



Citation: 2021 BCSECCOM 105

## **Settlement Agreement**

**Albert Alan Housego**

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

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Albert Alan Housego (Housego) agree as follows:

### **Agreed Statement of Facts**

#### ***Background***

1. Crystal Wealth Management System Limited (Crystal Wealth) is an Ontario corporation that acted as the investment fund manager for fifteen of its own proprietary funds. From August 2014 to April 2017, Crystal Wealth was registered in British Columbia as an Exempt Market Dealer and a Portfolio Manager.
2. Clayton Smith (Smith), an Ontario resident, was the sole director, the Ultimate Designated Person (UDP), the Chief Compliance Officer and the directing mind of Crystal Wealth.
3. Housego is a resident of Armstrong, British Columbia. Housego was:
  - (a) registered with the BCSC in various capacities from May 2010 to May 2017, namely as:
    - (i) Dealing Representative and Associate Advising Representative from May 2010 to September 2014;
    - (ii) Advising Representative from September 2014 to May 2017; and
  - (b) licensed by the Insurance Council of British Columbia from June 2008 to June 2018.
4. From September 2014 to April 2017 (the Relevant Period), Housego was the Portfolio Manager for four out of 15 funds operated by Crystal Wealth in British Columbia, specifically:
  - (a) Crystal Wealth Enlightened Factoring Fund (the Factoring Fund);



- (b) Crystal Wealth Enlightened Hedge Fund (the Hedge Fund);
- (c) Crystal Enlighted Bullion Fund; and
- (d) Crystal Enlightened Resource and Precious Metals Fund.

(collectively, the Housego Funds).

5. During the Relevant Period, Housego:

- (a) managed accounts, on a discretionary basis, for at least 487 clients (collectively, the Housego Clients);
- (b) was a finder for Crystal Wealth responsible for soliciting clients for Crystal Wealth and investments in the Crystal Wealth funds, including the Housego Funds; and
- (c) oversaw due diligence and found business opportunities for the Housego Funds, which he presented to Smith. Smith as the UDP was responsible for reviewing and approving Housego's recommendations.

***Housego's misconduct with respect to the Mine Investment***

- 6. In November 2015, the Factoring Fund advanced approximately \$10 million to a prospective gold mining company (the Mine Investment). The Mine Investment represented approximately 50% of the Factoring Fund's overall portfolio, and was due to be repaid in November 2016.
- 7. In November 2016, the Mine Investment defaulted. Instead of recognizing the loss, the Factoring Fund extended the term of the Mine Investment by one year.
- 8. The Mine Investment was supposed to be insured by an \$18 million performance bond that would be in effect from November 2016 to November 2021 (the Insurance). The Insurance named Crystal Wealth as the beneficiary.
- 9. On November 28, 2016, the Insurance was cancelled. Housego did not know about the Insurance cancellation until after it happened.
- 10. From November 29, 2016 to December 31, 2016 (the Suitability Period), Housego:



- (a) knew that the Mine Investment represented approximately 50% of the Factoring Fund's overall portfolio;
  - (b) knew that the Mine Investment had already defaulted once;
  - (c) knew that the Insurance was cancelled;
  - (d) knew that the Mine Investment was high risk;
  - (e) placed at least 260 of the Housego Clients in the Factoring Fund, for investments totaling approximately \$985,000 (collectively, the Mine Clients);
  - (f) was in a fiduciary relationship with the Mine Clients; and
  - (g) did not maintain sufficient information regarding some of the Mine Clients' investment needs and objectives, financial circumstances, and risk tolerance (collectively, the KYC Information) to assess whether investments were suitable for them.
11. By engaging in the conduct described in paragraph 10(a) through (g) above, Housego failed to take reasonable steps to ensure that the Mine Investment was suitable for the Mine Clients, contrary to subsection 13.3(1) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103).
12. By engaging in the conduct described in paragraph 10(g) above, Housego failed to maintain current and accurate KYC Information for some of the Mine Clients, contrary to subsections 13.2(2)(c) and 13.2(4) of NI 31-103.

