
BULLETIN NO. 2411, OCTOBER 20, 1997

Disciplinary Action

Notice is hereby given that the Alberta District Council of the Investment Dealers Association of Canada, following a hearing, has imposed upon **Mr. John Henry Lorencz**, formerly a registered representative employed by RBC Dominion Securities Inc. (“the Member firm”) in its branch office in Edmonton, Alberta, a penalty in the form of a permanent prohibition against his approval in any capacity with any Member of the Association. In addition, Mr. Lorencz is required to pay toward the Association’s costs of the investigation the amount of \$7,500.00.

The Council found that at various times between June, 1986 and April, 1994, Mr. Lorencz:

- (1) misappropriated funds and securities from the accounts of customers, and thereby engaged in business conduct or practice unbecoming a registered representative or not in the public interest, and thereby committed violations contrary to By-law 20.10(a)(3) and former By-law 18.5(c);
- (2) exercised discretionary authority to effect trades for the account of a customer without having the prior written authorization of the customer and without such account having been specifically approved and accepted in writing as a discretionary account by the designated person of the Member firm, and thereby committed a violation contrary to Regulation 1300.4;
- (3) failed to use due diligence to ensure that recommendations for the accounts of several clients were appropriate for the said clients and in keeping with their investment objectives, and thereby committed violations contrary to Regulation 1300.1(c).

On numerous occasions between June 5, 1986 and January 31, 1994, Mr. Lorencz misappropriated funds and/or securities from several client accounts through a variety of deceptive means. At various times, Mr. Lorencz obtained cheques drawn from client accounts at the Member firm, which cheques were made payable to the clients or to third parties, and deposited said cheques to bank accounts under his personal control. The funds obtained in this manner were used by Mr. Lorencz for his personal benefit. On numerous other occasions, Mr. Lorencz misappropriated securities from client accounts and converted them to his own use. In most instances, Mr. Lorencz arranged to take possession of client securities held by the Member firm, ostensibly for the purpose of personally delivering the securities to the relevant clients. Instead of delivering the securities to the appropriate clients, Mr. Lorencz held the securities for various time periods, then re-deposited the securities into one of two clearing accounts which he controlled and operated. Thereafter, Mr. Lorencz usually liquidated the relevant securities and used the proceeds to trade in other securities and/or withdrew cheques for his own benefit. In total, Mr. Lorencz misappropriated client funds and securities valued in

excess of \$2.1 million.

With respect to one of the aforementioned client accounts, Mr. Lorencz engaged in unauthorized trading and in the deliberate diversion of the client's monthly account statements. Mr. Lorencz provided the client with false account statements indicating that the client's account continued its conservative investment strategy, mainly holding government bonds. Providing the false statements to the client enabled Mr. Lorencz to withdraw cash and securities and trade speculative securities in the account without the knowledge or consent of the client.

Between January, 1993 and February, 1994, Mr. Lorencz recommended that many of his clients purchase shares of Thermo Tech Technologies Inc., a company listed on the Vancouver Stock Exchange. On numerous occasions and with respect to several clients, the recommendations to purchase the said shares, which were speculative, in the amounts recommended, were not appropriate for the client and/or not in keeping with his or her investment objectives.

Upon discovery of his conduct, the Member firm terminated Mr. Lorencz's employment, for cause. Since then, Mr. Lorencz has not been employed with any Member.

Lyn M. Gilchrist
Association Secretary

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