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Discipline Discipline Penalties Imposed on Barry (Sai-Kwong) Leung; Violations of Regulation 1300 and By-law 29.1.

Person Disciplined A Hearing Panel appointed pursuant to IDA By-law 20 has imposed discipline penalties on Barry (Sai-Kwong) Leung, at the relevant time an Approved Person employed by Octagon Capital Corporation, (“Octagon”) a Member of the Investment Dealers Association of Canada.

By-laws, Regulations, Policies Violated On November 4th, 2005 a Hearing Panel considered, reviewed and accepted a Settlement Agreement negotiated between Staff of the Enforcement Department of the Association (“Association Staff”) and Barry (Sai-Kwong) Leung (“Leung”). Pursuant to the Settlement Agreement, Mr. Leung admitted that:

1. between July 2002 and June 2003, while he was employed as a registered representative at Octagon, he failed to use due diligence relative to a group of clients who opened accounts for the purposes of purchasing convertible debentures by way of a private placement and thereby failed:
 - (a) to learn the essential facts relative to the clients; and
 - (b) to ensure that the acceptance of purchase orders taken from these clients were within the bounds of good business practice, contrary to Association Regulations 1300.1 (a) and (o); and
2. between July 2002 and June 2003, while he was employed as a registered representative at Octagon, he failed to ensure that investments in a private placement made on behalf of a group of clients complied with provisions of the Ontario, British Columbia and Alberta *Securities Acts*, and thereby engaged in business conduct or practice which was unbecoming a registered representative or detrimental to the public interest, contrary to Association By-law 29.1.

Penalty Assessed The following penalties were assessed against Leung:

- For the contraventions of Association Regulation 1300, a fine in the amount of \$50,000;

- For the contravention of Association By-law 29.1, a fine in the amount of \$50,000;
- A prohibition from receiving registration approval with any Member firm of the Association for a period of five (5) years commencing on November 4th, 2005;
- Upon the expiry of his prohibition from registration, and as a condition of his reapproval by the Association in any registered capacity with any Member of the, that he shall successfully re write the examination based on the Conduct and Practices Handbook for Securities Industry professionals;
- Upon the expiry of his prohibition from registration ,and as a condition of his reapproval by the Association in any registered capacity with any member of the IDA, that he be subject to strict supervision for a period of 12 months; and
- Payment to the Association of the costs of the investigation and prosecution of this matter in the amount of \$20, 000.00.

Summary
of Facts

Mr. Leung's contraventions of the Association's By-laws and Regulations and the *Securities Acts* of British Columbia, Alberta and Ontario arose out of Mr. Leung's involvement in an RRSP stripping scheme that was perpetrated by a stock promoter and a financial consultant, identified in the Settlement Agreement as HJ and JC respectively.

HJ and JC devised a plan by which certain investors- who had been recruited by way of newspaper advertisements -would liquidate locked in retirement savings plans at other financial institutions and transfer the proceeds of the sales of those investments to account opened in their name at Octagon under the administration of Mr. Leung. The investors would then use the proceeds from the sales of those locked-in plans to purchase convertible debentures purportedly issued by Bright Star Ventures Ltd., ("BSV"), a junior mining company incorporated in British Columbia which traded on the TSX Venture Exchange. The investors received a cheque or money order from JC when they purchased the BSV debentures as a way of getting access to a portion of the value of their locked-in retirement savings plans, thereby circumventing provincial pension legislation and federal income tax laws.

While Mr. Leung did not take part in the actual RRSP stripping scheme itself, he admitted to facilitating the opening of accounts at Octagon by the investors so that the purchase of the debentures would appear legitimate. Mr. Leung allowed himself to become the registered representative without adhering to the " Know Your Client" rule set out in Association Regulation 1300.1. He admitted that he forwarded Octagon New Account Application Forms ("NAAFs") to JC, who in turn forwarded the NAAF's to the investors to be completed pursuant to JC's instructions. Mr. Leung admitted that he spoke with very few (if any) of the clients before the NAAF's were submitted to Octagon for approval or before the BSV debentures were purchased. He admitted that in almost all cases he checked off the box on the NAAF's indicating that his clients had good investment knowledge without actually speaking with the clients. He also admitted that he completed the section on the NAAF's relating to investment objectives without actually speaking with the clients. He also did not take any steps to ensure that by accepting the purchase orders from his clients to buy the BSV debentures that the transactions were within the bounds of good business practice contrary to Association

Regulation 1300.1 (o). He asked HJ and JC no questions about the nature of the debentures and took no steps to conduct any due diligence regarding BSV or its track record. Furthermore, he did not ask any of the clients why they were purchasing the debentures for their locked in retirement accounts.

In addition, the sale of the BSV debentures to Mr. Leung's clients was part of an illegal distribution. Two sets of debentures were purchased by Mr. Leung's clients – one set with a maturity date of December 31st, 2006 and another set with maturity date of December 31st 2007. The December 31st 2006 debentures were specifically issued as part of a private placement to the President of BSV and to Dagmar Holdings, a company owned and controlled by JC. Instead of being held by these parties, these debentures were in fact distributed under the scheme facilitated by JC and HJ to the investors who were not accredited or qualified investors pursuant to the Ontario, British Columbia or Alberta *Securities Acts*.

Furthermore, only the debentures issued with a maturity date of December 31st 2006 were approved for sale by the TSA Venture Exchange. At least 32 of Mr. Leung's clients were sold December 31st 2007 BSV debentures. These debentures were never approved for sale.

In addition, Mr. Leung made no inquiries and took no steps to determine whether the BSV debentures were issued at par or at a discount. In fact, the BSV debentures with a maturity date of December 31st 2006, while having a total face value of \$1,376,000.00, were issued with a total discounted value of \$862,000.00. As well, the BSV debentures issued to the President of BSV were subsequently cancelled by BSV after it had been determined that the promissory note under which the debentures had been issued had never been paid. Consequently the amount ultimately available for distribution from the December 31st 2006 BSV debentures was only \$688,000.00. Nevertheless, BSV debentures with a maturity dated of December 31st 2006 with a total par value of \$1,440,000.00 were actually sold to Mr. Leung's clients at Octagon.

Mr. Leung admitted that he made no inquiries and took no steps to ensure that the BSV debentures were approved for sale in Ontario, British Columbia and Alberta. He also admitted that he made no inquiries and took no steps to ensure that the transactions involving the BSV debentures complied with the prospectus requirements of provincial securities legislation, or were made in reliance on an exemption, or were even approved for sale by the TSX(V).

Ultimately, Mr. Leung's clients at Octagon purchased BSV debentures totaling \$2,252,000.00. Trading in the common shares of BSV was halted by the TSX (V) on March 5th, 2004, Trading was suspended indefinitely on March 18th, 2004. On April 1st, 2004, the British Columbia Securities Commission issued a cease trade order in the securities of BSV- including the BSV debentures -on the basis that the company failed to file annual audited financial statements for the year ending October 31st, 2003.

Mr. Leung is not currently employed by any Member of the Association.

Kenneth A. Nason
Association Secretary