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

IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA

Re: Antony Kin San Chau

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. The Mutual Fund Dealers Association of Canada (the "MFDA") will announce that it proposes to hold a hearing (the "Settlement Hearing") to consider whether, pursuant to section 24.4 of MFDA By-law No. 1, a hearing panel of the Central Regional Council (the "Hearing Panel") of the MFDA should accept the settlement agreement (the "Settlement Agreement") entered into between Staff of the MFDA ("Staff") and the Respondent, Antony Kin San Chau (the "Respondent").

2. Staff and the Respondent consent and agree to the terms of this Settlement Agreement.

3. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement.

II. CONTRAVENTIONS

4. The Respondent admits to the following violations of the By-laws, Rules or Policies of the Mutual Fund Dealers Association of Canada ("MFDA"):

a) between February 2016 and April 2017, the Respondent failed to fulfill his responsibilities as Ultimate Designated Person with respect to concerns that an

Approved Person at the Member was not accurately recording Know-Your-Client information, contrary to MFDA Rules 2.5.2 and 2.1.1; and

b) commencing on or about October 30, 2016, the Respondent while acting in the capacity as Ultimate Designated Person, failed to take adequate steps to ensure the Member's compliance with the terms of an Order of a MFDA Hearing Panel dated July 8, 2014 in MFDA File No. 201406, contrary to the terms of the Order and MFDA Rules 2.5.2 and 2.1.1.

III. TERMS OF SETTLEMENT

5. Staff and the Respondent agree and consent to the following terms of settlement:

a) the Respondent shall be prohibited from being an officer, director or acting in a supervisory capacity including without limitation acting as Ultimate Designated Person, Chief Compliance Officer, Branch Manager or Compliance Officer, while in the employ of or in association with a Member of the MFDA for a period of 5 years from the date when this Settlement Agreement is accepted;

b) the Respondent shall pay a fine in the amount of $20,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1;

c) the Respondent shall pay costs in the amount of $7,500, pursuant to section 24.2 of MFDA By-law No. 1;

d) the fine and costs shall be payable in instalments as follows:

   i. $2,500 (fine) and $7,500 (cost) in certified funds on the date this Settlement Agreement is accepted;
   ii. $3,000 (fine) payable on or before May 31, 2022;
   iii. $3,000 (fine) payable on or before June 30, 2022;
   iv. $3,000 (fine) payable on or before July 31, 2022;
   v. $3,000 (fine) payable on or before August 31, 2022;
   vi. $3,000 (fine) payable on or before September 30, 2022; and
   vii. $2,500 (fine) payable on or before October 31, 2022;

e) the Respondent shall in the future comply with MFDA Rules 2.5.2 and 2.1.1; and

f) the Respondent will attend by videoconference on the date set for the Settlement Hearing.

6. Staff and the Respondent agree to the settlement on the basis of the facts set out in this Settlement Agreement herein and consent to the making of an Order in the form attached as Schedule "A".

IV. AGREED FACTS

Registration History

7. Beginning in 1995, the Respondent was registered as a mutual fund salesperson now known as a dealing representative.

8. From September 2009 to January 29, 2021, the Respondent was the majority and controlling shareholder, officer, and sole director of TeamMax Investments Corp. (the "Member"), a Member of the MFDA.

9. From September 2009 to March 1, 2021, the Respondent was registered as a dealing representative with the Member.

10. From January 4, 2010 to April 17, 2014, the Respondent was registered as the Chief Compliance Officer ("CCO") of the Member. The Respondent also served as interim CCO from January 25, 2018 to February 22, 2018 and from February 21, 2019 to August 7, 2019.

11. From January 4, 2010 to January 10, 2020, the Respondent was registered as the Ultimate Designated Person ("UDP") of the Member.

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

13. At all material times, the Respondent conducted business in the Toronto, Ontario area.

14. At all material times, the Respondent was the UDP and the sole director of the Member.

15. On January 27, 2021, the Respondent transferred ownership of the Member to another individual.

The 2014 MFDA Order

16. In 2013, MFDA Compliance Staff conducted a compliance examination of the Member in order to assess the Member's compliance with MFDA By-laws, Rules, and Policies during the period of March 1, 2010 to January 31, 2013 (the "2013 Examination").

