

Citation: 2019 BCSECCOM 337

Settlement Agreement

Meng Cher “Philip” Tsai

Securities Act, RSBC 1996, c. 418

- ¶ 1 The Executive Director of the British Columbia Securities Commission (the Executive Director) and Meng Cher “Philip” Tsai (Tsai) agree as follows:

Agreed Statement of Facts

Background

1. Tsai is a resident of British Columbia. He was formerly registered under the Act from March 2012 to August 2015. He is currently not registered in any capacity under the Act.
2. Tsai has no history of securities regulatory misconduct.
3. FS Financial Systems Inc. (FS Systems) is a federally incorporated company registered as an extra-provincial company in BC.

Misconduct

4. Tsai was a nominee director of FS Systems between July 2016 and January 2017 (relevant period). He acted on the instructions of the *de facto* directors of FS Systems.
5. FS Systems raised approximately \$1.62 million from 15 investors during the relevant period without filing a prospectus and without being exempt from the prospectus requirement.
6. Tsai was aware of, and participated in, FS System’s fundraising during the relevant period as he:
 - was an authorized signatory on FS Systems’ bank account;
 - was involved in proofreading the loan agreements sent to certain investors in FS Systems;
 - deposited investors’ cheques into FS Systems’ bank account; and
 - transferred some of the money raised by FS Systems to other companies controlled by the *de facto* directors as well as other individuals.
7. As a result of the above activity, FS Systems illegally distributed securities contrary to section 61 of the Act. As a nominee director of FS Systems, Tsai

authorized, permitted or acquiesced in FS Systems' illegal distribution and therefore also contravened section 61 by operation of section 168.2 of the Act.

Mitigating factors

8. Tsai agreed to make early admissions with respect to the above-noted misconduct prior to the hearing of the alleged misconduct in the further amended notice of hearing.
9. Tsai cooperated with staff throughout the investigation.
10. Tsai invested his own funds into FS Systems.

Public Interest

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

Undertaking

12. Tsai undertakes to:
 - a) pay \$7,500 to the Commission, which is due and payable immediately without further demand;
 - b) complete a course of study on the duties and responsibilities of corporate officers and directors that is acceptable to the Executive Director; and
 - c) provide the Executive Director with evidence of his successful completion of the course.

Order

¶ 2 The Executive Director will issue an order (the Order) that:

1. under section under section 161(1)(d)(i), Tsai resign any position he holds as a director or officer of an issuer or registrant;
2. Tsai is prohibited for the latter of two years or until he has fulfilled his undertakings in paragraph 12:
 - a) under section 161(1)(b)(ii), from trading in or purchasing any securities or exchange contracts, except that he may trade securities through a registrant in one RRSP account and one TFSA account held in his own name, if he first provides a copy of the Order to the registrant

- b) under section 161(1)(c), from relying on any of the exemptions set out in this Act, the regulations or a decision;
- c) under section 161(1)(d)(ii), from becoming or acting as a director or officer of any issuer or registrant;
- d) under section 161(1)(d)(iii), from becoming or acting as a registrant or promoter;
- e) under section 161(1)(d)(iv), from acting in a management or consultative capacity in connection with activities in the securities market; and
- f) under section 161(1)(d)(v), from engaging in investor relations activities.

Consent to Regulatory Orders

- ¶ 3 Tsai 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 Tsai 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 executed in counterpart or by electronic 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.

¶ 6 October 10 , 2019

¶ 7 Meng Cher "Philip" Tsai
Meng Cher "Philip" Tsai

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

¶ 8 October 18 , 2019

Peter J. Brady

¶ 9 _____
Peter J. Brady
Executive Director