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*For distribution to relevant parties within your firm*

**BULLETIN # 2564**  
February 11, 1999

## Discipline

### Discipline Penalties Imposed on Aubrey Earl McLaughlin - Six Violations of Regulation 1300.1 (c)

Person Disciplined	The New Brunswick District Council of the Investment Dealers Association of Canada has imposed discipline penalties on <b>Aubrey Earl McLaughlin</b> , at the relevant time a Registered Representative of RBC Dominion Securities Inc., a Member of the Association.
By-laws, Regulations, Policies Violated	On February 9, 1999, the New Brunswick District Council considered, reviewed and accepted a settlement agreement that had been negotiated by the Association Enforcement Division staff with Mr. McLaughlin. Pursuant to the settlement agreement, Mr. McLaughlin admitted that he failed to exercise due diligence to ensure that the recommendations made for six client accounts were appropriate for the clients and in keeping with the clients' respective investment objectives and risk factors, contrary to Regulation 1300.1(c).
Penalty Assessed	The discipline penalty assessed against Mr. McLaughlin is a fine in the amount of \$35,000.00; disgorgement of commissions in the amount of \$30,000.00 and Mr. McLaughlin must re-write and pass the Conduct and Practices Handbook examination. In addition, Mr. McLaughlin is required to pay \$5,000.00 toward the Association's costs of investigation of this matter and he will be under the strict supervision of his Member firm employer for two years.
Summary of Facts	The District Council found that between July 10, 1993 to November 8, 1995, Mr. McLaughlin recommended and then effected numerous highly leveraged, short term Canadian and U.S. bond trades in six client accounts. The excessively large bond positions that were accumulated on 10% margin in each of the client accounts resulted in an excessive debit balance and an undue concentration of capital in a single type of security. Several of the clients were elderly and were living off their pension income.  Interest rates in Canada and the U.S. became extremely volatile beginning

around February of 1994 and continuing throughout that year. Due to the highly leveraged and excessive bond positions taken, a loss in excess of \$1 million dollars was suffered collectively in the six client accounts. The District Council concluded that Mr.

McLaughlin's recommendation of this type of leveraged bond trading was not appropriate for these clients and was not in keeping with the documented investment objectives and risk factors for each of these client accounts, contrary to Regulation 1300.1(c).

Mr. McLaughlin is currently employed by ScotiaMcLeod Ltd., a Member of the Association, as a Registered Representative in the Moncton, New Brunswick branch office.

Lyn M. Gilchrist  
*Association Secretary*