



Citation: 2021 BCSECCOM 231

Amended Notice of Hearing

**Chartwell Asset Management Inc., Gregory Paul James Cameron, Wah Bo Chew,
Matthew Evans Cameron**

(collectively, the Respondents)

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

- ¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

Summary

1. Chartwell Asset Management Inc. (Chartwell) was registered as an investment fund manager and portfolio manager.
2. Chartwell failed to meet the standard of care required of an investment fund manager when calculating the value of an investment fund. Chartwell also failed in its duty as a portfolio manager by not taking reasonable steps to ensure that clients were suitably invested.
3. Matthew Evans Cameron (M. Cameron), a Chartwell advising representative, failed to take reasonable steps to ensure that clients were suitably invested.
4. Gregory Paul James Cameron (G. Cameron) and Wah Bo Chew (Chew) were the directors of Chartwell and contravened the same provisions that it did.

Background

5. Chartwell is a federal company, extra-provincially registered in British Columbia. Chartwell was registered as a portfolio manager from 2002 to 2020, an investment fund manager from 2011 to 2020, and an exempt market dealer from 2011 to 2020. On February 7, 2018, Chartwell ceased registrable activities in those categories. Effective January 20, 2020, Chartwell surrendered registration in those categories.
6. G. Cameron is a resident of Surrey, British Columbia. He has been a director of Chartwell since 2001. He became Chartwell's president and CEO in 2003.
7. Wah Bo Chew (Chew) is a resident of Burnaby, British Columbia. He has been a director of Chartwell since 2001, its president from 2001 to 2003, and its vice



president and secretary since 2003. From 2014 to 2017, Chew was registered as an advising representative with Chartwell.

8. M. Cameron is a resident of Coquitlam, British Columbia. From 2014 to 2018, M. Cameron was the vice president of Chartwell. During this period, he was also registered as an advising representative and chief compliance officer with Chartwell.

Misconduct

Investment fund manager – Standard of care

9. In its capacity as an investment fund manager, Chartwell managed investment funds, including the Magna High Income Fund (the Income Fund).
10. Between March 2010 and March 2011, the Income Fund advanced US\$5 million (the Loan) to the Health Capital Receivables Funding Special Purpose Corporation I (Health Capital) pursuant to a loan agreement (the Loan Agreement). The Loan was an illiquid investment that constituted the majority of the Income Fund's investments. By 2017, Health Capital defaulted on the Loan Agreement and Chartwell suspended redemptions of the Income Fund.
11. As an investment fund manager, Chartwell was required to calculate the net asset value of the Income Fund. Chartwell was required to exercise a degree of care, diligence and skill in carrying out that duty.
12. Chartwell calculated the value of the Income Fund without having sufficient information about Health Capital. Beginning in or around 2010, Health Capital stopped providing reporting documents in a timely manner, and by 2012, it stopped providing reporting documents altogether.
13. Between 2010 and 2016, Chartwell did not re-evaluate the Income Fund's valuation despite the presence of risk indicators relating to the Loan to Health Capital, which included:
 - (a) missed or late interest payments by Health Capital;
 - (b) missed or late principal repayments by Health Capital;
 - (c) requests by Health Capital for an extended or modified payment schedule; and
 - (d) lack of financial information about Health Capital.
14. By calculating the net asset value of the Income Fund without having sufficient information to do so and by failing to re-evaluate the Income Fund's valuation despite the presence of risk indicators, Chartwell failed in its duty as an investment fund manager to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, contrary to section 125(b) of the Act.

Portfolio manager and advising representative – Suitability obligations

15. In its capacity as a portfolio manager, Chartwell had discretionary authority over clients' managed accounts.



16. As a portfolio manager, Chartwell had a duty pursuant to section 13.3(1) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) to take reasonable steps to ensure that, before it made a purchase or sale of a security for a client's managed account, the purchase or sale was suitable for the client.
17. As an advising representative with Chartwell, M. Cameron had a duty pursuant to section 13.3(1) of NI 31-103 to take reasonable steps to ensure that, before he made a purchase or sale of a security for a client's managed account, the purchase or sale was suitable for the client.
18. From 2010 to 2016, Chartwell and M. Cameron caused 146 clients to be invested in the Income Fund despite not having sufficient information regarding the Loan, a significant investment by the Income Fund, to determine if the Income Fund was suitable. By doing so, Chartwell and M. Cameron breached their duties in section 13.3(1) of NI 31-103.

Contraventions attributable to Chartwell's directors

19. While G. Cameron and Chew were directors of Chartwell, each authorized, permitted or acquiesced in Chartwell's contravention of section 125(b) of the Act and section 13.3(1) of NI 31-103. By operation of section 168.2(1) of the Act, G. Cameron and Chew also contravened those same provisions.

Hearing Process

- ¶ 2 The hearing in this matter has been set to occur on **February 28, March 1, 2, 4, 7-11, 2022**, starting at **10:00 a.m.** Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, for the hearing.
- ¶ 3 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Hearing Office at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 4 If the Respondents or their counsel do not appear at the Hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.

- ¶ 5 Peter J. Brady
Executive Director