

## Press Releases

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November 4, 1996

### OTS 96-70 - OTS Accuses Former Thrift President of Unauthorized Securities Trading

#### Office of Thrift Supervision

#### News Release

FOR RELEASE at 3:45 p.m. EST

For further information

Monday, November 4, 1996

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OTS 96-70

202/906-6688

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### **OTS ACCUSES FORMER THRIFT PRESIDENT OF UNAUTHORIZED SECURITIES TRADING**

WASHINGTON, D.C., Nov. 4, 1996 -- The Office of Thrift Supervision (OTS) has filed charges against the former president of a New Orleans thrift institution for unauthorized securities trading that cost the institution \$8.2 million. The agency is seeking restitution and to ban him from banking.

The filing of charges against Paul D. Clayton, former president, chief executive officer and director of Eureka Homestead Society, New Orleans, La., is the first step in an administrative law proceeding. Clayton was employed at Eureka from 1980 until October 1993, when he resigned at the request of Eureka's other directors.

OTS charged that beginning in 1987, and until his resignation, Clayton engaged in unauthorized investment transactions on behalf of Eureka that resulted in the heavy loss to the thrift. The regulator accused Clayton of repeatedly executing documentation which falsely represented that he was authorized to open margin accounts and trade on margin on behalf of the institution.

Moreover, said OTS, Clayton did not record his unauthorized trading and the mounting losses on the books of Eureka. The transactions were not authorized by, or disclosed to, Eureka's board of directors, but were actively and deliberately concealed by Clayton, OTS charged. Because Clayton's transactions were not reported, Eureka's financial reports, including those filed with OTS, were false and inaccurate during the entire time of Clayton's trading activities.

OTS discovered his trading activities during a regular examination of Eureka in October 1993. A detailed investigation revealed that beginning in 1987 and continuing through his resignation in October 1993, Clayton's unauthorized securities trading caused a loss of approximately \$8.2 million to the thrift, severely depleting its capital. Since then, Eureka Homestead has regained its former health. Deposits are insured by the federal Savings Association Insurance Fund to the limit prescribed by law.

Clayton has 20 days in which to respond to the charges. The administrative law hearing will take place in or near New Orleans at a place and date to be determined.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).