, the Respondent accepted a loan of \$20,000 from his client, Ms C.W.
- The amount of this loan was deposited in the account of RRR.
- On or about November 2, 2001, the Respondent took a further loan of \$50,000 from his client Ms M.B.

#### **Disclosure**

- The Respondent only revealed his involvement in RRR on or about October 2, 2001, with the filling of an "Outside Activities or Investment Disclosure/Approval Request Form".
- The Respondent revealed his loans from two of his clients, S.K. and D.H., to his branch manager only on October 2, 2001.
- On or about November 1, 2001, the Respondent's branch manager received a memorandum recommending disciplinary actions against the Respondent;
- On or about November 22, 2001, the Respondent undertook to re-read the Conduct and Practices Handbook and to refrain from soliciting business loans from his clients.

#### **Guarantees given and further loans**

- On or about March 12, 2002, the client of the Respondent, Mr. R.T., registered a company named T. inc. and named the Respondent as its investment advisor.
- As of 2002, Mr. R.T. had 8 million shares of a company named E. inc.

- The Respondent asked Mr. R.T. to use the shares of E. inc. as a guarantee to the payment of the rent for RRR on the H project.
- The Respondent represented to Mr. R.T. that the shares of E. inc. would be kept in trust by a company named HS, allegedly owned by a financial institution.
- On or about May 10, 2002, Mr. R.T. transferred to HS 3,500,000 shares of E. inc. in an account held by HS in order to guarantee RRR's lease.
- The amount of the guarantee was of \$148,808.
- On or about May 9, 2002, the Respondent solicited and accepted a loan from his client, Mr. R.T. in order to facilitate the acquisition of the lease by RRR on the H project.
- The Respondent promised further shares of RRR in exchange for this loan.
- From May 27, 2002 to May 29, 2002, with the recommendation of the Respondent, Mr. R.T. authorized the selling of sufficient shares of E. inc. held by HS in order to cover the amount required by the guarantee.
- All of the shares of Mr. R.T. held by HS were sold for a net price of \$276,025.02.
- Mr. R.T. asked and received the difference between the proceeds of the sale of his E. inc. shares and the amount required for the guarantee.
- On or about June 17, 2002, T. inc. accepted to finance RRR in the amount of \$200,000 in the H project.
- Out of this amount, the Representative kept \$5,000 for RRR without informing T. inc. or Mr. R.T.
- T. inc. and Mr. R.T. never were able to recover the sums held in trust by HS.

Mr. Travers has not been employed with an IDA Member since October 2002.

Kenneth A. Nason  
*Association Secretary*