

Citation: 2023 BCSECCOM 253

## **Settlement Agreement**

**Lee, Turner & Associates Inc.**

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

¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Lee, Turner & Associates Inc. (LTA) agree as follows:

### **Agreed Statement of Facts**

#### ***Background***

1. LTA is a BC corporation that has been registered as a portfolio manager with the British Columbia Securities Commission (the Commission) since 1991. It has four advising representatives and its office is in Vancouver, British Columbia.
2. LTA has approximately \$139 million of assets from about 150 managed account clients. LTA determines portfolios on a client-by-client basis. LTA does not use any proprietary funds or model portfolios.
3. Commission staff reviewed LTA's operations and compliance system in limited scope examinations in 2004, 2010, and 2015. The 2015 exam resulted in a significant number of deficiencies. As a result, the Commission imposed registration terms and conditions on LTA for six months. After LTA corrected the deficiencies, the terms and conditions were removed.

#### ***Misconduct***

4. In 2020, Commission staff conducted a limited-scope compliance examination of LTA to evaluate its compliance system and operations.
5. The 2020 Exam again identified significant and repeat deficiencies in LTA's overall compliance system, portfolio management and client statements and reporting.
6. Specifically, Commission staff found that LTA:
  - (a) failed to maintain current know your client (KYC) information;
  - (b) did not have evidence to demonstrate that it has taken reasonable steps to assess suitability because it failed to:
    - (i) have current client KYC to support suitability assessments;

- (ii) have implemented or followed suitability policies and procedures;
  - (iii) have evidence of portfolio monitoring and rebalancing;
  - (c) produced inadequate client statements and reporting;
  - (d) failed to have an updated and current policies and procedures manual;
  - (e) failed to establish a proper trade matching monitoring process;
  - (f) had an inadequate cross trade and execution process;
  - (g) failed to obtain a complete auditor's report on audited financial statements.
7. The Commission further found that LTA's Chief Compliance Officer and Ultimate Designated Person failed to adequately perform his functions.
8. Because of the deficiencies, LTA:
- (a) failed to establish an adequate and effective compliance system that meets the requirements of subsection 11.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103);
  - (b) failed to maintain current and accurate KYC information for its clients that would enable it to meet its suitability obligations, contrary to subsections 13.2(2)(c), 13.2(4) and 13.3 of NI 31-103.

***Factors relevant to settlement***

9. In July 2021, the Commission imposed nine registration terms and conditions on LTA that were intended to mitigate ongoing risks to LTA's clients and bring LTA's compliance system to the standards required of a registrant.
10. LTA retained an independent compliance monitor for one year, at its own cost, as required by the terms and conditions.
11. The compliance monitor confirmed that LTA corrected each deficiency identified in the 2020 exam. In November 2022, the registration terms and conditions were removed.
12. LTA chose to engage a compliance consultant for two additional years at its own cost, to perform biannual reviews of the firm, to ensure continued compliance and to

support any compliance updates or changes that may impact LTA's processes and procedures. The consultant will provide biannual written reports to LTA.

13. LTA has not been the subject of any client complaints and there is no evidence of client harm or that LTA made unsuitable investments.

14. LTA paid \$23,000 for the costs of the compliance review.

***Mitigating Factor***

15. It is a significant mitigating factor that LTA entered into this settlement and allowed the Commission to avoid a potentially lengthy hearing to determine liability.

***Undertakings***

16. LTA undertakes:

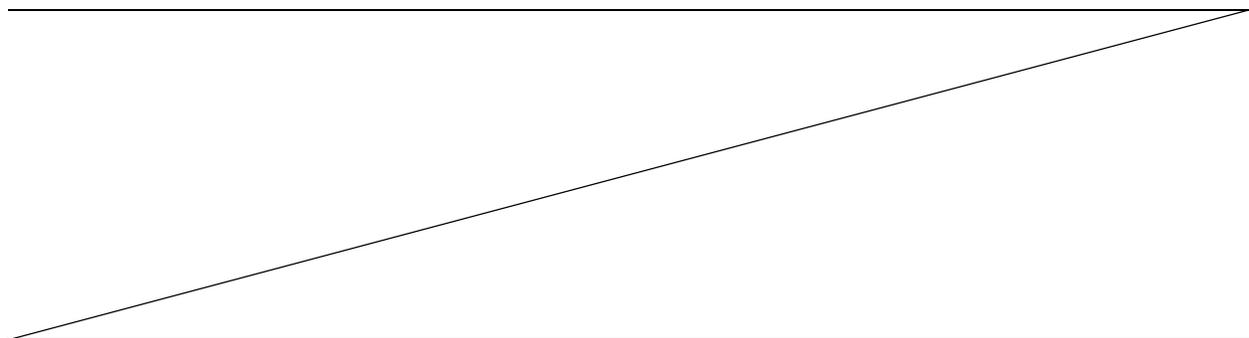
- (a) To comply with NI 31-103 and all applicable securities legislation;
- (b) To provide Commission staff with the reports of the biannual reviews of the compliance consultant that LTA chose to continue to retain, in whatever form these reports take. By providing the reports, LTA is in full satisfaction of the undertaking;
- (c) To pay \$30,000 to the Commission in respect of settlement of this matter, which sum is due and payable immediately without further demand.

***Public Interest***

17. In light of all of the circumstances, including the undertakings provided by LTA in paragraph 16 of this Agreement, it is not in the public interest to issue orders under section 161 of the Act.

***Waiver***

- ¶ 2 LTA waives any right it 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**

¶ 3 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.

¶ 4 May 26<sup>th</sup>, 2023

¶ 5 Lee, Turner and Associates Inc.  
Lee, Turner and Associates Inc.  
(Signing Authority)

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

*Peter J Brady*  
*May 30 2023 2:53 PM -07:00*

¶ 6 Peter J. Brady  
Executive Director