



**Mutual Fund Dealers Association of Canada**  
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A DISCIPLINARY HEARING  
PURSUANT TO SECTIONS 20 AND 24 OF BY-LAW NO. 1 OF  
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

**Re: Russell Chang**

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**NOTICE OF HEARING**

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**NOTICE** is hereby given that a first appearance will take place by teleconference before a hearing panel of the Pacific Regional Council (“Hearing Panel”) of the Mutual Fund Dealers Association of Canada (“MFDA”) in the hearing room located at the MFDA office at 650 West Georgia Street, Suite 1220, Vancouver, British Columbia on November 25, 2014, at 10:00 a.m. (Pacific), concerning a disciplinary proceeding commenced by the MFDA against Russell Chang (the “Respondent”). The Hearing on the Merits will take place in Vancouver, British Columbia at a time and venue to be announced.

**DATED** this 14<sup>th</sup> day of October, 2014.

“Paige L. Ward”

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Paige L. Ward  
Corporate Secretary

Mutual Fund Dealers Association of Canada  
121 King Street West, Suite 1000  
Toronto, Ontario  
M5H 3T9  
Telephone: 416-943-5838  
Facsimile: 416-361-9781  
Email: [corporatesecretary@mfda.ca](mailto:corporatesecretary@mfda.ca)

**NOTICE** is further given that the MFDA alleges the following violations of the By-laws, Rules or Policies of the MFDA:

**Allegation #1:** Between May 29, 2012 and June 12, 2012, the Respondent engaged in securities related business that was not carried on for the account and through the facilities of the Member by selling, recommending, referring or facilitating the sale outside the Member of \$550,000 of investment products to two clients and one other individual, contrary to MFDA Rules 1.1.1(a), 2.4.2 and 2.1.1.

**Allegation #2:** Between May 29, 2012 to August 1, 2012, the Respondent had and continued in another gainful occupation that was not approved by the Member by being employed by an investment company and by selling, recommending, referring or facilitating the sale of \$550,000 of investment products to three investors on behalf of the investment company, contrary to MFDA Rules 1.2.1(c) and 2.1.1.

### **PARTICULARS**

**NOTICE** is further given that the following is a summary of the facts alleged and intended to be relied upon by the MFDA at the hearing:

#### **Registration History**

1. From June 30, 2008 to August 1, 2012, the Respondent was registered in British Columbia and Alberta<sup>1</sup> as a mutual fund salesperson (now called a “dealing representative”) with Investia Financial Services Inc. (“Investia”), a Member of the MFDA. The Respondent resigned from Investia on August 1, 2012. The Respondent worked in an Investia branch office in Richmond, British Columbia.

2. The Respondent is not currently registered in the securities industry in any capacity.

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<sup>1</sup>The Respondent commenced his registration in Alberta on February 16, 2009.

**Allegation #1: Securities related business outside the Member**

3. Providence Preferred Financial Corp. (“Providence Preferred”) is a company incorporated in British Columbia that is associated with the Providence Companies. On their website, the Providence Companies purport to be “a group of Diversified Holdings, strategically placed across a select group of industry verticals, with an emphasis on financial services.” (Providence Preferred and the Providence Companies will hereinafter be referred to singly and collectively as “Providence”).

4. Beginning in January 2012, the Respondent was recruited by Providence to establish an office for Providence in Vancouver, British Columbia. In or around April 2012, the Respondent visited the Providence offices in Asia. Providence paid the Respondent's expenses for this trip.

5. Near the end of May 2012, the Respondent accepted an offer of employment from Providence to commence on June 1, 2012. According to the Respondent, his responsibilities included establishing an office and infrastructure for Providence in Vancouver, hiring local staff, furnishing the office and hiring a copywriter to work on marketing materials.

6. On May 31, 2012, the day before his employment with Providence commenced, the Respondent contacted his Branch Manager at Investia to inquire about the process for obtaining Investia’s approval to engage in an outside business activity. The Respondent did not disclose his involvement with Providence to the Branch Manager and, in particular, did not disclose the fact that he had already accepted an offer of employment from Providence. The Branch Manager instructed the Respondent to complete and submit an Investia Outside Business Activity/Volunteer Activity Approval Form (“Form”).

7. On June 1, 2012, the Respondent began his employment with Providence at an annual salary of \$72,000. The Respondent states that he held the position of Vice-President, Corporate Relations for Providence and was responsible for establishing and running the local office for Providence.

8. According to the Respondent, he was close friends with JL, AC and TL (collectively the “Investors”). JL and AC were clients of Investia and the Respondent was the dealing representative responsible for servicing their accounts. The Respondent met the Investors once a week for coffee. During some of these meetings between January and May 2012, they discussed the Respondent's potential job opportunity with Providence.

