



British Columbia Securities Commission

Citation: 2017 BCSECCOM 124

Settlement Agreement

Virginia Tan

Securities Act, RSBC 1996, c. 418

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Virginia Tan (Tan) agree as follows:

Agreed Statement of Facts

Background

1. Tan is a resident of British Columbia, and is the sole proprietor of Letan Investments Management (Letan). She has never been registered under the Act.
2. For several years prior to 2011 (the Factoring Period), Tan operated a business through Letan that involved making short-term, high interest loans to individuals and small businesses that were unable to obtain traditional financing from financial institutions.
3. To finance her business, Tan raised funds from investors and issued promissory notes to them.
4. During the Factoring Period, Tan told investors that:
 - (a) her business of making short-term, high interest loans was called “factoring”;
 - (b) she required funds from investors to make the short-term loans; and
 - (c) she would pass on the interest she received on these short-term loans to the investors.



5. By 2011, Tan had discontinued her factoring business. However, she continued to raise funds from investors.

Misconduct

6. From 2011 to 2015 (the Material Period), Tan raised at least \$30 million from investors. Tan raised these funds mostly from investors who had initially invested with her during the Factoring Period, and agreed to invest additional funds.
7. Tan issued promissory notes to the investors, which provided terms ranging from one month to two years and annualized rates of return of 16% to 21%.
8. Tan raised funds directly from investors. In addition, a few of her early investors acted as her agents in raising funds from other investors. Tan paid ongoing commissions to these agents representing a percentage of the amounts invested by their investors. From time to time, the agents assisted Tan by transferring investors' funds to her and by preparing interest cheques payable to investors. However, Tan signed all the promissory notes and cheques issued to the investors.
9. Many investors renewed their investment with Tan when their promissory notes matured. When investors renewed their investment, Tan issued them a new promissory note even though they did not provide any new funds.
10. Tan gave the investors a cover letter with each promissory note. Although Tan was no longer in the business of making short-term loans, she continued to use wording in her cover letters that was similar to the wording she had used during the Factoring Period. The cover letters did not specify how Tan could use investors' funds, but stated that:
 - (a) the investments were "Re: short-term financing"; and
 - (b) investors' funds would be used "to/for investment purposes" or "to finance short term investments".



11. Tan did not inform the investors that:
 - (a) she had discontinued her factoring business and was no longer in the business of making short term loans; and
 - (b) she was not earning income from any other business.
12. Tan explored other business opportunities, and some investors were aware of this fact. However, none of these opportunities ever came to fruition.
13. During the Material Period, since Tan earned no business income, she made interest and principal payments to investors with funds raised from other investors. Tan also comingled a relatively small amount of her personal funds with investor funds in her bank accounts, and used these accounts to make payments to investors.
14. Tan was ultimately unable to raise sufficient new funds from investors, or to inject enough of her own funds, to continue making the interest payments owing under the promissory notes. By late 2015, Tan was insolvent and she ceased to make further interest payments to investors.
15. During the Material Period, the total amount that Tan raised from investors was approximately equal to the total value of her principal and interest payments to investors. However, many individual investors suffered substantial losses as a result of their investment with Tan.
16. Several investors commenced law suits against Tan. In April 2016, one of the investors petitioned Tan into bankruptcy and she remains an undischarged bankrupt.
17. Tan's assets vested in the court appointed trustee when she was forced into bankruptcy. The trustee is charged with liquidating those assets, and distributing the proceeds to the investors. Tan's only current source of income is her Canada Pension Plan and other old age benefits.



Fraud

18. By failing to inform investors that she had no factoring business and was not earning income from any other business, and by using other investors' funds to pay the investors' purported returns, Tan perpetrated a fraud on the investors contrary to section 57(b) of the Act.

Public Interest

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

Settlement Payment

¶ 2 Tan agrees to pay \$3 million to the Commission in settlement of this matter. The Commission will take steps to collect this sum once Tan has paid the amounts owing to investors.

Order

¶ 3 The Executive Director will issue an Order (the Order) under sections 161(1)(b) and (d) of the Act that:

1. Tan cease trading in, and is permanently prohibited from purchasing, any securities or exchange contracts;
2. Tan resign any positions she holds as, and is permanently prohibited from becoming or acting as, a director or officer of any issuer or registrant;
3. Tan is permanently prohibited from becoming or acting as a registrant or promoter;
4. Tan is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
5. Tan is permanently prohibited from engaging in investor relations activities.

Consent to Regulatory Orders

¶ 4 Tan 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 ¶3 above.



Waiver

¶ 5 Tan waives any right she 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

¶ 6 This Settlement Agreement may be executed in counterpart or by facsimile execution and all such counterparts of executed copies or faxed copies shall be read or construed together as if they formed one originally executed document.

¶ 7 April 10, 2017

¶ 8 Virginia Tan
Virginia Tan

Emmanuel Fung)

Witness Signature)

Emmanuel Fung)

Witness Name (please print))

#200 – 879 Marine Drive)

)

North Vancouver, BC V7P 1R7)

Address)

Lawyer)

Occupation)

¶ 9 April 13, 2017

Peter J. Brady

¶ 10 Peter J. Brady
Executive Director