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For distribution to relevant parties within your firm

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Discipline

Discipline Penalties Imposed on Kwok Lai Orson Chan – Violation of By-Law 29.1 and Regulation 1300.1(a)

Person Disciplined	The Ontario District Council of the Investment Dealers Association of Canada (the “Association”) has imposed discipline penalties on Kwok Lai Orson Chan, at all material times, a registered representative with CIBC World Markets Inc. (“CIBC”), a Member of the Association.
By-laws, Regulations, Policies Violated	<p>On November 22, 2001, the Ontario District Council considered, reviewed and accepted a settlement agreement negotiated between Mr. Chan and Association Staff.</p> <p>Pursuant to the Settlement Agreement, Mr. Chan admitted that:</p> <ul style="list-style-type: none">• in August 1999, he opened an account and accepted trading instructions for that account from a person who was not authorized to open the account or give trading instructions, contrary to Association By-law 29.1;• he submitted a document to CIBC that he knew to be forged and failed to advise CIBC that account opening documents previously submitted to it had also been forged, contrary to Association By-law 29.1; and• he failed to use due diligence and a reasonable standard of care in learning the essential facts relevant to a client and an account, contrary to Regulation 1300.1(a).
Penalty Assessed	The discipline penalties assessed against Mr. Chan are a fine in the amount of \$25,000.00 and that, as a condition of his continued approval by the Association, he re-write and pass, within nine months, the examination based on the <i>Conduct and Practices Handbook for Securities Industry Professionals</i> . Mr. Chan was also required to pay \$1,500.00 towards the Association’s costs in this proceeding.

Summary
of Facts

C.C.H., a client of Mr. Chan, made inquiries of Mr. Chan about opening an account in his sister's name, C.C.J.. C.C.J. lived in Taiwan and was a non-resident of Canada.

C.C.H. thought that opening an account in C.C.J.'s name might assist him to reduce his income taxes.

In August 1999, C.C.H. instructed Mr. Chan to open an account in C.C.J.'s name. Mr. Chan entrusted C.C.H. to send the account opening documents to his sister in Taiwan and to have them completed and signed by her. C.C.H. returned the documents to Mr. Chan and Mr. Chan opened the account. There was no signed trading authorization or power of attorney sent with the account opening documents that would have permitted C.C.H. to give trading instructions on behalf of his sister. Notwithstanding this, Mr. Chan proceeded to make purchases in C.C.J.'s account on C.C.H.'s instructions. All of the cash deposits into C.C.J.'s account were transfers from accounts in C.C.H.'s name.

On September 14, 1999, C.C.H. presented Mr. Chan with a letter purportedly signed by C.C.J. instructing CIBC to issue a cheque from her account in C.C.H.'s favour. At that time, Mr. Chan questioned C.C.H. about the letter and C.C.H. admitted that he had forged his sister's signature on the letter and on the account opening documents that had been previously submitted to CIBC. Mr. Chan believed that some of the monies in C.C.J.'s account belonged to C.C.H. because he knew, from his past experience with C.C.J. and C.C.H., that they sometimes mingled funds and considered accounts to be "family monies". Mr. Chan submitted the forged letter to CIBC and requested that a cheque be issued to C.C.H. When CIBC compared the signature on C.C.J.'s passport against the one on the letter, it refused to issue the cheque as it had determined that C.C.J.'s signature had been forged. Mr. Chan admitted, at that time, to knowing that the signature had been forged and that the account opening documents had also been forged. CIBC immediately dismissed Mr. Chan and put the investments purchased in C.C.J.'s account into an account in C.C.H.'s name.

Mr. Chan is currently employed as a registered representative with Research Capital Corporation.

Kenneth A. Nason
Association Secretary