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Discipline

Discipline Penalties Imposed on Harry Migirdic - Violation of By-law 29.1 and Regulation 1300.4

Person Subject of the Discipline Penalties The Québec District Council of the Investment Dealers Association of Canada (the Association) has imposed discipline penalties on Harry Migirdic who, at the relevant time, was a Registered Representative of CIBC World Markets Inc. (CIBC), a Member of the Association, at the branch located at 600 De Maisonneuve Blvd., Montréal, Québec.

By-laws, Regulations, Policies Violated Following a hearing held on February 4, March 18, March 31, April 7 and May 21, 2004, the Québec District Council concluded that Harry Migirdic had violated:

Regulation 1300.4

- by effecting discretionary trades in the accounts of five (5) clients without their knowledge or authorization, and without these accounts having been authorized or approved in writing as discretionary accounts by CIBC (counts #1, 2, 4, 11, 12);

By-law 29.1

- by altering the investment objectives, risk factor and total net worth on the KYC updates of two (2) clients, without their knowledge or consent (counts # 3 and 17);
- by assuming responsibility for the decline in value of a client's portfolio and offering to compensate the client for the losses incurred, without the knowledge and without the consent or authorization of CIBC (counts # 5 and 6);
- by obtaining under false pretences the signature of clients for account guarantee agreements in favour of other clients (counts # 7, 10, 13, 14, 18, 19, 22, 23);
- by failing to indicate in the KYC updates that the client accounts were guaranteeing other client accounts, and that said other client had a financial interest in the account (counts # 8, 9, 15, 16, 20, 21);
- by accepting a forged power of attorney on a client account, knowing that said power of attorney had not been signed by the beneficial owner of the account (count # 24).

Penalties
assessed

The following discipline penalties have been assessed on Mr. Migirdic:

- 1) A permanent prohibition on approval in any capacity with a Member of the Association;
- 2) A fine in the amount of \$305,000, apportioned as follows:
 - \$50,000 for effecting discretionary trades in the accounts of five clients;
 - \$10,000 for altering the investment objectives, risk factor and total net worth on the KYC updates of two clients, without their knowledge and without their consent;
 - \$60,000 for assuming responsibility for the decline in value of a client's portfolio and for offering to compensate that client for the losses incurred, without the knowledge and without the consent or authorization of CIBC;
 - \$150,000 for obtaining, under false pretences, the signature of clients on account guarantee agreements in favour of other clients;
 - \$25,000 for not indicating in the KYC updates that the client accounts were guaranteeing other client accounts and that said other clients had a financial interest in these accounts;
 - \$10,000 for accepting a forged power of attorney on a client account, knowing that said power of attorney had not been signed by the beneficial owner of the account.

Mr. Migirdic shall also pay costs of the Association's investigation and prosecution of this matter in the amount of \$55,000.

Summary of
Facts

At the relevant time, Harry Migirdic was employed as a Registered Representative of CIBC World Markets Inc. (CIBC), a Member of the Association.

Account of J.P.

On August 24, 2000, J.P. opened an account at CIBC, with Harry Migirdic as her investment advisor. At the time the account was opened, J.P. was 68 years old; her estimated annual income was \$24,000 and her total net worth was approximately \$300,000.

Between September 6, 2000 and February 2001, a total of approximately 105 trades were effected in the client's account, on a discretionary basis. The account of J.P. had not been authorized and accepted as a discretionary account. The CIBC compensated the client for her loss.

Account of J.M.

On September 9, 2000, J.M. opened an account at CIBC, with Harry Migirdic as his investment advisor. At the time the account was opened, J.M. was 80 years old; his estimated annual income was \$35,000 and his total net worth was approximately \$375,000. Between September 2000 and February 2001, despite the fact that the account of J.M. was not a discretionary account, approximately 35 discretionary trades were effected in the client's account. CIBC compensated J.M. for the losses he incurred.

Account of P.A.

P.A. had an account at CIBC, with Harry Migirdic as his investment advisor.

