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For distribution to relevant parties within your firm
BULLETIN # 3416
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Discipline

Discipline Penalties Imposed on Haralambos Pandelidis; Violations of By-law 29.1 and Regulations 1300.4, 1300.5.

Person Disciplined

A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Haralambos Pandelidis, at all material times a Registered Representative with the Calgary Branch Office of Yorkton Securities Inc., a Member of the IDA.

By-laws, Regulations, Policies Violated

Following a disciplinary hearing held on, Tuesday, February 8 and Wednesday, February 9, 2005 in Calgary, Alberta, a Hearing Panel found that Haralambos Pandelidis violated By-law 29.1 (4 Counts) and Regulations 1300.4, 1300.5 (1 Count).

Penalty Assessed

The Hearing Panel imposed the following penalties on Mr. Pandelidis:

1. Fine in the amount of $75,000;
2. Suspension of 5 years from registration in any capacity, with no reinstatement until payment of all monetary penalties and costs have been made;
3. A condition of re-approval of the Respondent, in any registered capacity, by the Association that the Respondent re-write and pass the Canadian Securities Course and the examination based on the Conduct and Practices Handbook for Securities Industry Professionals;
4. Upon re-entry to the industry that the Respondent be under strict supervision for a 12 month period followed by an additional 12 month period of close supervision; and
5. Costs of the Association in the amount of $12,524.

Summary of Facts

By Notice of Hearing dated November 24, 2004, the Association alleged 6 contraventions of its By-laws and Regulations, including engaging in unauthorized discretionary trading, falsely confirming trades, making offers to compensate a client for account losses, engaging in personal financial dealings with a client, making a representation to a client that a security would be listed on an exchange in furtherance of a trade, and participating in an illegal distribution of securities..

The hearing of February 8th & 9th, 2005, proceeded by way of Agreement as to facts and contraventions (the allegations as worded in the Notice of Hearing). After review of the Agreement and exhibits tendered at the hearing, the Hearing Panel agreed that the contraventions as set out in the Agreement had been proven.

The evidence presented to the Hearing Panel is summarized as:

Discretionary Trading (Regulation 1300.4 and 1300.5)

S.J. was a fairly sophisticated investor. He had substantial financial assets and good investment knowledge. S.J. opened accounts with the Respondent at Yorkton Securities in late 1998 and early 1999. The initial New Client Application Forms ("NCAF") and subsequent NCAF updates completed by the Respondent for S.J.'s accounts, provided for Investment Objectives of "100% Venture Situations" and Risk Factors of "100% High" or not indicated.

S.J. suffered losses in his accounts maintained with the Respondent. While his Canadian accounts reflected a profit of approximately $621,000, his US dollar accounts lost over $750,000 in US funds. These losses largely related to trading in the speculative security, Entertainment Boulevard.

The Respondent admitted to the exercise of discretion in respect to one specific trade in an account of S.J. The Respondent also acknowledged that he would regularly obtain directions from S.J. to purchase certain securities within pre-arranged price/share ranges and up to a set dollar amount per transaction. S.J. was complacent to the Respondent's exercise of trading discretion in respect of his accounts

S.J.'s accounts were not approved as discretionary accounts by Yorkton and the Respondent was not approved to manage discretionary accounts.

Bucketing (By-law 29.1)

UMDA Cross-trade at $5.00 per share

The Respondent recommended the purchase of shares of Uncommon Media Group ("UMDA") to S.J.'s accounts.

By letter of May 18, 2001, addressed to S.J., the Respondent indicated that 553,772 shares of UMDA had been sold from S.J.'s account at $5.00 US per share (the "cross-trade"). The Respondent provided a second letter to S.J., dated June 28, 2001, confirming the cross-trade of UMDA. Upon S.J.'s request for proof of the cross-trade, the Respondent provided S.J. with copies of partially completed and false trade tickets.

The cross-trade of shares of UMDA as proposed, or otherwise, did not occur. The Respondent's proposal to cross-trade the UMDA shares was for the purpose of compensating S.J. for account losses relating to trading in the security, E.B. The

Respondent admitted that Yorkton was unaware of the representations he made to S.J. regarding the cross-trade of UMDA.

Offer to Compensate for Trading Losses (By-law 29.1)

1. 500,000 UMDA Shares

The Respondent promised to gift UMDA stock to S.J. in the event that funds from the "$5.00 US cross" were not in S.J.'s account by May 31, 2001. This representation was confirmed by letter to S.J. of May 30, 2001. Also, a Statutory Declaration dated June 5, 2001, was executed before S.J.'s lawyer, setting out a covenant by the Respondent to transfer 500,000 shares of UMDA to an S.J account "for the sum of $10.00 and such further and other previous consideration between the parties". The Respondent's promise to gift UMDA shares to S.J. was an attempt to compensate S.J. for trading account losses.

2. 25,000 UMDA Shares

By letter of June 6, 2001, the Respondent represented that a share certificate had been produced in the name of R.D. (S.J.'s daughter) for 25,000 shares of UMDA. Further, by this letter, the Respondent represented that the 25,000 shares of UMDA had been sold for $5.00 US per share and that the proceeds from the sale would be credited to "the account" as soon as possible. The Respondent's representation to gift shares of and subsequently trade the UMDA shares was compensation for Red Hat Inc. losses in the approximate amount of $45,000 US, sustained by S.J.

3. 670,000 UMDA Shares

By written notation dated June 22, 200[1], the Respondent gave an undertaking to S.J. that he would give S.J. 670,000 shares of UMDA. The Respondent represented that 560,000 shares of UMDA were to be "gifted" and the remaining 110,000 shares provided in the form of options to S.J. "on or before July 10, 20__" [2001].

