

# 2005 BCSECCOM 546

## Settlement Agreement

### J.D. Stanley Futures Inc. and Clive Chow Kai Tsang

#### *Securities Act, RSBC 1996, c. 418*

- ¶ 1 J.D. Stanley Futures Inc. (JDS) and Clive Chow Kai Tsang (Tsang) have settled the following issues with the Executive Director.

#### **Agreed Statement of Facts**

- ¶ 2 As the basis for the undertakings and orders referred to in this settlement, JDS and Tsang acknowledge the following facts as correct:

#### **Parties**

1. JDS is a British Columbia company that carries on business in Richmond, BC.
2. JDS has been registered under section 34 of the *Securities Act*, RSBC 1996, c. 418 as an Exchange Contracts Dealer since November 27, 1996.
3. Tsang had been employed by JDS since February 1998. He became the majority shareholder of JDS and its president in 2001. He has been the sole shareholder of JDS since 2002 and its sole director since 2003.
4. Tsang was registered under section 34 of the Act as a registered representative from December 1993 to February 2001, except for a short period in December 1995 and between January 1996 and February 1998.
5. JDS has designated Tsang as its compliance officer since February 1, 2001 under section 65 of the *Securities Rules*, B.C. Reg. 194/97. Tsang has not been registered under the Act in any capacity since February 2, 2001.

#### **Capital Deficiencies**

6. From February 2001 to March 2005, JDS failed to:
  - (a) maintain a minimum positive risk adjusted capital of \$100,000, contrary to section 19(2) of the Rules;
  - (b) prepare capital records that accurately reflected JDS' risk adjusted capital, contrary to section 41(1) of the Rules; and
  - (c) immediately notify the Executive Director in writing that JDS did not meet its requirements for positive risk adjusted capital, contrary to section 41(2) of the Rules.

## 2005 BCSECCOM 546

### **Other Deficiencies**

7. From November 27, 1996 to March 2005, JDS failed to fully apply written prudent business procedures for dealing with clients, contrary to section 44(1) of the Rules.
8. From January 2003 to December 2004, JDS failed to keep monthly financial statements, instead JDS only kept quarterly financial statements, contrary to section 27 of the Rules.
9. From September 2002 to October 2004, JDS provided online trading services to 20 of its clients. JDS failed to make enquiries concerning the general investment needs and objectives of these clients, and the suitability of proposed purchases and sales of securities by them, all contrary to section 48(1)(b) of the Rules.

### **Tsang**

10. From February 2001 to approximately 2003, Tsang was the person responsible for the in-house inactive accounts of JDS. From approximately 2003 until 2005, Tsang periodically provided back-up to the registered representatives of JDS and in that capacity and with the intention of providing service to the clients, Tsang periodically traded exchange contracts on behalf of BC residents. In both instances, Tsang was not registered to provide such services and was unable to rely upon any registration exemption, contrary to section 34 of the Act.
11. As JDS' designated compliance officer, Tsang failed to ensure that JDS and its employees complied with the Act and Rules, for the reasons set out in paragraphs 6 to 10 above, contrary to section 65 of the Rules.

### **Public Interest**

- ¶ 3 JDS and Tsang acted contrary to the public interest by engaging in the conduct set out above.

### **Undertakings**

- ¶ 4 JDS undertakes:
1. to voluntarily surrender its registration as an Exchange Contracts Dealer by September 30, 2005; and
  2. not to say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

## 2005 BCSECCOM 546

¶ 5 Tsang undertakes:

1. to refrain from becoming or acting as a designated compliance officer for a period of 5 years;
2. not to apply for registration under any category under the Act for a period of 5 years; and
3. not to say anything, in writing or orally, which may contradict the terms of this settlement or call those terms into question.

### **Order**

¶ 6 JDS and Tsang consent to an order by the Executive Director (Order) that:

1. under section 161(1)(a) of the Act, JDS and Tsang comply fully with the Act, the Rules, and any applicable regulations, policies and guidelines;
2. under section 161(1)(b) of the Act, that JDS and Tsang each be prohibited from trading in securities or exchange contracts for 5 years, except that Tsang may trade in securities or exchange contracts for his own account;
3. under section 161(1)(d)(ii) of the Act, Tsang be prohibited from becoming or acting as a director or officer of any issuer whose primary business is trading in securities or exchange contracts for the later of 5 years from the date of the Order and the date he has successfully completed a course of study acceptable to the Executive Director; and
4. under section 161(1)(f) of the Act, that JDS and Tsang be reprimanded.

### **Consent to Reciprocal Orders**

¶ 7 JDS and Tsang each consent to any securities regulator anywhere relying on the facts admitted in this settlement to make orders against them.

## 2005 BCSECCOM 546

### Waiver

¶ 8 JDS and Tsang each waive any right they may have, under the Act or otherwise, to a hearing, hearing and review, judicial review or appeal related to, in connection with, or incidental to this settlement.

¶ 9 August 12, 2005

¶ 10 “Clive Chow Kai Tsang” )  
J.D. Stanley Futures Inc. )  
(Signing Authority) )  
“Tracey Cohen” )  
Witness Signature )  
Tracey Cohen )  
Witness Name (please print) )  
2100-1075 W. Georgia Street )  
Vancouver, B.C. V6E 3G2 )  
Address )  
Barrister and Solicitor )  
Occupation )

¶ 11 August 12, 2005

¶ 12 “Clive Chow Kai Tsang” )  
Clive Chow Kai Tsang )  
“Tracey Cohen” )  
Witness Signature )  
Tracey Cohen )  
Witness Name (please print) )  
2100-1075 W. Georgia Street )  
Vancouver, B.C. V6E 3G2 )  
Address )  
Barrister and Solicitor )  
Occupation )

¶ 13 August 23, 2005

“Brenda M. Leong”

¶ 14 Brenda M. Leong  
Executive Director