17. During the course of the compliance examination, Staff identified a number of compliance deficiencies including that the Member failed to respond to Staff's request for information; failed to conduct a historical leveraging review; failed to update its policies and procedures; and failed to effectively discharge its supervisory obligations, including failing to identify patterns in the client Know-Your-Client ("KYC") information (i.e., KYC uniformity) recorded by three Approved Persons.

18. As a result of the various concerns identified by the 2013 Examination, on July 7, 2014, Staff brought an application for interim relief against the Member pursuant to section 24.3 of MFDA By-law No. 1.

19. On July 8, 2014, a Hearing Panel of the MFDA made an order (the "2014 Order"), which among other things, sought to address Staff's concerns described above at paragraph 17. Accordingly, the 2014 Order, among other items:

a) required the Member to conduct and provide to Staff a historical leverage review of all non-registered leveraged accounts, and take such remedial action as directed by Staff to address any concerns raised by the review;
b) prohibited the Member from opening any new non-registered leveraged client accounts, making any new leveraged trade recommendations (i.e., borrowing to invest), or processing any leveraged trades in any existing non-registered client accounts, until such time as the Member, to the satisfaction of Staff, resolved all deficiencies identified by Staff, either previously or arising from the historical leverage review;
c) prohibited the Respondent from becoming registered as the Member's CCO, unless the Respondent provided Staff with at least 60 days' notice to permit Staff to attend before a hearing panel of the MFDA to seek any terms or conditions on the Respondent's ability to conduct securities related business Staff believed necessary;
d) required that the Member, in the event the CCO retained in April 2014 (to replace the Respondent) was no longer willing to serve, appoint a new CCO, other than the Respondent, to perform all necessary and ongoing duties and functions of a CCO, as such duties and functions are prescribed by MFDA By-laws, Rules and Policies, including but not limited to MFDA Rule 2.5.3; and

e) required that the Respondent, as the Member's UDP, be responsible for ensuring that the Member comply with the terms of the 2014 Order.

The 2017 Settlement Hearing

20. In 2015, MFDA Compliance Staff conducted a further compliance examination of the Member in order to assess the Member's compliance with MFDA By-laws, Rules, and Policies during the period of February 1, 2013 to January 31, 2015 (the "2015 Examination").

21. The 2015 Examination identified a number of compliance deficiencies including, but not limited to, some of the same ongoing issues and concerns previously identified in the 2013 Examination and the 2014 Order.

22. On January 11, 2017, the Member entered into a Settlement Agreement (the "2017 Settlement Agreement") with Staff, concerning the various deficiencies identified in the 2013 and 2015 Examinations. In particular, the Member admitted to the following contraventions of the MFDA's Rules and Policies:

a) Between August 2010 and April 2014, the Member failed to respond, or provided untimely, incomplete or inadequate responses, to requests for information and documents requested by Staff during the course of compliance examinations, contrary to MFDA Rules 1.2.5(a)(iii) and 2.1.1;

b) Between September 2009 and April 2014, the Member failed to establish, implement and maintain adequate policies and procedures to supervise leveraging recommendations and ensure the suitability of leveraging recommendations made by Approved Persons to clients, contrary to MFDA Rules 2.2.1, 2.5 and 2.10 and MFDA Policy No. 2;

c) Commencing October 2011, the Member failed to conduct a historical leveraging review of the Respondent's leveraged client accounts to identify and correct deficiencies identified by Staff relating to those leveraged client accounts, contrary to MFDA Rules 1.2.5(a)(iii), 2.2.1 and 2.1.1;

d) Between September 2009 and July 2015, the Member failed to implement a supervisory structure for the Respondent compliant with the requirements set out in MFDA Policies No. 2 and 5, and failed to effectively discharge the supervisory obligations prescribed by MFDA Rule 2.5, contrary to MFDA Rules 2.5 and MFDA Policies No. 2 and 5, and the Order dated July 8, 2014;

e) Between, August 2010 and April 2014, the Member failed to regularly update the Respondent's policies and procedures manual, contrary to MFDA Rule 2.10 and MFDA Policy No. 2;

f) Between March 2010 and July 2015, the Member failed to implement a Branch Review Program compliant with the requirements set out in MFDA Policy No. 5;

g) Between March 2010 and July 2015, the Member failed to adequately detect and query patterns in the Know-Your-Client information collected from clients by three Approved Persons: EYCQ, MF and HHYZ, contrary to MFDA Rule 2.2.1 and MFDA Policy No. 2; and

h) Between March 2010 and July 2015, the Member failed to conduct sufficient supervisory activities of its Approved Persons' outside business activities, contrary to MFDA Rule 1.2.1(c).

