

Contact:
Barbara Lohmann
Enforcement Counsel
(604) 331-4795

For distribution to relevant parties within your firm

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Discipline

Discipline Penalties Imposed on David Michael Clifton – Violations of Association By-law 29.1

Person Disciplined	The Pacific District Council of the Investment Dealers Association of Canada (the “Association”) has imposed discipline penalties on David Michael Clifton, at all material times a Registered Representative with Dundee Securities Corporation (“Dundee”), a Member of the Association.
By-laws, Regulations, Policies Violated	<p>On July 27, 2004, the Pacific District Council considered, reviewed and accepted a Settlement Agreement negotiated between Mr. Clifton and Association staff.</p> <p>Pursuant to the Settlement Agreement, Mr. Clifton admitted that:</p> <ul style="list-style-type: none">• In May 2002, he effected three transactions in the account of a client, without the prior authorization of his client, contrary to Association By-law 29.1;• In May 2002, he effected one transaction in the account of another client, without the prior authorization of that client, contrary to Association By-law 29.1; and• In August 2002, he misrepresented to Dundee that a total debt of \$30,000 in two client accounts resulted from those clients’ inability to pay, which he knew or ought to have known was untrue, contrary to Association By-law 29.1.
Penalty Assessed	The penalties assessed against Mr. Clifton include a fine of \$25,000 for the unauthorized trading and \$10,000 for the misrepresentation (total fine \$35,000), disgorgement in the amount of \$320, a prohibition against re-approval in any registered capacity by the Association for three months, a condition of re-approval in any registered capacity that Mr. Clifton successfully re-write and pass the examination based on the <i>Conduct and Practices Handbook Course</i> administered by the Canadian Securities Institute, a condition of any re-approval in any registered capacity that Mr. Clifton be placed under strict supervision for a period of twelve months and a prohibition against re-approval in any registered capacity until such time as the fine and costs herein are paid in full. In addition, Mr. Clifton is required to pay \$5,000 towards the Association’s costs of the investigation of this matter.

Summary
of Facts

On May 28, 2002, Mr. Clifton purchased 10,000 shares of Viscount Systems Inc. (“Viscount”) for his client, MG, @ US \$3.00 for a total cost of \$30,080, including \$80 commission. Mr. Clifton effected this purchase without the prior knowledge or authority of MG.

On May 29, 2002, Mr. Clifton purchased 10,000 shares of Viscount for MG’s account @ US \$2.87, for a total cost of \$28,780, including \$80 commission. Also on that same date, Mr. Clifton sold 10,000 Viscount shares from MG’s account @ US \$2.96 for total proceeds of \$29,599.10. Mr. Clifton effected these two transactions without the prior knowledge or authority of MG.

When MG became aware of these unauthorized trades, she contacted Mr. Clifton who advised her that he would cover any losses resulting from those trades. MG, accordingly, agreed not to complain to Dundee. However, Mr. Clifton did not cover the losses in MG’s account in a timely manner, so MG complained to Dundee.

On May 29, 2002, Mr. Clifton purchased 10,000 shares of Viscount for MR’s account. That purchase was filled at 5,000 shares @ US \$2.88 (at a total cost of \$14,480, including \$80 commission), 500 shares @ US \$ 2.91 and 4,500 shares @ US\$2.92 (at a combined total cost of \$14, 675, including \$80 commission). Mr. Clifton effected this purchase without the prior knowledge or authority of MR.

MR contacted Mr. Clifton immediately after he received the confirmation slip for this unauthorized transaction. He wanted the trade cancelled from his account and he wanted to speak with the sales manager. Mr. Clifton pleaded with MR not to speak with the manager because of the problems it would create. Mr. Clifton gave MR his word that he would “cover the whole loss” and MR agreed not to complain. However, Mr. Clifton did not cover the losses in MR’s account in a timely manner, so Dundee liquidated the assets in the account to cover the debt resulting from the unauthorized trade.

The unauthorized trades in the accounts of MG and MR resulted in debts therein. When Mr. Clifton was questioned by Dundee about these debts, rather than telling Dundee that these transactions were not authorized by the clients, he advised Dundee that the clients could not pay, so he would assume responsibility for the debt, thereby misrepresenting the situation to Dundee.

Mr. Clifton has not previously been the subject of professional discipline by a regulatory body of the securities industry.

Mr. Clifton is not currently employed in the industry.

Kenneth A. Nason
Association Secretary