



British Columbia
Securities Commission

REPLY TO:

Deborah W. Flood

T: 604-899-6623 / F: 604-899-6633

Email: dflood@bcsc.bc.ca

By Regular Mail

May 4, 2020

Dear Ms. Chandran:

**Chitra Chandran
Reciprocal Order Application**

I am writing this letter on behalf of the Executive Director of the British Columbia Securities Commission (the Executive Director).

This letter notifies you and the British Columbia Securities Commission (the Commission) that the Executive Director of the Commission (the Executive Director) is applying for orders against you under sections 161(6) (c) and 161(1) of the *Securities Act*, RSBC 1996, c. 418 (the Act). The Executive Director is not seeking a financial penalty.

The Executive Director is making this application based on the findings and orders of the Alberta Securities Commission (ASC) made against you in *Re Platinum Equities Inc.*, 2014 ABASC 71 (Liability Decision) and *Re Platinum Equities Inc.*, 2014 ABASC 376 (Sanction Decision)

DECISION OF THE ALBERTA SECURITIES COMMISSION

1. On February 25, 2014, the ASC concluded that you and your brother Shariff Chandran (Shariff) had authorized, permitted or acquiesced in a number of companies' contraventions of the Alberta Securities Act. The contraventions included unregistered trading and distribution, and misrepresentation to investors. The ASC also found you and Shariff acted contrary to the public interest. The reasons and decision on liability are contained in *Re Platinum Equities Inc.*, 2014 ABASC 71 (Liability Decision).
2. On September 26, 2014, the ASC imposed broad capital market sanctions on you and Shariff. The capital market sanctions against you remain in effect until 2024. The ASC also imposed a joint and several administrative penalty of \$150,000 on you and a corporate respondent. You are also received an order to pay \$52,500 towards the cost of the ASC's investigation and hearing.



Re Platinum Equities Inc., 2014 ABASC 376, para. 92
(Sanction Decision)

3. The executive director made an application to the Commission seeking orders against Shariff based on the liability and sanction decisions. The Commission's reciprocal order against Shariff is contained in [*Re Chandran*](#), 2018 BCSECCOM 339.
4. At the hearing into the merits of the ASC's proceeding against you and Shariff, you testified as a witness and entered into a Statement of Agreed Facts and Admissions. The following facts are contained within the liability and sanction decisions:

- (a) You and Shariff were involved with a company, Platinum Equities Inc. (Platinum). Shariff was the guiding mind of Platinum, as well as five entities related to Platinum (Glenmore LP, P5 LP, PMIC, and Qualia LP), (together, the Platinum Group).

Sanction Decision, para. 4

- (b) Platinum was involved in selling interests in Glenmore LP, P5 LP, PMIC, and Qualia LP. These five entities bought, or would buy, identified real estate. Platinum, using a salesforce of up to 60 people, sold interests to investors in Alberta and two other provinces. Over \$58 million was raised from investors through the sale of shares/units in the five entities.

Liability Decision, paras. 5, 8

- (c) All five entities, experienced significant financial difficulties, including receivership, bankruptcy, and foreclosure of property. Many investors in these entities never received distributions and most never received the return of their principal.

Liability Decision, para. 8

Sanction Decision, para. 7

- (d) Your role in the Platinum Group was more limited than Shariff's role. Despite that, you were a director and officer of Platinum and other Platinum Group entities whenever you were needed. You held senior positions with the five entities, and you were identified in some of the Platinum Group OMs as a director and member of management. You were also responsible for recruiting, training, and managing Platinum salespeople.

Sanction Decision, para. 5

Liability Decision, paras. 13-15, 50



(e) After the hearing on the merits, the ASC found:

- (i) The Platinum Group traded in and distributed securities while not registered with the executive director of the ASC, without an exemption from the requirements, and without filing a prospectus, contravening clause 75(1)(a) and subsection 110(1) of the Alberta Securities Act.

Liability Decision, paras. 44-49

- (ii) As a director or officer (or both), you authorized, permitted or acquiesced in these contraventions by Platinum, Glenmore LP, and P5 LP.

Liability Decision, para. 51

- (iii) Glenmore LP's offering memoranda contained a misrepresentation that the investment was secured by commercial real estate.

