

BRITISH COLUMBIA SECURITIES COMMISSION
Securities Act, RSBC 1996, c. 418

Citation: Re Chieduch, 2019 BCSECCOM 29

Date: 20190304

Reciprocal Order

Edward Earl Chieduch

Section 161 of the *Securities Act*, RSBC 1996, c. 418

- [1] This is an order under sections 161(1) and 161(6)(a) of the *Securities Act*, RSBC 1996, c. 418 (the BC Act).
- [2] Section 161(6) facilitates cooperation between the Commission and other securities regulatory authorities and the courts. The executive director of the Commission has applied for an order imposing sanctions on Edward Earl Chieduch based on his misconduct and the sanctions imposed by the Provincial Court of British Columbia in *R. v. Chieduch* (13 September 2012), Kamloops 92135-C-2 (B.C. Prov. Ct.) (Reasons for Sentence).
- [3] We find that the executive director provided notice of the application to Chieduch. Although Chieduch was provided the opportunity to make submissions, he did not participate in the hearing.
- [4] Chieduch entered a guilty plea to a single count of fraud, contrary to s. 380(1)(a) of the *Criminal Code*. The Court sentenced him to two years in jail.
- [5] The Provincial Court of British Columbia made the following findings in the Reasons for Sentence:
 1. Chieduch pled guilty to a single count of fraud and on September 13, 2012, a provincial court judge sentenced him to two years in jail for his part in defrauding eight investors of \$312,000 in a Ponzi scheme between 2005 and 2010.
 2. For approximately 22 years, Chieduch worked in the insurance industry, which allowed him to sell investment products to investors.
 3. Chieduch used his standing in the insurance industry to defraud eight individuals. He solicited investments by providing documents from a legitimate investment company. He told them that their investments were guaranteed and he assured them of a 10% return on their investment.
 4. Chieduch did not invest the funds received from the investors. Instead, he kept the investor money for his own personal benefit.

5. Chieduch admitted in an affidavit filed at the sentencing that he paid returns to some of the investors and he was aware that this was a Ponzi scheme.
 6. Investors discovered the deceit after contacting the investment company.
 7. Chieduch admitted to the fraud, saying that he used investor money to cover his losses from a bad investment.
- [6] The Commission makes reciprocal orders under section 161(6) when such orders will, in the public interest, protect investors and the capital markets in British Columbia.
- [7] Fraud is the most egregious conduct in the securities industry. Chieduch knowingly defrauded his victims, depriving them of significant funds, for his own benefit. Chieduch's fraud had a significant impact on the eight investors. One investor who lost \$50,000 has had to return to work; another investor has lost her financial security and can no longer travel. Beyond the financial hardship, the investors described feeling betrayed and depressed.
- [8] Public confidence in the capital markets of British Columbia requires those who participate in it to be honest and to act with integrity. Chieduch's ability to participate in the capital markets of British Columbia, given the conduct that he has admitted, would cause significant concerns for the protection of the investing public.
- [9] After providing Chieduch with an opportunity to be heard and considering staff's submissions, we find that it is in the public interest, and pursuant to section 161 of the Act, we order that:
- (a) under section 161(1)(d)(i), Chieduch resign any position he holds as a director or officer of an issuer or registrant;
 - (b) Chieduch is permanently prohibited:
 - (i) under section 161(1)(b)(ii), from trading in or purchasing any securities or exchange contracts;
 - (ii) under section 161(1)(d)(ii), from becoming or acting as a director or officer of any issuer or registrant;
 - (iii) under section 161(1)(d)(iii), from becoming or acting as a registrant or promoter;
 - (iv) under section 161(1)(d)(iv), from acting in a management or consultative capacity in connection with activities in the securities markets; and
 - (v) under section 161(1)(d)(v), from engaging in investor relations activities.

March 4, 2019

For the Commission

Nigel P. Cave
Vice Chair

Audrey T. Ho
Commissioner