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Contact:
Douglas Walker
Chief Enforcement Counsel
(416) 943-6909

For distribution to relevant parties within your firm

BULLETIN #2599
June 29, 1999

Discipline

Discipline Penalties Imposed on Ricky Chan - Violation of By-laws 29.1, 29.7 and Regulations 200.1 (i) and 1900.2(d)

Person Disciplined	The Ontario District Council of the Investment Dealers Association of Canada has imposed discipline penalties on Ricky Chan , at the relevant time a Registered Representative with Research Capital Corporation, ("Research") a Member of the Association.
By-laws, Regulations, Policies Violated	On June 29th, 1999, the District Council considered, reviewed and amended a settlement agreement that had been negotiated by the Association Enforcement Division staff with Mr. Chan by imposing a lesser penalty. Under the settlement agreement Mr. Chan admitted that he had engaged in conduct unbecoming a registered representative by intentionally misleading a compliance officer and his firm contrary to Association By-law 29.1, that he caused to be published advertisements and sales literature without the prior approval of his member firm, contrary to Association By-law 29.7 and effected an option trade on behalf of a client without first completing the necessary option agreement and other account documentation, contrary to Association Regulations 200.1(i) and 1900.2(d).
Penalty Assessed	The discipline penalties assessed against Mr. Chan include a fine of \$8,000 and a suspension from acting in any capacity for a period of 5 business days for conduct unbecoming a registered representative by misleading his compliance officer and firm. For failing to have sales literature approved by his firm before publication, Mr. Chan received a fine of \$2,000 and must re-write the Conduct and Practices Handbook Examination administered by the Canadian Securities Institute. Finally, for failing to have the appropriate documentation in place when conducting an options trade on behalf of a client, Mr. Chan received a fine of \$3,000. The agreement had required that he submit to close supervision for a period of 12 months. However, in striking that requirement, the District Council

considered that Mr. Chan had been subject to monthly supervision with his current employer, at the request of the IDA, for a period of nearly two years without any reported problems and therefore it is unnecessary that he submit to a further period of supervision.

In addition, Mr. Chan is required to pay \$2,325 toward the Association's costs of investigation of this matter.

Summary of Facts

When Mr. Chan first began work with Research Capital, he began writing articles for and placing advertisements in current editions of a Chinese language publication to promote his business. Mr. Chan was asked directly by his compliance officer at Research if he had issued any sales literature or advertising. He advised he had not. However, the compliance officer later became aware of the articles and advertisement mentioned above. Mr. Chan later admitted to writing the articles and placing the advertisement and to having been aware of the firm policy that all advertisements had to be approved by the firm before publication.

In a separate incident, Mr. Chan's compliance officer discovered a third party cheque was deposited to an account owned by Anita Tang ("Tang") on July 25, 1996. The cheque was drawn on the account of Willy Lee ("Lee") and Karen Sui, other clients of Mr. Chan's. According to Mr. Chan, Lee wanted to make an option trade but did not yet have an option trading agreement/account with Research. Mr. Chan agreed to put the trade through Tang's account. An option account with the appropriate documentation was opened for Lee on July 30th, 1996. In an effort to avoid detection by the firm, Mr. Chan received a cheque directly from Lee for the option trade, then deposited it into Tang's account.

In another transaction, Mr. Chan had written the wrong account number on a \$20,000 cheque to be deposited to a client's account. The cheque was erroneously deposited to the account of Tang. In order to avoid having the error detected by the firm, and with the consent of both clients, Mr. Chan received a cheque from Tang, deposited it into his personal account and obtained a \$20,000 money order to deposit to the first client's account.

In mitigation of Mr. Chan's penalties, the District Council considered that he had admitted to all of the above and had co-operated fully with the enforcement process, that no client had been harmed and that Mr. Chan himself had made no monetary gain from the transgressions.

Mr. Chan is currently employed with HSBC James Capel Canada Inc. in its Richmond Hill office.

Lyn M. Gilchrist
Association Secretary