4. 1.25 UMDA Shares

By Letter Agreement, dated July 18, 2001, the Respondent acknowledged that S.J. had incurred significant trading losses and represented that he wished to compensate S.J. for account losses with a gift of 1.25 million shares of UMDA. The Respondent represented that he would transfer 1.25 million shares of UMDA, held in a corporate off-shore account to S.J. at an aggregate value of $10.00, as compensation for S.J.'s trading losses. The Respondent transferred ownership of the corporate off-shore account to S.J. S.J. was unable to exercise a right of ownership by selling the shares, as the 1.25 million UMDA shares held in the corporate off-shore account were pledged to other individuals.

S.J. never received any negotiable shares of UMDA from the Respondent. The Respondent admitted that he created the letters representing the gift of shares of UMDA to S.J. as confirmation of his intention to compensate S.J. for the substantial losses he had incurred with trading in EB. The Respondent admitted that Yorkton was unaware of the representations he made to S.J. regarding gifts of UMDA shares for the purpose of compensation, or otherwise.

5. Global IT

By notation dated June 23, 2001, the Respondent gave an undertaking to S.J. that he would gift 200,000 shares of Global IT and additional Global IT shares at a reduced price. Global IT was never traded on an exchange or over- the-counter bulletin board.

Personal financial dealings/compensation for trading losses (By-law 29.1)

The Respondent provided S.J. with two (2) personal cheques, each in the amount of $15,000; dated September 12, 2000 and November 22, 2000, respectively. These monies were paid by the Respondent to S.J. as compensation for account losses. The Respondent did not receive Yorkton's approval to provide the two (2) $15,000 cheques to S.J. as compensation, or otherwise.

Representing a security to be listed on exchange (By-law 29.1)

By letter dated May 31, 2001, the Respondent confirmed a representation to S.J. that the security, Kirscher Entertainment (KE), would trade on the US OTC market on June 1, 2001, "on or before 9:00 am". The letter specified that S.J. would be gifted KE shares which would then be sold with proceeds in the amount of $900,000 to be given to S.J. This transaction did not occur. KE was never traded on an exchange or over-the-counter bulletin board.

Selling securities without ensuring compliance with the *Alberta Securities Act* (By-law 29.1)

J.F. and T.F. opened separate investment accounts with the Respondent at Yorkton on February 2 and June 13, 2001, respectively. The NCAFs for each account indicated Investment Objectives as 100% Venture Situations and Risk Factors as 100% High.

The Respondent recommended to T.F. that he participate in a private placement offering by Global IT. T.F. and his brother, J.F., jointly purchased shares in the Global IT private placement. J.F. executed a subscription agreement agreeing to purchase 39,200 shares of Global IT for the sum of $19,600 US.

Global was not a reporting issuer in Alberta at the time that the shares were purchased by J.F. Further, an exemption to filing requirements had not been applied for pursuant to the provisions of the *Alberta Securities Act,* nor was an Offering Memorandum filed which would have allowed the Respondent to participate in the distribution of Global IT shares in Alberta. The Respondent stated that he had assumed that the legal counsel and/or executive of Global IT had attended to all the necessary regulatory filings with the Alberta Securities Commission.

The Respondent confirmed that he did not receive approval from Yorkton to engage in outside business activities with Global IT.

Decision

The only issue for determination by the Hearing Panel was the nature and degree of sanctions to be imposed upon the Respondent. The Hearing Panel heard submissions on penalty from Association counsel and the Respondent. In particular, the Hearing Panel considered a number of factors presented by the Respondent as mitigating the circumstances of his misconduct.

- The Respondent submitted that his actions were not meant to harm his client, S.J., but rather to help the client regain losses; and as such, his actions should be consider "naïve" or "misguided", only. The Hearing Panel acknowledged that intent is a relevant factor for consideration, however, that in the present case the facts demonstrated numerous instances whereby the Respondent "intentionally and knowingly provided false information to his client". The Hearing Panel would not accept a characterization of the Respondent's conduct as naïve.

- The Respondent attempted to persuade the Hearing Panel that he had not concealed his conduct of personal dealings with his client, S.J., from the Member firm, rather he had simply not told the firm of those activities. The Hearing Panel refused to accept such a distinction and emphasized that the Member firm must be aware of a registrants personal dealings with clients, so that the situation can be monitored by the Member firm to ensure that any real or apparent conflict of interest is avoided. The Hearing Panel accepted Association counsel's submission that the Respondent had preferred his interest over that of the client, S.J., when he concealed his ongoing attempts to compensate S.J. for account losses.

- The Hearing Panel was also not persuaded that the Respondent's age of 32 years and period of only 3 years in the securities industry, at the time of the conduct infractions, were relevant mitigating factors.

- The Respondent argued that any imposed sanction should not include a period of suspension as he had been out of the industry for 3 years since occurrence of the events under review. The Hearing Panel disagreed with this submission, stating that the period of time a Respondent is under investigation is an appropriate consideration only in circumstances where the Association has "failed to conduct its investigation in a reasonable time", which it did not find evidence of in this case.

The Hearing Panel weighed the agreed facts, any mitigating and aggravating factors, considered a number of case precedents and applicable sanction guidelines, as well as the Respondent's prior discipline history of failing to cooperate with the investigation of these matters, when accepting Association counsel's recommendations for sanction. (See Penalty Assessed, above).

For additional details, see the Agreement and Reasons for Decision also posted to the IDA website.

Kenneth A. Nason
Association Secretary