

**Notices/News Releases 1.10 -- Thomas Lau and Joseph Yu Sentenced for Securities Act Violations**

**Issue: June 27, 1997**

**Citation: 20 O.S.C.B. 3321**

June 24, 1997

*Toronto* -- The Ontario Securities Commission announced today that, on Friday, June 20, 1997, Thomas Lau ("Lau") and Joseph Yu ("Yu") were each sentenced to six months imprisonment for authorizing, permitting and acquiescing in trades in supposed foreign exchange contracts by Securities Fund Holdings Limited ("SFHL"), a British Virgin Islands corporation. SFHL was fined \$450,000. On May 5, 1997, Lau, Yu and SFHL each pleaded guilty to two counts on an information brought under section 122 of the Securities Act.

In 1995, Lau, Yu and SFHL established a "spot currency" trading operation in North York, Ontario. Account executives were recruited to solicit investors from their own circle of friends and relatives to contribute funds to the investment scheme operated by SFHL. The account executives were told that the foreign currency contracts traded by SFHL were carried out through a clearing house in London, England. This representation was untrue. There was no clearing house in London, England. In fact, no trades occurred at all. In reality, SFHL desk traders placed calls to other SFHL employees located in the room next door to the office suite where the account executives places the supposed trades. In a six month period SFHL took in approximately \$500,000 from investors.

In his Reasons for Judgment, His Honour Judge Ian MacDonnell of the Ontario Court (Provincial Division) concluded that the only property that SFHL clients acquired with their capital was a betting contract with an offshore shell company derived from the market price of several foreign currencies, which contracts were unsecured and uncovered. His Honour concluded that the operation was an elaborate sham.

His Honour Judge MacDonnell concluded that general deterrence required that custodial sentences be imposed in the circumstances. He concluded that, although the defendants have not been found guilty of fraud, if those who have committed fraud can be generally deterred by incarceration, he could see no reason why the same cannot be said for those who, for financial gain, dishonestly attempt to operate outside of the restraints of Ontario's securities law.

Copies of Judge MacDonnell's reasons for sentence are available from the mailroom on the 8th floor, 20 Queen Street West, Toronto.

Reference:

David Hausman

Counsel

(416) 868-3486

George Gunn

Lead Investigator

(416) 593-8288

Larry Waite

Director

(416) 593-8156