9. The Respondent introduced the Investors to a representative of Providence. According to the Respondent, the representative explained an investment product offered by Providence Preferred called Series I-A Notes (the “Notes”) to the Investors.

10. The Respondent obtained copies of the subscription agreement for the Notes and arranged meetings with the Investors to complete the subscription agreements. The Respondent returned the completed subscription agreements to the representative of Providence. The representative of Providence signed the subscription agreements as the authorized signatory of Providence Preferred.

11. From May 29, 2012 to June 12, 2012, the Respondent sold, recommended, referred or facilitated the sale of \$550,000 of Notes to the Investors. The Investors made the following investments in the Notes:

No.	Investor	Type of securities purchased	Total purchase price (CDN\$)	Exemption Claimed	Date of Investment
1.	TL	Series I-A Notes (20% interest paid at maturity – 1 year term)	\$250,000	Accredited Investor NI 45-106 (j)	May 29, 2012
2.	Client JL	Series I-A Notes (20% interest paid at maturity – 1 year term)	\$100,000	Accredited Investor NI 45-106 (j)	June 1, 2012
		Series I-A Notes (20% interest paid at maturity – 1 year term)	\$150,000	Accredited Investor NI 45-106 (j)	June 1, 2012
3.	Client AC	Series I-A Notes (10.25% interest paid at maturity –	\$50,000	Accredited Investor NI 45-106 (k)	June 12, 2012

		1 year term)			
			Total: \$550,000		

12. On June 6, 2012, to facilitate client AC's purchase of the Notes, the Respondent processed a redemption of \$4,195.38 of mutual funds from client AC's Tax Free Savings Account and a redemption of \$47,401.88 of mutual funds from client AC's open (i.e. unregistered) account.

13. The Notes were not an investment product known to or approved by Investia for sale by its Approved Persons, including the Respondent. The Respondent's sales or referrals of the Notes were not processed through the facilities or for the account of Investia.

14. At all material times, Investia's policies and procedures, consistent with MFDA Rule 1.1.1(a), prohibited its Approved Persons from engaging in the sale of any investments that would be considered securities under applicable legislation through any entity other than Investia.

15. At all material times, Investia's policies and procedures, consistent with MFDA rule 1.2.1(c), required all Approved Persons to report in writing all outside business activities to Investia and to obtain Investia's prior approval before commencing any outside business activities.

16. Investia did not have a referral arrangement with Providence and, in particular, did not have a referral arrangement that satisfied the requirements of MFDA Rule 2.4.2. As a consequence, the Respondent was not permitted to refer clients and other individuals to Providence.

17. On June 14, 2012, after the Investors had completed their purchases of the Notes, the Respondent submitted a completed Form to Investia by email.<sup>2</sup> The Respondent disclosed the following details of his involvement with Providence:

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<sup>2</sup>The Form is dated June 3, 2012, however, the Respondent did not submit it to Investia until June 14, 2012.

- *Name of Employer/Business:* Providence Preferred Financial Corp.
- *Start Date:* June 1, 2012
- *Nature/Type of Business:* Trade Finance
- *Your Title/Position:* Canadian Director
- *No. of Hours per Week:* 35
- *Is this Activity Held during Normal Business Hours:* Yes
- *Annual Salary:* \$72,000.00
- *Categories:* Other - International Trade Finance
- *Details of Activities Conducted:* Helping Providence Preferred raise capital for company's own use to expand their business in Emerging Markets. Raising capital in Hong Kong, Singapore and Suzhou, China; and
- *Is there any potential conflict of interest between your duties as Investia Mutual Fund Representative and your OBA of to your clients?* - No

18. The Respondent did not disclose to Investia that he had already sold the Notes to the Investors.

19. Prior to the June 14, 2012 email, Investia was not aware of the Respondent's employment with Providence. Investia did not approve of the Respondent's outside business activity with respect to Providence.

20. Between June 22, 2012 and July 3, 2012, the Respondent received the following wire deposits from Providence totaling \$15,420:

<b>Date of Deposit</b>	<b>Financial Institution</b>	<b>Amount</b>	<b>Reason for Deposit</b>
June 22, 2012	TD Canada Trust	\$6,490	Advance from Providence Preferred for office expenses and office set up
June 27, 2012	TD Canada Trust	\$5,390	Expense reimbursements from Providence Preferred
July 3, 2012	TD Canada Trust	\$3,540	Expense reimbursements from Providence Preferred
	Total	\$15,420	

21. Effective August 1, 2012, the Respondent resigned from Investia.

22. By engaging in the conduct described above, between May 29, 2012 and June 12, 2012, the Respondent engaged in securities related business that was not carried on for the account and

through the facilities of the Member by selling, recommending, referring or facilitating the sale of \$550,000 of Notes to TL, client JL and client AC outside Investia, contrary to MFDA Rules 1.1.1(a), 2.4.2 and 2.1.1.