Despite the fact that the account of P.A. was not a discretionary account, Harry Migirdic purchased and sold securities without consulting the client at the time of these transactions or regarding said securities, their quantity or price. Between March 1994 and February 2001, a total of approximately 1400 trades were effected in the account of P.A. Some 360 trades were effected in the account in 2000.

What's more, between December 1999 and June 2000, the portfolio of P.A. lost nearly 50% of its value. As at December 31, 1999, the portfolio was worth \$1,059,954.82, and as at June 30, 2000, it was worth just \$471,519.21.

A KYC update on P.A. was filled out on May 8, 2000. Harry Migirdic changed the investment objectives and risk factor for the account of P.A. at that time, without the client's knowledge.

P.A. complained to Harry Migirdic about his losses. In reply, Harry Migirdic gave his client a letter on May 14, 2000, in which he stated that he was taking responsibility for the decline of the portfolio and promised to restore the portfolio's value to its January 20, 2000 level, namely \$1,059,954, by the close of the third Friday in January 2001. Harry Migirdic also wrote that, if he was unable to restore the value of the portfolio to its January 2000 level, he would reimburse the account holder the difference between the value as at January 2000 and the value as at January 2001.

Harry Migirdic made this offer to P.A. without the knowledge, and without the consent or authorization of CIBC.

Still dissatisfied, P.A. sent a letter to Harry Migirdic instructing him to cease all trading on his account and to reimburse him for his losses. After receiving P.A.'s letter, on or around July 1, 2000, Harry Migirdic offered and remitted to P.A., a promissory note in the amount of \$400,000. In addition to this promissory note, Harry Migirdic gave P.A. a photocopy of a \$300,000 bond as a guarantee.

Harry Migirdic did not inform CIBC that he had given P.A. a promissory note, because he was hoping that the markets would recover and that he would not have to reimburse P.A.

Account of H.M. and A.M.

In February, 1993, R.L., who had an account with Harry Migirdic, wanted to withdraw money from her CIBC account, but the account had incurred losses. To ensure that R.L. could withdraw money from her account, Harry Migirdic had H.M. sign, on February 16, 1993, an account guarantee agreement in favour of R.L. H.M. and his wife A.M. had had a joint account with Harry Migirdic since 1986.

Harry Migirdic obtained the signature of H.M. under the pretext that the signature was required for the administration of his joint account. H.M. and A.M. did not know R.L., nor did they know the nature of the document that H.M. was signing. They were unaware of the consequences that such a guarantee could entail.

Between July 1995 and August 1999, over the course of numerous information updates on the accounts of both R.L. and H.M. and A.M., Harry Migirdic neglected to indicate that the account of H.M. and A.M. was guaranteeing the account of R.L.

On April 25, 2000, Harry Migirdic had H.M. sign, under false pretences, a letter

confirming the account guarantee in favour of the account of R.L.

On February 16, 2001, while H.M. and A.M. were travelling abroad, Harry Migirdic effected an unauthorized discretionary trade in the R.R.S.P. account of A.M., and another in the R.R.S.P. account of H.M.

Account of X Inc.

S.G. opened an account with Harry Migirdic in November 1983. S.G. is Harry Migirdic's uncle and was living in Turkey at the time. He is now 73 years old. Harry Migirdic filled out a KYC form and seven (7) KYC updates regarding this account.

On November 15, 1993, H.M. and A.M. opened an account in the name of their holding company, X Inc. Harry Migirdic filled out a KYC form and three (3) KYC updates regarding this account.

On March 28, 1994, Harry Migirdic had H.M. sign, on behalf of X Inc., an account guarantee agreement in favour of S.G. H.M. did not know S.G. and was unaware of the consequences of this guarantee. He had no reason for his company X Inc. to guarantee the account of S.G., an account whose holder he did not know. Harry Migirdic obtained the signature of H.M. under the pretence that it was necessary for the administration of his account.

On October 31, 1995, October 17, 1996, October 15, 1997, October 19, 1998, and October 20, 1999, Harry Migirdic obtained, under false pretences, the signature of H.M., as principal shareholder in X Inc., for an acknowledgment of a guarantee agreement in favour of the account of S.G.