Liability Decision, paras. 85-87, 90-108

- (iv) P5's offering memoranda contained a misrepresentation concerning the price to be paid for parcels. The offering memoranda also failed to disclose material contracts.

Liability Decision, para. 147, 149-158

- (v) As a director or officer (or both), you authorized, permitted or acquiesced in the misrepresentations by Glenmore LP, and P5.

Liability Decision, paras. 159, 224

- (vi) There was nothing approaching adequate oversight of Platinum salespeople in their communications with prospective investors.

Liability Decision, paras. 211-215

- (vii) You acted contrary to the public interest by failing to provide appropriate oversight of Platinum salespeople.

Liability Decision, paras. 216, 224

THIS APPLICATION

5. With this letter, the Executive Director is applying to the Commission for orders against you under section 161 of the Act. I enclose a copy of section 161 of the Act for your reference¹.

¹ [Section 161](#) of the *Securities Act*, RSBC 1996, c. 418



6. In making orders under section 161 of the Act, the Commission must consider what is in the public interest in the context of its mandate to regulate trading in securities.
7. Orders under section 161(1) of the Act are protective, preventive and intended to be exercised to prevent future harm.

Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission),
[2001] 2 SCR 132, 2001 SCC 37 (CanLII), paras. 36, 39,
and 56

8. In *Re Eron Mortgage Corporation*, [2000] 7 BCSC Weekly Summary 22, and in subsequent decisions, the Commission identified factors to consider when determining orders under section 161(1).
9. The following factors from *Re Eron* are relevant in this application:
 - (a) the seriousness of the respondent's conduct,
 - (b) the harm suffered by investors as a result of the respondent's conduct,
 - (c) the extent to which the respondent was enriched,
 - (d) factors that mitigate the respondent's conduct,
 - (e) the risk to investors and the capital markets posed by the respondent's continued participation in the capital markets of British Columbia,
 - (f) the respondent's fitness to be a registrant or to bear the responsibilities associated with being a director, officer or adviser to issuers,
 - (g) the need to deter those who participate in the capital markets from engaging in inappropriate conduct, and
 - (h) orders made by the Commission in similar circumstances in the past.

Re Eron Mortgage Corporation, [2000] 7 BCSC Weekly
Summary 22

Application of the Factors

Seriousness of the conduct

10. There is no dispute that your misconduct was serious. You acknowledged the seriousness of your misconduct.

Sanction Decision, para. 29

11. The registration requirement is designed in part to protect and provide investors with reliable information on which to base informed investment decisions. The illegal trades and distributions constituted conduct wholly incompatible with these key requirements and conditions. It was also contrary to the public interest.

Liability Decision, para. 218



12. This Commission has repeatedly found that breaches of the registration requirements are inherently serious as this section is among the Act's foundational requirements for protecting investors and preserving the integrity of the capital markets. Registration is designed to protect investors and to ensure those who trade in securities are registered and purchasers of securities are offered only securities that are suitable.²
13. In your case, there was a systemic failure to satisfy basic conditions of registration and prospectus exemptions, attributable in part to Shariff's and your failure to provide appropriate oversight of Platinum salespeople.

Sanction Decision, para. 26

14. Misrepresentations to investors are "incompatible with the basic objectives of securities regulations."

Sanction Decision, para. 26

15. Those who operate and profit in the capital markets by misstating material facts (through commission or omission), undermine the confidence of the public in one of the cornerstones of capital markets regulation, the provision of accurate and complete information for investors to make informed investment decisions

[*Michaels \(Re\)*](#), 2014 BCSECCOM 457, para. 8

Harm to investors

16. The quantum of the loss suffered by investors is significant. Most of the investors lost millions of dollars of invested principal. Financial harm to investors is clear and extensive.

Sanction Decision, para. 42

17. Less direct but still significant harm is impaired investor confidence that can foreseeably manifest itself in a future reluctance to risk savings in the capital market. This adversely affects the ability of legitimate businesses to raise capital.

Sanction Decision, para. 43

Enrichment

18. You enjoyed real financial benefits. You testified that you were paid well and received a salary on an ongoing basis.

