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## Discipline

### Discipline Penalties Imposed on Henry George Cole – Violation of Regulations 1300.1, 1300.2 and Policy No. 2

Person Disciplined            The Ontario District Council of the Investment Dealers Association of Canada (“the Association”) has imposed discipline penalties on Henry George Cole (“Mr. Cole”), at the relevant times, President, Alternate Designated Person and a director of Rampart Securities Inc. (“Rampart”).

By-laws, Regulations, Policies Violated            On July 23, 2002, the Ontario District Council considered, reviewed and accepted a settlement agreement negotiated between Mr. Cole and Association Staff.

Pursuant to the Settlement Agreement, Mr. Cole admitted that that he failed to :

- Carry out his responsibilities to implement and enforce policies that would ensure that Rampart’s Ultimate Designated Person, compliance staff and salespeople would pursue an effective sales compliance program to ensure proper compliance with regulatory requirements, opening of accounts and supervision of account activity.
- Ensure that Rampart was in compliance with Association Requirements pursuant to Association Regulation 1300.1, 1300.2 and Policy No. 2.

Penalty Assessed            Mr. Cole has agreed to the following penalties:

- Payment of a monetary fine in the amount of \$125,000.00;
- Suspension from employment by a Member of the Investment Dealers Association in the capacities of a President, Chief Financial Officer, Chief Operating Officer, UDP, ADP, DROP, AROP, Branch Manager, Assistant Branch Manager, Compliance Officer or any positions with equivalent compliance or supervisory responsibilities for a period of ten years.

Summary  
of Facts

At all relevant times, Mr. Cole was employed at Rampart Securities Inc. He served as President and a director of Rampart from approximately September 22, 1997 – April 11, 2001. He was Alternate Designated Person (“ADP”) from November 23, 1999 through April 11, 2001.

On October 8, 1997, Mr. Cole was named as a member of the Executive Committee of the Rampart Board of Directors. The Executive Committee was mandated to deal with matters concerning Recruiting and Compensation and Rampart’s Policies and Procedures with a view to regulatory compliance as well as other matters dealing with compliance. The Executive Committee was mandated to meet on a formal basis and Minutes of such meetings were to be distributed to the Board of Directors. This did not occur.

Mr. Cole, as President and a director of Rampart from September 22, 1997 through April 11, 2001 and as a member of the Executive Committee, had a responsibility along with other senior officers and directors of Rampart, to establish policies that met Association requirements and to take reasonable steps to ensure that Rampart compliance staff and salespeople implemented such policies.

In 1998, 1999 and 2000, the Association conducted Sales Compliance Reviews of Rampart. In each of these reviews the Association found repeated failures in Rampart’s sales compliance systems. These deficiencies were reported to the firm and the Association provided a written report after each review.

In particular, in 1998, 1999 and 2000, the Association determined that Rampart failed to design, establish, oversee and implement an effective sales compliance program, failed to establish and maintain a supervisory environment in accordance with Association Policy No. 2, failed 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.

At a disciplinary hearing on January 21, 2002, the Ontario District Council found that Rampart Securities Inc. committed the following sales compliance violations for the time periods from 1997 through 2001:

- Rampart engaged in conduct unbecoming a Member, contrary to Association By-Law 29.1 by failing to design, establish, oversee and implement an effective sales compliance program;
- 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;

- 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;
- Rampart contravened Association Regulation 1800.5 by failing to ensure that futures accounts were properly supervised and reviewed; and
- Rampart contravened Association Regulation 1900.4 by failing to ensure that options accounts were properly supervised and reviewed.

Mr. Cole, as President and a director of Rampart and as the ADP from November 23, 1999 to April 11, 2001 ought to have been aware of the sales compliance problems for which discipline penalties were assessed against Rampart by the Ontario District Council on January 21, 2002.

Acting within the scope of his authority as a Rampart officer and director, Mr. Cole:

- failed to ensure that the Executive Committee fulfill its mandate by meeting regularly and to review the Association's findings respecting sales compliance and to review Rampart's responses to these findings;
- relied on representations made by other Rampart senior officers and/or directors as well as staff in the Sales and Sales Compliance area that the concerns of the Association (as described in this Section III) were being addressed; and
- failed to exercise the necessary due diligence to ensure that all relevant reports and information were brought to the attention of the Board of Directors.

Kenneth A. Nason  
*Association Secretary*