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Discipline

Discipline Penalties Imposed on Nicolas Tsaconakos – Violation of By-laws 17.1, 17.2, 17.2A and 29.1, Regulations 1300.1, 1300.2 and Policy Nos. 2 and 3

Person Disciplined The Ontario District Council of the Investment Dealers Association of Canada (“the Association”) has imposed discipline penalties on Nicolas Tsaconakos (“Mr. Tsaconakos”), at the relevant times, Chief Operating Officer (“COO”), Chief Financial Officer (“CFO”) and Ultimate Designated Person (“UDP”) of Rampart Securities Inc. (“Rampart”),

By-laws, Regulations, Policies Violated On September 17, 2002, the Ontario District Council considered, reviewed and accepted a settlement agreement negotiated between Mr. Tsaconakos and Association Staff.

Pursuant to the Settlement Agreement, Mr. Tsaconakos admitted that that he engaged in conduct unbecoming his positions, by failing to:

- Ensure that Rampart was in compliance with Association Requirements pursuant to Association By-laws 17.1, 17.2 and 17.2A, Regulations 1300.1 and 1300.2 and Policy Nos. 2 and 3;
- Carry out his duties and responsibilities to ensure that Rampart fulfilled representations given to the Association to put into place and implement procedures to ensure compliance with Association requirements, contrary to By-law 29.1

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

- A monetary fine in the amount of \$175,000.00;

Summary
Of Facts

- Mr. Tsaconakos will never seek approval for registration for employment by a Member of the Association for any position with regulatory compliance or regulatory supervisory responsibilities.

The Respondent was registered as Rampart's Chief Operating Officer ("COO") from September 27, 1999 forward, as Chief Financial Officer ("CFO") from September 27, 1999 to January 18, 2001 and as Ultimate Designated Person ("UDP") from November 23, 1999 forward.

As UDP, Mr. Tsaconakos was ultimately obligated to ensure that the policies and procedures for the opening of new accounts were followed and the supervision of account activity, including the establishment and maintenance of procedures for account supervision, as prescribed by Association Regulation 1300.2 and Policy 2.

As CFO, Mr. Tsaconakos was ultimately responsible for continuously monitoring Rampart's capital position to ensure that the Risk Adjusted Capital was maintained at all times, as prescribed by Association Policy 3 in order for Rampart to be in compliance with Association By-law 17.1.

As CFO and COO, Mr. Tsaconakos was ultimately responsible for taking action to avert or remedy any projected or actual capital deficiency and was required to report any capital deficiencies immediately to the Association, as prescribed by Association Policy 3.

As CFO, COO and a member of the Executive Committee, Mr. Tsaconakos was primarily responsible along with other senior officers and directors of Rampart for ensuring adequate internal control of Rampart by establishing and maintaining policies and procedures to comply with the Association's Internal Control Policy Statements, as prescribed by Association Policy 3. In addition, it was the responsibility of such senior officers and directors to take reasonable steps to ensure that Rampart compliance staff and employees implemented such policies.

When Mr. Tsaconakos became registered as COO, CFO and UDP in 1999, Rampart already had serious regulatory compliance problems which had been identified by the Association in 1997, 1998 and 1999.

It was Mr. Tsaconakos' responsibility as COO, CFO and UDP to exercise the necessary due diligence to identify Rampart's regulatory compliance problems in existence upon his arrival and to rectify such deficiencies. His regulatory responsibilities prevailed throughout his registration.

Mr. Tsaconakos entered into a fixed term employment contract with Rampart and he agreed to remain as COO as a requirement of a contract between Rampart and a third party. These facts did not absolve him of his duty to discharge his regulatory responsibilities.

Mr. Tsaconakos did make some attempt to address many of the regulatory compliance deficiencies that had been identified by the Association, including *inter alia*, the hiring of a CFO, CCO and other administrative staff.

Despite representations from Rampart that the recurring sales and financial compliance and regulatory capital problems would be rectified, in 2000 and 2001 many of the deficiencies identified by the Association in 1997, 1998 and 1999 continued and additional deficiencies were identified in the areas of supervision and internal control policies. These included, *inter alia*, insufficient supervision of trading desks, RRs and client accounts, insufficient daily and monthly review of client accounts and no evidence of inquiries, responses and actions taken despite suitability concerns and questionable/suspicious trading activity. In addition, the Association found the firm's institutional safeguards to be inadequate and expressed serious concerns with the financial monitoring of the firm. Rampart experienced capital deficiencies in February and August, 2000 and March to May, 2001.

The Respondent, as CFO, COO and UDP, was or ought to have been aware of the regulatory deficiencies described above and, where he was aware of such deficiencies, he failed to exercise his authority to rectify the deficiencies. Acting within the scope of his authority, he:

- a) permitted serious regulatory deficiencies to exist, continue and/or worsen; and
- b) relied on representations made by other Rampart senior officers, directors and principals, as well as compliance staff, that the concerns of the Association were being addressed; and
- c) failed to exercise the necessary due diligence to satisfy himself adequately on questionable or suspicious activities within Rampart, despite representations from Rampart officers, staff, directors or principals, that the activities were within regulatory requirements or being addressed; and
- d) failed to ensure that where information about regulatory deficiencies was brought to the attention Rampart's senior officers, directors and principals, that action was taken to ensure regulatory compliance; and
- e) exercised conduct unbecoming by continuing to hold each of his registered positions and responsibilities there under after he recognized that he was unable to fulfill the mandate and responsibilities of such positions.

Kenneth A. Nason
Association Secretary