Liability Decision, para. 18

² [*Re Solarq*](#), 2010 BCSECCOM 357, paras. 10-11; [*Re Liu*](#), 2019 BCSECCOM 236, para. 13.



19. Although there is no quantification of the financial benefits obtained by you, the ASC concluded that you did well from the Platinum Group enterprise before things fell apart.

Sanction Decision, para. 41

Fitness to be a registrant, director, officer or adviser to issuers

20. Directors and officers play crucial roles in the capital market. They are expected to exercise their authority appropriately, with integrity and diligence.

Sanction Decision, para. 222

21. You were found to have facilitated or allowed capital-market misconduct. Therefore, you are unfit to act as a registrant, director, officer or advisor to issuers without first undergoing a period of market-access restriction.

Participation in our capital markets

22. Participants who engage in the securities industry do so voluntarily and for their own profit. In exchange for the privilege of participating, individuals and companies must comply with securities laws. Compliance is paramount, ensuring the protection of the public and the integrity of the capital markets.
23. Your conduct was contrary to the public interest and harmful to the integrity of the capital markets.
24. Without appropriate sanctions, your participation in the British Columbia capital markets would pose a significant risk to the integrity of the capital markets.

Risk to investors and the capital markets

25. Directors are ensured with authority to raise money in the capital market according to securities laws. Directors and officers who, as found here, facilitate or allow capital-market misconduct, thereby expose the capital market and investors to harm.

Sanction Decision, para. 26

Liability Decision, para. 222

26. Considering that over \$58 million was raised from investors, a significant portion through illegal trades and distributions, and the apparent ease which you and the other respondents raised these vast sums, firm sanctions are required to deter you and others from attempting similar misconduct.

Sanction Decision, paras. 56-57



Mitigating Factors

27. You apologized to an investor for your misconduct and this contrition was genuine.

Sanction Decision, paras. 47-50

28. You cooperated with ASC staff during the investigation and merits hearing. You also provided a statement of admissions. This conduct is regarded as an element of mitigation.

Sanction Decision, paras. 44-45

Deterrence

29. The market as a whole must understand that misconduct like yours will result in a significant penalty.
30. The misconduct warrants significant sanctions to deliver stern messages of specific and general deterrence.

Sanction Decision, para. 58

31. The ASC was satisfied that you largely recognized the seriousness of the misconduct. This diminishes the need for specific deterrence, and argues for a degree of moderation in the sanction against you.

Sanction Decision, para. 35

32. The ASC concluded that market bans against you, with a duration of not less than ten years, would appropriately serve the public interest.

Sanction Decision, para. 75

33. Through the orders the Executive Director is seeking, the Executive Director intends to demonstrate the consequences of your conduct, to deter you from future misconduct, and to create an appropriate general deterrent.

Previous Decisions

34. We refer to a number of decisions for guidance on the appropriate sanction. The decisions involve the same contraventions (trading without being registered and/or misrepresentation).
35. In [*Royal Crown Ventures Group Ltd. \(Re\)*](#), 2011 BCSECCOM 289 (CanLII), the respondents were found to have made misrepresentations to investors, as well as trading without being registered and without filing a prospectus. The respondents raised \$1.9 million from investors. A panel ordered broad, market bans for 20 years against the respondent, Sears.



36. In [*Re HRG Healthcare*](#), 2016 BCSECCOM 326, the respondent, HRG, raised over \$4 million from over 100 investors without disclosing material information. A panel found that HRG's directors, Mohan and Downie, were liable for HRG's contraventions and ordered broad, temporary market bans for 8 years against the directors.
37. In [*Re Solara Technologies Inc.*](#), 2010 BCSECCOM 357, the respondents were found to have made misrepresentations in the offering memorandum to investors, as well as trading without being registered and without filing a prospectus. The respondents raised \$790,00 from investors. A panel ordered permanent market bans with some carve outs.
38. In [*Re Mountainstar Gold Inc.*](#), 2018 BCSECCOM 317, the respondent made misrepresentations in its public filings. The respondents raised \$6.4 million from investors. A panel ordered permanent market bans with some carve outs.