23. On July 7, 2017, the 2017 Settlement Agreement was accepted at a Settlement Hearing by a MFDA Hearing Panel (the "2017 Settlement Hearing"). As a consequence, the Member paid a fine of $60,000 and costs of $10,000.

24. The terms and conditions of the 2014 Order were removed pursuant to the order arising from the 2017 Settlement Hearing.

Failed in His Capacity as Ultimate Designated Person to Supervise Former Approved Person EYCQ

25. In April 2014, the Member retained a new CCO in response to the concerns raised by Staff during the 2013 Examination about the CCO and UDP roles being held by a single individual.

26. As UDP of the Member, the Respondent was responsible for supervising the activities of the Member that are directed towards ensuring compliance with the MFDA's By-laws, Rules and Policies and with applicable securities legislation by the Member and its Approved Persons; and promoting compliance with the MFDA's By-laws, Rules and Policies and with applicable securities legislation by the Member and its Approved Persons. The Respondent was also responsible for ensuring that all instances of non-compliance are resolved in a timely and effective manner.

27. At all material times, former Approved Person EYCQ was an Approved Person registered with the Member. In the 2017 Settlement Agreement, the Member admitted to failing to

adequately detect and query patterns in the KYC information recorded by former Approved Person EYCQ between March 2010 and July 2015, as described above at paragraph 22(g).

28. Beginning in 2015, the CCO repeatedly raised concerns with the Respondent about the business conduct of former Approved Person EYCQ. In particular, from her Tier 1 reviews, the CCO believed that former Approved Person EYCQ was not accurately recording KYC information from clients. In addition, when the CCO attempted to address these issues with former Approved Person EYCQ, she found him to be unresponsive.

29. The CCO reported her concerns about former Approved Person EYCQ to the Respondent in:

a) repeated conversations with the Respondent between 2015 and 2017;
b) a Sub-Branch Review Report dated February 19, 2016, concerning Approved Person EYCQ, delivered to the Respondent, which stated in part that there appeared to be a pattern of uniform KYC information recorded by former Approved Person EYCQ and that he had not adequately addressed this issue after the concern had been raised with him;
c) a Report to the Board of Directors,[1] dated October 30, 2016, which stated that there continued to be problems with former Approved Person EYCQ surrounding his recording of KYC information and a failure to cooperate with compliance requests;
d) a Report to the Board of Directors, dated January 30, 2017, which stated that the CCO continued to have concerns with former Approved Person EYCQ's business conduct surrounding his recording of KYC information, notwithstanding the CCO's attempts to work with him and his completion of an education course;[2] and
e) multiple emails in 2016 and 2017.

30. The CCO also recommended to the Respondent that former Approved Person EYCQ's registration be terminated due to his failure to accurately record KYC information and his resistance to the CCO's attempts to address the issue with him.

31. The Respondent did not follow the CCO's recommendations to terminate or otherwise discipline former Approved Person EYCQ. Instead, the Respondent insisted that he would speak with the Approved Person about the concerns raised by the CCO. The Respondent claims that he

[1] As noted at paragraph 15, the Respondent was the sole director of the Respondent.
[2] Following the Sub-Branch Review of former Approved Person EYCQ by the CCO discussed at paragraph 29(b), the CCO required that EYCQ complete the Canadian Securities Institute course, "Enhanced Suitability for IIROC Advisors".

informed EYCQ of the importance of listening to and complying with instructions and directives from the CCO. The Respondent did not maintain any records of his conversations with former Approved Person EYCQ.

32. Other than the conversations that the Respondent claims that he had with former Approved Person EYCQ, the Respondent did not take adequate steps to ensure that the KYC information recorded by EYCQ was accurate and that KYC information recorded by him in the future would be done accurately.

33. The Respondent in his capacity as UDP failed to take adequate supervisory steps to address the concerns reported by the CCO and promote compliance with the MFDA's Rules by former Approved Person EYCQ. The Respondent further failed to address the non-compliance with the MFDA Rules reported by the CCO in a timely and effective manner.

