

Contact:
Kathryn Andrews
Ricardo Codina
Enforcement Counsel
(416) 364-6133

For distribution to relevant parties within your firm

BULLETIN # 3165
June 23, 2003

Discipline

Discipline Penalties imposed on John James Illidge – Violations of By-law 29.1 and Regulation 1300.4

Person Disciplined The Ontario District Council of the Investment Dealers Association of Canada (the "Association") has imposed discipline penalties on John James Illidge, at all material times Chairman, Director, Alternate Designated Person and a Registered Representative ("RR") of St. James Securities Inc. ("SJS"), a former Member of the Association.

By-laws, Regulations, Policies Violated On June 17, 2003 the Ontario District Council considered, reviewed and accepted a Settlement Agreement negotiated between Mr. Illidge and Association staff.

Pursuant to the Settlement Agreement, Mr. Illidge admitted that between 1997 and 1999 he:

- Opened an account in the name of a fictitious corporate client for the purpose of concealing his own trading activities;
- Operated a client account in the name of a trust that had been terminated and used the account to carry out his personal trading;
- Directed client correspondence to various addresses, including his personal address;
- Engaged in unauthorized trading in a client's account;
- Failed to disclose his interest in a number of client accounts;
- Carried out transactions without benefit to the trading parties, and which had the result of overstating SJS's capital position;
- Fixed prices for four securities that were not fair market prices for those securities;
- Effected transactions between SJS inventory accounts and corporations controlled by him that were not within the bounds of good business practice and which unduly prejudiced SJS's capital position;

- Failed to exercise due diligence to ensure that all necessary account documents were obtained and complete;
- Traded in registered debentures between client and non-client accounts while the debentures were not in a tradable form;
- Conducted trading in client accounts without funds and allowed accounts to trade for a prolonged period of time without adequate margin;
- Traded in a corporate client's account for several months prior to the client's incorporation; and
- Failed to question documents purportedly signed by clients that appeared, on their face, to be forgeries.

All of which constitute conduct unbecoming or detrimental to the public interest, contrary to By-law 29.1.

Mr. Illidge also carried out discretionary trades in a client's account, from 1997 to 1999, contrary to Regulation 1300.4.

Penalty
Assessed

The discipline penalty assessed against Mr. Illidge is:

- permanent prohibition from approval in any capacity with any Member of the Association;
- a fine of \$300,000; and
- costs of \$125,000.

Summary
of Facts

In addition to his multiple roles at SJS, Mr. Illidge was a major shareholder of St. James Holdings Inc. ("SJH"), the parent company of SJS. In November 1999, SJS became inactive after transferring all of its client accounts to Northern Securities Inc. Following the demise of SJS in November 1999, Mr. Illidge became a Director of Rampart Mercantile Inc., the parent company of the now bankrupt firm Rampart Securities Inc. Mr. Illidge was also a former Chief Executive Officer of Hucamp Mines Inc., a CDNX listed company. He was also the majority shareholder of St. James Capital Corporation ("SJC"), which company declared bankruptcy in December 2001.

Use of fictitious client accounts for personal trading:

In February 1998 Mr. Illidge opened fictitious corporate client accounts in the name of Provident United, listing a particular individual as being the client contact. Neither that individual, nor any corporation controlled by him, had ever opened an account at SJS.

From January 1998 to October 1999, Mr. Illidge effected numerous trades in the Provident United accounts, thereby using the accounts for his own trading.

Mr. Illidge also was the RR for an estate trust client called Saints Trust. Mr. Illidge learnt that Saints Trust had been terminated as a trust in June 1998. Rather than closing the accounts at that time, Mr. Illidge traded in Saints Trust's accounts, thereby using the accounts for his own personal trading, from July 1998 to June 1999.

Mr. Illidge also directed client correspondence for both Provident United and Saints Trust to various addresses, from 1997 to 1999, including addresses controlled by him.

Encouraged a culture of non-compliance:

During 1998 and 1999, Mr. Illidge created and encouraged a culture of non-compliance at SJS, both by personally engaging in conduct unbecoming as an RR and also by failing to take appropriate steps as Chairman, Director and Alternate Designated Person, to ensure that SJS was managed in a reasonable and prudent manner in compliance with Association requirements. The following are examples of this conduct:

- He conducted transactions in personal and client accounts, without benefit to the clients or SJS, and with the only effect of moving account debit positions between accounts, thereby unduly delaying settlement of those transactions and overstating SJS's capital position;
- He fixed prices for four securities which did not represent a fair market price. He then cross traded these securities between client, non-client and SJS inventory accounts. The effect of these contrived prices was, at times, to overstate SJS's capital position and/or to unduly favour one party to the cross trade;
- He traded in registered debentures between several client and non-client accounts while the debentures were not in a tradable form;
- He effected transactions between SJS inventory accounts and the accounts of corporations controlled by him, which were not within the bounds of good business practice and which unduly prejudiced SJS's capital position;
- He failed to obtain and complete necessary account documents for many client accounts;
- He failed to question documents purportedly signed by clients that appeared, on their face, to be forgeries;
- He failed to properly designate client accounts from other non-client accounts. This had the effect of obscuring the lines between his personal trading activity and SJS client activity;
- He indicated his personal address, or other addresses, in client account documentation, as being the client's address;
- He traded in a company client account for several months before the company was incorporated;
- He purchased securities for many cash accounts that did not have any funds; and
- He traded in many accounts for a prolonged period of time without adequate or any margin.

Unauthorized and discretionary trading:

Mr. Illidge was the RR for a corporate client named MYO. MYO had opened an account at SJS to facilitate a private placement. The account was not intended to be used as an active trading account.

From September 1998 to April 1999, Mr. Illidge effected various trades in MYO's account, without the client's knowledge or consent. When the client complained, Mr. Illidge advised that the trades would be corrected. The trades were not actually

corrected until some months later.

Mr. Illidge had been the RR for a client named BS since the early 1990's. From 1997 to 1999, while BS was an SJS client, Mr. Illidge used his discretion in effecting various transactions in her accounts, without the accounts having been approved and accepted as discretionary accounts by the Member.

Mr. Illidge has been previously disciplined by the Association – see bulletin # 2390, dated August 7, 1997.

Mr. Illidge has not been registered in any capacity with the Association since January 2000.

Kenneth A. Nason
Association Secretary