



INVESTMENT DEALERS
ASSOCIATION OF CANADA

bulletin



ASSOCIATION CANADIENNE DES
COURTIERS EN VALEURS MOBILIÈRES

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For distribution to relevant parties within your firm

BULLETIN #3262

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Discipline Discipline Penalties Imposed on Peter Bacsalmasi – Violations of Regulations 1300.2, 1300.1(b) and 1300.1(c) & Policy 2

Person Disciplined

The Alberta District Council of the Investment Dealers Association of Canada (the “Association”) has imposed discipline penalties on Peter Bacsalmasi (the “Respondent”), at all material times the Branch Manger of the Calgary branch office of Research Capital Corporation (“Research”), a Member of the Association.

By-laws, Regulations, Policies Violated

On January 29, 2004, the Alberta District Council considered, reviewed and accepted the agreed penalty sanctions, a Settlement Agreement negotiated between the Respondent and Association staff.

Pursuant to the Settlement Agreement, the Respondent admitted that he:

- (1) Failed to properly supervise Brian Strong, a Registered Representative in his branch, with the handling of two client accounts contrary to Regulation 1300.2 and Policy 2; and
- (2) Failed to ensure that the acceptance of any orders for two clients' accounts were within the bounds of good business practice and failed to ensure that trade recommendations made were appropriate for the clients and in keeping with the clients' investment objectives contrary to Regulations 1300.1(b) and 1300.1(c).

Penalty Assessed

The discipline penalties assessed against the Respondent are:

- (1) A global fine of \$25,000, payable to the Association within one (1) month of the effective date of this Settlement Agreement; and
- (2) As a condition of his approval as a branch manager with the Association, re-writing and passing the Partners, Directors and Officers examination, administered by the Canadian Securities Institute, within 12 months following the effective date of this Settlement Agreement.

Mr. Bacsalmasi is also required to pay \$4500.00 towards the Association's costs of the investigation of this matter.

Summary of Facts

The Respondent was the Calgary branch manager of Research during the period 1992 to 2000.

In August 1997, H.B. and C.C. opened separate cash and RRSP accounts (the "accounts") with Research. Strong was the registered representative with respect to these accounts. The recorded investment objectives for the accounts were 25% income, 25% short-term capital gains and 50% medium-term capital gains. The indicated risk tolerance for the accounts was 30% low-risk, 50% medium-risk and 20% high-risk. The NCAFs for the accounts were completed by Strong and approved by the Respondent.

On December 1, 1998, the NCAFs for both H.B.'s and C.C.'s accounts were updated. All information recorded on the updated account NCAFs remained the same except that investment objectives were increased to 50% short-term capital gains and 50% medium-term capital gains, and risk tolerance was increased to 100% high-risk. The updated account NCAFs were completed by Strong and his assistant, and approved by the Respondent on December 1, 1998. H.B.'s and C.C.'s investment objectives did not change between August 1997 and December 1998, and they did not agree to a risk tolerance designation of 100% high risk.

For the period February 1998 to December 2000, in the H.B. account there were 9 months where commissions exceeded \$1000 and in the C.C account there were 7 months where commissions exceeded \$1000.

During the period February to December 1998, there were 3 months (March, June, July) for the H.B. account and 2 months (July, August) for the C.C account, respectively, where commissions exceeded \$1000. The trading in the H.B. and C.C. accounts for the 5 months identified was inconsistent with the clients' stated investment objectives and risk factors, which situation necessitated inquiry of Strong by the Respondent.

The Compliance department of Research made inquiries of Strong by memoranda dated November 12, 1998 and June 12, 1998, in respect of the appropriateness of trading in the H.B. and C.C. accounts. The June 12, 1998, memorandum from Research Compliance was copied to the Respondent. The Respondent failed to take any follow-up action in respect of this matter.

The Respondent approved the updates to the H.B and C.C. NCAFs without questioning Strong about the updates. The Respondent confirmed that the clients' NCAFs were up-dated to reflect the type of trading in the accounts.

By way of formal settlement dated April 9, 2002, Research compensated H.B. and C.C. for their account losses with a payment of \$12,000 and forgiveness of account debts in the total amount of \$74,531.99.

The Respondent failed to properly execute his supervisory duties, in particular, he failed to follow-up and make appropriate inquiries in respect of the trading in the H.B. and C.C. accounts and inappropriately approved the updates to the H.B. and C.C. NCAFs without any inquiry of Strong and with the knowledge that the updates were done to bring the NCAF stated investment objectives and risk factors in line with the actual trade activity in the accounts.

The updates to the client NCAFs permitted Strong to effect inappropriate transactions in the clients' accounts. These transactions were ultimately to the detriment of the clients and to Research, which had to compensate the clients for their losses and forgive the indebtedness in their accounts. The conduct of the Respondent was in violation of Association Regulation 1300.2 and Policy 2.

*See Settlement Agreement for complete summary of facts relied upon for the decision.

Kenneth A. Nason
Association Secretary