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Discipline

Discipline Penalties Imposed on Savitri Shamseer; Violation of Regulations 1300.4 and 1300.1(c)

Person Disciplined A Hearing Panel appointed pursuant to By-law 20 of the Investment Dealers Association of Canada (the “Association”) has imposed discipline penalties on Savitri Shamseer, at the material time a Registered Representative employed at the Richmond Hill office of Argosy Securities Inc. (“Argosy”), a Member of the Association.

**By-laws,
Regulations,
Policies Violated** On December 19, 2006, the Hearing Panel considered, reviewed, and accepted a Settlement Agreement negotiated between staff of the Enforcement Department of the Association (“Staff”) and Mrs. Shamseer.

Pursuant to the Settlement Agreement, Mrs. Shamseer admitted that between February 19, 2002 and December 5, 2003, she conducted discretionary trades in a client account without the account being specifically approved and accepted in writing as a discretionary account, contrary to Association Regulation 1300.4. She further admitted that during the same period, she failed to use due diligence to ensure that trades conducted in the same client account were suitable based on factors such as the clients’ financial situation, investment knowledge, investment objectives and risk tolerance, contrary to Association Regulation 1300.1(c) [currently Association Regulation 1300.1 (p)].

Penalty Assessed The discipline penalties assessed against Mrs. Shamseer are:

- a fine in the amount of \$40,000;

- disgorgement of commission in the amount of \$2,100;
- strict supervision for 12 months; and
- Successful completion of the Conduct and Practices Handbook examination within 6 months of the effective date of the Settlement Agreement.

Mrs. Shamseer is also required to pay \$3,000 towards the costs of the Association's investigation and prosecution of this matter.

Summary of Facts CL and DL, husband and wife, had been clients of Mrs. Shamseer since February 1997. On February 19, 2002, these clients opened a joint margin account with Mrs. Shamseer at Argosy. At the time, DL was 67 years old, and CL was 62 years old.

According to the account's opening documents (the "NAAF"), the clients' investment knowledge was good, their investment objectives were 25% mid-term and 75% long-term, and their risk tolerance was 100% medium. Their combined annual income was listed as \$47,000 and the value of their net assets was \$500,000. A more appropriate description of the clients' investment knowledge at the time would have been "limited with experience in mutual fund investing".

At all material times, Mrs. Shamseer communicated exclusively with CL regarding all transactions relating to the account.

Upon opening the account, various mutual funds were transferred in, with a total market value of \$104,708.79 as of March 31, 2002. At the time, this represented all of the couple's non-registered retirement savings.

Very little activity took place in the account until October 2002. On October 8, 2002, the Respondent, on behalf of her clients, sold short 200 shares of eBay Inc. ("eBay") at US \$51.50 per share, totaling US \$10,093.68. No stop was placed on the short sale. For the next 8 months, the price of eBay continued to rise and as of May 31, 2003, the eBay short position in the account caused an unrealized loss totaling US \$10,236.32.

On June 23, 2003, an additional 500 shares of eBay were sold short at US \$101.30 per share, totaling US \$50,650.00. Again, no stop was placed on this short sale. As of June 30, 2003, as a result of the eBay short position, there was an unrealized loss of US \$12,133.70. The eBay short position was closed out on July 8, 2003 at a share price of US \$113.62, resulting in a realized loss of US \$18,942.70. Relative to the net equity of the account, the eBay Loss was substantial, representing over 45% of the account.

In order to recover the eBay losses, a trading strategy was adopted from July 2003 to November 2003, which involved large value

short-term trades in U.S. securities. The majority of short-term trades were in shares of eBay, the speculative security of Internet Capital Group Inc. and the exchange-traded fund NASDAQ 100 trust shares. This trading strategy was not successful, resulting in a further loss of over US \$9,000. Margin was used in the account to execute many of these short-term trades. During the same period of time, the account was leveraged between 42% and 51%.

The trading activity described above was unsuitable and inappropriate for these clients in light of their investment objectives and personal circumstances.

CL acknowledged that she and her husband left the trading to Mrs. Shamseer's discretion. According to CL, Mrs. Shamseer obtained her prior approval at the time of the trade for approximately one-quarter of the trades executed in the account. For the remaining three-quarters of the trades, Mrs. Shamseer executed trades in the account with discretion relating to time, price, and/or quantity traded. Notwithstanding the clients' acquiescence, the account was not specifically approved nor accepted in writing as a discretionary account by Argosy.

The total loss to the account, net of any withdrawals, was \$47,251.82, representing 50.1% of the client's net investment in the account. Mrs. Shamseer has partially compensated the clients for their losses.

Mrs. Shamseer remains employed at the Richmond Hill office of Argosy.

For further details, please see the Settlement Agreement posted on the Association's website at www.ida.ca. The Hearing Panel's reasons will be posted on the Association's web site when they become available.

Kenneth A. Nason
Association Secretary