The Davis Consideration

39. In the Court of Appeal decision in [*Davis v. British Columbia \(Securities Commission\)*](#), 2018 BCCA 149, the Court identified that it is incumbent upon a tribunal to consider a respondent's individual circumstances when determining whether measures short of a permanent ban would protect the investing public where a person's livelihood is at stake.
40. Prior to joining Platinum, you worked in the finance industry for over ten years.

Sanction Decision, para. 38

41. There is no persuasive evidence that broad market bans would preclude you from finding employment through which you could support yourself.

ORDERS SOUGHT

42. The ASC orders are effective until the later of (i) September 26, 2024, and (ii) the date on which all monetary orders under sections 199 of the *Alberta Securities Act* for which you are responsible have been paid to the ASC.
43. Although there is no limitation on the Commission from imposing a capital market sanction that is similar or different than the market ban made by the ASC, the Commission needs to consider what is reasonable based on the evidence known to it, as well as what is in the public interest.
44. In seeking orders under 161(1) of the Act, the Executive Director has taken the following factors into consideration:
 - (a) the circumstances of your misconduct including the ASC decisions;
 - (b) the factors from *Eron* and *Davis*;
 - (c) the public interest; and



- (d) the sanctions ordered in previous cases cited above.
45. Under section 161(6) the Commission may, after providing you with an opportunity to be heard, make orders under section 161(1) as you are subject to an order of the Alberta Securities Commission (s.161(6)(c)).
46. Based on the misconduct described in paragraph 4 and in the facts contained within the liability and sanction decisions, the Executive Director is seeking the same market sanctions that the ASC issued, but is not seeking any monetary sanctions. The sanctions sought contain orders pursuant to section 161(1) of the Act:
- (a) under section 161(1)(d)(i), you resign any position you hold as a director or officer of an issuer or registrant;
 - (b) you are prohibited until September 26, 2024:
 - (i) under section 161(1)(b)(ii), from trading or purchasing any securities or derivatives;
 - (ii) under section 161(1)(c), from relying on any of the exemptions set out in this Act, the regulation or a decision;
 - (iii) under section 161(1)(d)(ii), from becoming or acting as a director or officer of any issuer or registrant;
 - (iv) under section 161(1)(d)(iii), from becoming or acting as a registrant or promoter; and
 - (v) under section 161(1)(d)(iv), from advising or otherwise acting in a management or consultative capacity in connection with activities in the securities or derivatives market.

SUPPORTING MATERIALS

47. In making this application, the Executive Director relies on the following, copies of which are enclosed:
- (a) *Re Platinum Equities Inc.*; 2014 ABASC 71 (Liability Decision)
 - (b) *Re Platinum Equities Inc.*, 2014 ABASC 376 (Sanction Decision)
 - (c) *Re Chandran*, 2018 BCSECCOM 339
 - (d) *Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission)*, [2001] 2 SCR 132, 2001 SCC 37 (CanLII)
 - (e) *Re Eron Mortgage Corporation*, [2000] 7 BCSC Weekly Summary 22
 - (f) *Michaels (Re)*, 2014 BCSECCOM 457
 - (g) *Re Solara Technologies Inc.*, 2010 BCSECCOM 357
 - (h) *Re Liu*, 2019 BCSECCOM 236



- (i) [*Royal Crown Ventures Group Ltd. \(Re\)*](#), 2011 BCSECCOM 289 (CanLII)
- (j) [*Re HRG Healthcare*](#), 2016 BCSECCOM 326
- (k) [*Re Mountainstar Gold Inc.*](#), 2018 BCSECCOM 317
- (l) [*Davis v. British Columbia \(Securities Commission\)*](#), 2018 BCCA 149

Response

48. You are entitled to respond to this application. To do so, you must deliver any response in writing, together with any supporting materials, to the Hearing Office by **June 17, 2020**.

49. The contact information for the Hearing Office is:

Hearing Office
British Columbia Securities Commission
12th Floor, 701 West Georgia Street
Vancouver, BC V7Y 1L2
E-mail: commsec@bcsc.bc.ca
Telephone: 604-899-6500

50. If you do not respond within the time set out above, the Commission will decide this application and may make orders against you without further notice.

51. The Commission will send you a copy of its decision.

Yours truly,

Douglas B. Muir
Director, Enforcement

DWF/crc
Enclosures

cc: Hearing Office (by email to commsec@bcsc.bc.ca)