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Discipline

Penalties Imposed on Rampart Securities Inc. – Violation of By-laws 29.1, 17.1, 17.2, 17.2A, Regulations 1300.1, 1300.2, 1800.5 and 1900.4

Person Disciplined The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Rampart Securities Inc. (“Rampart”), a member of the Association.

By-laws, Regulations, Policies Violated In a disciplinary hearing on January 21, 2002, the Ontario District Council found that Rampart Securities Inc. committed the following violations in time periods from 1997 through 2001:

- 1) Rampart engaged in conduct unbecoming a Member, contrary to Association By-Law 29.1 by:
 - a) failing to design, establish, oversee and implement an effective sales compliance program;
 - b) failing to design, establish, oversee and implement an effective financial compliance program;
 - c) failing to ensure proper compliance with regulatory requirements regarding maintenance of adequate risk adjusted capital, monitoring of regulatory capital and reliability of financial reporting; and
 - d) failing to fulfill representations provided to the Association to put into place and carry out procedures to ensure compliance with Association requirements.

- 2) Rampart contravened Association Regulation 1300.2 by:
 - a) failing to establish and maintain a supervisory environment in accordance with Association Policy No. 2, contrary to Association Regulation 1300.2; and
 - b) failing to ensure that accounts were properly opened and supervised.

- 3) Rampart contravened Association Regulation 1300.1 by failing to use due diligence to learn the essential facts relative to every customer and every order or account accepted, to ensure that such orders or accounts accepted were within the bounds of good business practice; and to ensure that recommendations made for any account were appropriate for clients.
- 4) Rampart contravened Association Regulation 1800.5 by failing to ensure that futures accounts were properly supervised and reviewed.
- 5) Rampart contravened Association Regulation 1900.4 by failing to ensure that options accounts were properly supervised and reviewed.
- 6) Rampart contravened Association By-law 17.1 by failing to maintain its risk-adjusted capital greater than zero during the months of January 1997, January March, September, October and November 1999, February and August, 2000 and March to May, 2001.
- 7) Rampart contravened Association By-law 17.2 by failing to establish and maintain a proper system of books and records.
- 8) Rampart contravened Association By-law 17.2A by failing to establish and maintain adequate internal controls by:
 - a) failing to continuously monitor the capital position of the firm to ensure that at all times the Risk Adjusted Capital was maintained; and
 - b) failing to recognize the projected capital requirements resulting from the business activities of the firm.

Penalty
Assessed

The discipline penalties assessed against Rampart are a fine in the amount of \$3 million and termination of Rampart's rights, privileges and Membership in the Association. Rampart was also ordered to pay the Association's costs in an amount of \$270,000.

Kenneth A. Nason
Association Secretary