***Housego's misconduct with respect to the Gold Agreements***

13. On August 8, 2016, Housego met with a group of individuals to discuss investment opportunities in the gold industry (the Meeting). At the Meeting, one of the individuals offered Housego the opportunity to invest the Housego Funds in gold subscription agreements (the Gold Agreements) with a prospective mining company (the Company).
14. After the Meeting, Housego received some material regarding the Gold Agreements. Housego spent one day reading the material. Housego did not perform any other due diligence on the Gold Agreements, including:
- (a) inquiring into the Company's legal status, operating history, assets, and financial situation; or



- (b) evaluating potential risks and benefits to the Housego Funds investing in the Gold Agreements.

15. Starting on August 12, 2016, the Factoring Fund and the Hedge Fund (collectively, the Housego Gold Funds) invested in the Gold Agreements. In total, Housego invested approximately \$4.25 million<sup>1</sup> from the Factoring Fund and Hedge Fund in the Gold Agreements.

16. From August 12 to December 31, 2016, Housego:

- (a) did not take reasonable steps to understand the structure, features and risks of the Gold Agreements that the Housego Gold Funds were investing in and therefore did not have a sufficient understanding of the Gold Agreements to properly “know the product”; and
- (b) placed at least 323 of the Housego Clients in the Housego Gold Funds, for investments totaling approximately \$6.7 million (collectively, the Gold Clients).

17. By engaging in the conduct described in paragraph 16, Housego failed to take reasonable steps to ensure that the Housego Gold Funds were suitable for the Gold Clients, contrary to subsection 13.3(1) in NI 31-103.

***Mitigating Factors***

18. Housego agreed to make early admissions with respect to the above-noted misconduct prior to the issuance of a Notice of Hearing.

19. Housego cooperated with staff throughout the investigation.

***Public Interest***

20. It is in the public interest that the Executive Director issue orders under section 161 of the Act.

***Undertaking***

21. Housego undertakes to pay \$150,000 to the Commission in respect of settlement of this matter.

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<sup>1</sup> Converted from USD to CDN, using the contract date’s exchange rate



### **Order**

- ¶ 2 The Executive Director will issue an order (the Order) that:
1. Housego is prohibited for the longer of 15 years or the date that the undertaking set out in paragraph 21 is paid in full:
    - (i) under section 161(1)(b)(ii), from trading in or purchasing any securities or exchange contracts, except that he may trade in or purchase securities through one account in his own name through a registrant if he first provides a copy of the Order to the registrant;
    - (ii) under section 161(d)(iii), from becoming or acting as a registrant or promoter;
    - (iii) under section 161(1)(d)(iv), from acting in a management or consultative capacity in connection with activities in the securities market; and
    - (iv) under section 161(1)(d)(v), from engaging in promotional activities by or on behalf of
      - (A) an issuer or a security holder, or
      - (B) another person that is reasonably expected to benefit from the promotional activity.

### **Consent to Regulatory Orders**

- ¶ 3 Housego consents to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the Orders set out in paragraph 2 above.

### **Waiver**

- ¶ 4 Housego waives any right he 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.



**Counterpart**

¶ 5 This settlement agreement may be signed in counterpart and all such counterparts of signed copies, whether delivered electronically or otherwise, shall be read or construed together as if they formed one originally executed document.

¶ 6 April 9 , 2021

¶ 7 Albert Alan Housego  
Albert Alan Housego

Redacted )  
Witness Signature )  
Redacted )  
Witness Name (please print) )  
Redacted )  
 )  
Redacted )  
Address )  
Redacted )  
Occupation )

*Peter J Brady*  
*Jun 15 2021 12:06 PM -07:00*

¶ 8 Peter J. Brady  
Executive Director