34. The CCO's concerns about former Approved Person EYCQ's failure to accurately record KYC information continued from the time that she first reported her concerns to the date of former Approved Person EYCQ's termination.

35. Former Approved Person EYCQ's registration was terminated by the Member on April 20, 2017 for, among other issues, his failure to accurately record KYC information.

Failed in His Capacity as Ultimate Designated Person to Take Adequate Steps to Ensure the Member's Compliance with the 2014 Order

36. As described above at paragraph 19, the 2014 Order prohibited the Member from: (a) opening any new non-registered leveraged accounts; (b) making any new leveraged trade recommendations; or (c) processing any leveraged trades in any existing non-registered accounts. The 2014 Order also mandated that the Respondent ensure the Member's compliance with the Order.

37. In 2016, the CCO raised concerns to the Respondent that some of the Approved Persons registered with the Member may have made leveraged trade recommendations and/or processed leveraged trades. The CCO discovered several instances where large dollar amount trades were made shortly after a line of credit or home equity loan had been approved for a client.[3] The CCO

[3] The loans were not processed through the Member.

recommended to the Respondent that the CCO contact the responsible Approved Persons and ask for clarification of the source of money for each trade identified.

38. The Respondent, however, directed the CCO to not speak with any of the Approved Persons and stated that he wanted to speak with the Approved Persons personally.

39. Following these conversations, the CCO subsequently submitted the Report to the Board of Directors, dated October 30, 2016,[4] which stated the following:

> A review was conducted by CCO into referral fees received vs. large trade amounts (issue: possible leveraging without disclosure). It was discovered that there were several instances where large dollar amount trades were made just days after a Line of Credit or Home Equity Loan was approved for a client. This was brought to the attention of [the Respondent]. Discussion was held about how to proceed. It was recommended that a request be sent to each of the advisors identified in the transactions for clarification of source of funds for each of the trades identified. One such request was made to Approved Person JC, who confirmed that the funds were from the client's own resources. [The Respondent] advised that he wanted to speak with each of the advisors personally. No further action has been taken on this issue.

40. According to the Respondent, he spoke with the Approved Persons and informed them that leveraged trading was not permitted. Beyond such conversations, the Respondent did not take any supervisory steps to review the potentially leveraged transactions and determine if Approved Persons were acting in violation of the 2014 Order.

41. The Respondent has no records of any supervisory steps that he took in response to the concerns raised by the CCO that Approved Persons may have been acting in violation of the 2014 Order.

42. The Member also can no longer identify the Approved Persons about whom the CCO raised concerns, and accordingly is unable to investigate the transactions that may have impermissibly involved leveraged investments.

[4] As noted at paragraph 15, Chau was the sole director of the Respondent.

43. By interfering with the CCO's investigation of the possible contravention of the 2014 Order and failing to take adequate steps himself to investigate and address the situation, the Respondent, in his capacity as UDP, failed to properly:

a) supervise the activities of the Member that are directed towards ensuring compliance with the MFDA's By-laws, Rules and Policies and with applicable securities legislation by the Member and its Approved Persons;
b) promote compliance with the MFDA's By-laws, Rules and Policies and with applicable securities legislation by the Member and its Approved Persons; and
c) ensure compliance with the 2014 Order.

Additional Factors

44. There is no evidence of client losses resulting from the Respondent's misconduct.

45. The Respondent has not previously been the subject of an MFDA disciplinary proceeding.

46. By entering into this Settlement Agreement, the Respondent has accepted responsibility for his misconduct and saved the MFDA the time, resources, and expenses associated with conducting a contested hearing on the allegations.

V. ADDITIONAL TERMS OF SETTLEMENT

47. This settlement is agreed upon in accordance with section 24.4 of MFDA By-law No. 1 and Rules 14 and 15 of the MFDA Rules of Procedure.

48. The Settlement Agreement is subject to acceptance by the Hearing Panel. At or following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement. MFDA Settlement Hearings are typically held in the absence of the public pursuant to section 20.5 of MFDA By-law No. 1 and Rule 15.2(2) of the MFDA Rules of Procedure. If the Hearing Panel accepts the Settlement Agreement, then the proceeding will become open to the public and a copy of the decision of the Hearing Panel and the Settlement Agreement will be made available at www.mfda.ca.

49. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately, and any suspensions,

revocations, prohibitions, conditions or other terms of the Settlement Agreement shall commence, upon the effective date of the Settlement Agreement.

50. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel:

a) the Settlement Agreement will constitute the entirety of the evidence to be submitted at the settlement hearing, subject to rule 15.3 of the MFDA Rules of Procedure;

b) the Respondent agrees to waive any rights to a full hearing, a review hearing or appeal before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction;

c) except for any proceedings commenced to address an alleged failure to comply with this Settlement Agreement and the proceedings already commenced against the Respondent and the Member in respect of the contraventions described in this Settlement Agreement, Staff will not initiate any additional proceedings under the By-laws of the MFDA against the Respondent in respect of the contraventions described in this Settlement Agreement. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any contraventions that are not set out in this Settlement Agreement, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations;

d) the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.1 of MFDA By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of MFDA By-law No. 1; and

e) neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against the Respondent.

51. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against the Respondent

based on, but not limited to, the facts set out in this Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

52. If, for any reason, this Settlement Agreement is not accepted by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of MFDA By-law No. 1, unaffected by the Settlement Agreement or the settlement negotiations.

53. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law. The terms of the Settlement Agreement, including the attached Schedule "A", will be released to the public if and when the Settlement Agreement is accepted by the Hearing Panel.

54. The Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement. A facsimile or electronic copy of any signature shall be as effective as an original signature.

DATED this 20th day of April, 2022.

"Antony Kin San Chau"
Antony Kin San Chau

"Charles Toth"
Staff of the MFDA
Per: Charles Toth
Vice-President, Enforcement

IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA

Re: Antony Kin San Chau

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the "MFDA") provided notice to the public of a Settlement Hearing in respect of Antony Kin San Chau (the "Respondent");

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated April 19, 2022 (the "Settlement Agreement"), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of MFDA By-law No. 1;

AND WHEREAS based upon the admissions of the Respondent, the Hearing Panel is of the opinion that the Respondent:

a) between February 2016 and April 2017, failed to fulfill his responsibilities as Ultimate Designated Person with respect to concerns that an Approved Person at the Member was not accurately recording Know-Your-Client information, contrary to MFDA Rules 2.5.2 and 2.1.1; and

b) commencing on or about October 30, 2016, while acting in the capacity as Ultimate Designated Person, failed to take adequate steps to ensure the Member's compliance with the terms of an Order of a MFDA Hearing Panel dated July 8, 2014 in MFDA File No. 201406, contrary to the terms of the Order and MFDA Rules 2.5.2 and 2.1.1.Terms of settlement.

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1. The Respondent shall be prohibited from being an officer, director or acting in a supervisory capacity including without limitation acting as Ultimate Designated Person, Chief Compliance Officer, Branch Manager or Compliance Officer, while in the employ of or in association with a Member of the MFDA for a period of 5 years from the date this Settlement Agreement is accepted.

2. The Respondent shall pay a fine in the amount of $20,000, pursuant to section 24.1.1(b) of MFDA By-law No. 1.

3. The Respondent shall pay costs in the amount of $7,500, pursuant to section 24.2 of MFDA By-law No. 1.

4. The fine and costs shall be payable in instalments as follows:

a) $2,500 (fine) and $7,500 (cost) in certified funds on [DATE];
b) $3,000 (fine) on May 31, 2022;
c) $3,000 (fine) on June 30, 2022;
d) $3,000 (fine) on July 31, 2022;
e) $3,000 (fine) on August 31, 2022;
f) $3,000 (fine) on September 30, 2022; and
g) $2,500 (fine) on October 31, 2022.

5. The Respondent shall in the future comply with MFDA Rules 2.5.2 and 2.1.1.

6. If at any time a non-party to this proceeding, with the exception of the bodies set out in section 23 of MFDA By-law No. 1, requests production of or access to exhibits in this proceeding that contain personal information as defined by the MFDA Privacy Policy, then the MFDA Corporate Secretary shall not provide copies of or access to the requested exhibits to the non-party

without first redacting from them any and all personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure*.

DATED this [day] day of [month], 20[ ].

Per: _____

[Name of Public Representative], Chair

Per: _____

[Name of Industry Representative]

Per: _____

[Name of Industry Representative]

DM 885168