On March 13, 1997, September 30, 1997, and May 21, 1998, Harry Migirdic did not indicate on the KYC updates regarding S.G. that the account of X Inc. was guaranteeing the account of S.G. On September 18, 1995, September 30, 1997 and May 21, 1998, Harry Migirdic also did not indicate on the KYC updates regarding X Inc. that S.G. had a financial interest in that account, since X Inc. was guaranteeing the account of S.G.

On May 21, 1998, Harry Migirdic increased to "100% high" the risk tolerance indicated on the KYC update for X Inc., without the latter's knowledge or consent.

Account of L.N.

On July 24, 1996, Harry Migirdic had L.N. sign, under false pretences, an account guarantee agreement, in the name of Z Inc., in favour of the account of S.G. This guarantee was revoked as of August 22, 1996. L.N. did not know S.G. and had no reason to guarantee the latter's account.

Account of K.P.

On August 1, 1984, A.P. and B.P. opened a joint account with Harry Migirdic. Harry Migirdic filled out a KYC form and six (6) KYC updates regarding that account.

On December 18, 1984, K.P. opened an account with Harry Migirdic. K.P. was 55 years old when the account was opened. Harry Migirdic filled out a KYC form and six (6) KYC updates for the account of K.P. On April 19, 1993, K.P., who was then 64 years old, signed a trading authorization in favour of her son R. P.

On June 3, 1993, Harry Migirdic had K.P. sign an account guarantee agreement in

favour of A.P. and B.P. Harry Migirdic obtained the signature of K.P. under the pretext that it was needed for account administration purposes.

K.P. did not know A.P. and B.P. and had no reason to guarantee their account. Harry Migirdic did not inform her that the document she was signing was to guarantee the account of A.P. and B.P. Neither did he inform her of the consequences of this guarantee.

On June 25, 1998, Harry Migirdic's supervisor sent a letter to K.P., asking her to confirm the account guarantee in favour of A.P. and B.P.

R. P. signed his mother's name to the confirmation letter, as well as his own name, Harry Migirdic having promised him that the guarantee would be revoked. R. P. did not follow up on this, because he trusted Harry Migirdic and was confident that the latter would revoke the guarantee, but he never did.

Harry Migirdic also confirmed that he obtained R.P.'s signature on June 25, 1998, under the pretext that the guarantee agreement had been drawn up in error, and by promising that said guarantee would be revoked.

On March 31, 1999, Harry Migirdic's supervisor sent another letter to K.P. asking her once again to confirm the guarantee in favour of the account of A.P. and B.P. This time, only K.P. signed the confirmation letter, and it was Harry Migirdic who had her sign it. K.P. was unaware of the nature of the document that she was signing, nor of the consequences of the guarantee in favour of the account of A.P. and B.P.

On April 2, 2001, at the home of R.P., Harry Migirdic signed a letter prepared by R.P., in which he confirmed having obtained the signature of K.P. on the guarantee agreement of June 3, 1993 without informing the client of the nature of the document.

On July 19, 1993, July 31, 1996, October 1, 1997, June 5, 1998, and July 13, 2000, Harry Migirdic did not indicate on the KYC updates regarding the account of K.P., that A.P. and B.P. had a financial interest in the account of K.P. because the latter was guaranteeing their account. On September 3, 1996, October 1, 1997, February 11, 1998, and June 5, 1998, Harry Migirdic also did not indicate on the KYC updates regarding the account of A.P. and B.P. that K.P. was guaranteeing their account.

Forged Document

In September 1997, Harry Migirdic accepted a power of attorney for the account of Y Ltd. which he knew had not been signed by the beneficial owner of the account. Harry Migirdic accepted the forged power of attorney to speed up matters for his client.

When CIBC refused the forged power of attorney, Harry Migirdic went to London, England to obtain the signature of the beneficial owner of the account of Y Ltd. on the power of attorney.

Harry Migirdic has not been an approved person with the Association since his employment with CIBC was terminated in April 2001.

Kenneth A. Nason
Association Secretary