**Allegation #2: Dual Occupation**

23. In the event the Respondent's activities in relation to the Investors' purchase of the Notes as described in Allegation #1 above did not constitute securities related business, then from May 29, 2012 to June 12, 2012, the Respondent had and continued in another gainful occupation that was not disclosed to and approved by the Member by selling, recommending, referring or facilitating the sale of the Notes to the Investors, contrary to MFDA Rules 1.2.1(c) and 2.1.1.

24. Further, and in any event, from June 1, 2012 to August 1, 2012, while the Respondent was employed by Providence, the Respondent had and continued in another gainful occupation that was not approved by the Member, contrary to MFDA Rules 1.2.1(c) and 2.1.1.

**NOTICE** is further given that the Respondent shall be entitled to appear and be heard and be represented by counsel or agent at the hearing and to make submissions, present evidence and call, examine and cross-examine witnesses.

**NOTICE** is further given that MFDA By-laws provide that if, in the opinion of the Hearing Panel, the Respondent:

- has failed to carry out any agreement with the MFDA;
- has failed to comply with or carry out the provisions of any federal or provincial statute relating to the business of the Member or of any regulation or policy made pursuant thereto;
- has failed to comply with the provisions of any By-law, Rule or Policy of the MFDA;
- has engaged in any business conduct or practice which such Regional Council in its

discretion considers unbecoming or not in the public interest; or

- is otherwise not qualified whether by integrity, solvency, training or experience,

the Hearing Panel has the power to impose any one or more of the following penalties:

(a) a reprimand;

(b) a fine not exceeding the greater of:

(i) \$5,000,000.00 per offence; and

(ii) an amount equal to three times the profit obtained or loss avoided by such person as a result of committing the violation;

(c) suspension of the authority of the person to conduct securities related business for such specified period and upon such terms as the Hearing Panel may determine;

(d) revocation of the authority of such person to conduct securities related business;

(e) prohibition of the authority of the person to conduct securities related business in any capacity for any period of time;

(f) such conditions of authority to conduct securities related business as may be considered appropriate by the Hearing Panel;

**NOTICE** is further given that the Hearing Panel may, in its discretion, require that the Respondent pay the whole or any portion of the costs of the proceedings before the Hearing Panel and any investigation relating thereto.

**NOTICE** is further given that the Respondent must **serve a Reply** on Enforcement Counsel and **file a Reply** with the Office of the Corporate Secretary within twenty (20) days from the date of



service of this Notice of Hearing.

A **Reply** shall be **served** upon Enforcement Counsel at:

Mutual Fund Dealers Association of Canada  
121 King Street West, Suite 1000  
Toronto, Ontario  
M5H 3T9  
Attention: Clement Wai  
Fax: (416) 361-9073  
Email: cwai@mfd.ca

A **Reply** shall be **filed** by:

- (a) providing 4 copies of the **Reply** to the Office of the Corporate Secretary by personal delivery, mail or courier to:

The Mutual Fund Dealers Association of Canada  
121 King Street West, Suite 1000  
Toronto, Ontario  
M5H 3T9  
Attention: Office of the Corporate Secretary; or

- (b) transmitting 1 copy of the **Reply** to the Office of the Corporate Secretary by fax to fax number 416-361-9781, provided that the Reply does not exceed 16 pages, inclusive of the covering page, unless the Office of the Corporate Secretary permits otherwise; or
- (c) transmitting 1 electronic copy of the **Reply** to the Office of the Corporate Secretary by e-mail at corporatesecretary@mfd.ca.

A **Reply** may either:

- (i) specifically deny (with a summary of the facts alleged and intended to be relied upon by the Respondent, and the conclusions drawn by the Respondent based on the alleged facts) any or all of the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing; or
- (ii) admit the facts alleged and conclusions drawn by the MFDA in the Notice of Hearing and plead circumstances in mitigation of any penalty to be assessed.

**NOTICE** is further given that the Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the MFDA in the Notice of Hearing that are not specifically denied in the **Reply**.

**NOTICE** is further given that if the Respondent fails:

(a) to **serve** and **file** a **Reply**; or

(b) attend at the hearing specified in the Notice of Hearing, notwithstanding that a **Reply** may have been served,

the Hearing Panel may proceed with the hearing of the matter on the date and the time and place set out in the Notice of Hearing (or on any subsequent date, at any time and place), without any further notice to and in the absence of the Respondent, and the Hearing Panel may accept the facts alleged or the conclusions drawn by the MFDA in the Notice of Hearing as having been proven and may impose any of the penalties described in the By-laws.

**END.**

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