



**In the Matter of Staff's Recommendation
to Suspend the Registration of
Wells Asset Management System Inc., and Dale Richard Wells**

**Opportunity to be Heard by the Director
Under Section 31 of the *Securities Act* (Ontario)**

Decision

1. For the reasons outlined below, my decision is to suspend the registration of Wells Asset Management System Inc. (**WAMS**), and Dale Richard Wells (**Wells**) (collectively, the **Registrants**).

Background

2. The Alberta Securities Commission (**ASC**) is the Registrants' principal regulator because its head office is located in Alberta and Wells' working office is in Alberta.
3. On June 5, 2018 the ASC informed the Registrants that due to the significant deficiencies set out in the May 14, 2018 report outlining findings of a compliance review (the **Report**) issued by the British Columbia Securities Commission and ASC staff's assessment of these findings, ASC staff were prepared to recommend to the Executive Director of the ASC that the registration of the Registrants be suspended or terminated.
4. On July 12, 2018, the Registrants, with independent legal advice, consented to terms and conditions on their registration, the suspension of their registration and waived their right to an opportunity to be heard with the ASC. The terms and conditions imposed a six-month transition period that permitted WAMS to complete an orderly transfer of the funds and managed accounts to another registrant with suspension becoming effective no later than January 31, 2019.
5. On January 30, 2019, the ASC suspended WAMS' and Wells' registrations. Their registrations were automatically suspended in British Columbia, Manitoba and Saskatchewan pursuant to s. 4A.6 of Multilateral Instrument 11-102 Passport System (**MI 11-102**). Ontario has not adopted MI 11-102 so the suspension did not automatically take effect in Ontario.
6. By letter dated February 7, 2019, staff (**Staff**) of the Ontario Securities Commission (**OSC**) advised the Registrants that it would be otherwise objectionable for the Registrants to continue to be registered under the *Securities Act* (Ontario) (the **Act**), when their principal regulator suspended their registrations. Therefore, Staff have recommended to the Director that WAMS' registration in the categories of investment fund manager, portfolio manager and dealer in the category of exempt market dealer, and Wells' individual registration as ultimate designed person, chief compliance officer and advising representative, be suspended.

Law and Reasons

7. Section 28 of the Act provides that the Director may revoke or suspend the registration of a person or company if it appears to the Director that the person or company is not suitable for registration under the Act, or that the registration is otherwise objectionable.
8. Section 31 of the Act provides that before the Director makes a determination, the Registrants are entitled to an opportunity to be heard (**OTBH**). This OTBH was conducted in writing and written submissions were submitted by Joyce Taylor, Legal Counsel, OSC and Wells.
9. The Registrants submit that while they agreed to the terms and conditions, consented to suspension of their registration and waived the right to an opportunity to be heard with the ASC, they did so to "...save the unitholders from likely losses as a result of further forced liquidation.¹" Some of the WAMS investment funds were invested in the Crystal Wealth investment funds and had already sustained losses as a result of the liquidation of Crystal Wealth² funds following temporary orders of the OSC (*In the Matter of Crystal Wealth Management Systems Limited*, (2017) 40 OSCB 3709 and 40 OSCB 3714).
10. Further the Registrants submit that "... no one has reviewed, discussed or clarified any of the allegations against Wells.³" The Registrants are requesting that the OSC Director, through an OTBH process, conduct a full review. The Registrants submitted written responses and documents disputing the findings in the Report.
11. Staff submits that the decision to suspend the registration of the Registrants by their principal regulator supports Staff's position that ongoing registration in Ontario is otherwise objectionable.
12. Further, Staff submits that it will not promote confidence in Ontario's capital markets if a firm and individual whose registrations are suspended in all Canadian jurisdictions in which they were registered, were permitted to maintain ongoing registration in Ontario.
13. The securities regulatory regime requires registration in all jurisdictions where registerable activity is conducted. Since the Registrants' registration is suspended in Alberta, they are not permitted to legally conduct registerable activity in that jurisdiction.
14. In *Re Jory Capital Inc.* (2012), 35 OSCB 11217 at para. 6, the Director observed that he was "concerned that it would be inconsistent with the OSC's mandate to provide investor protection and to foster fair and efficient capital markets and confidence in capital markets to permit [a firm suspended by its principal regulator] to remain registered in Ontario."
15. In my view, allowing WAMS and Wells to continue to be registered in Ontario while its registration is suspended in Alberta and all other Canadian jurisdictions in which it was registered, would be objectionable and inconsistent with the OSC's mandate.
16. Therefore, my decision is that the ongoing registration of the Registrants in Ontario is objectionable. I accept Staff's recommendation to suspend the Registrants, effective immediately.
17. The Registrants have also requested that the Director conduct a full review of the findings of the Report which precipitated the actions taken by the ASC. I have reviewed the materials submitted by the Registrants and considered their request.

¹ Letter from Dale Wells to Director or the OSC (March 20, 2019), page 1.

² Letter from Dale Wells to Director or the OSC (March 20, 2019), page 1.

³ Letter from Dale Wells to Director or the OSC (March 20, 2019), page 2.

18. The purpose of an OTBH is to provide a registrant or applicant a process to present their position on the registration action being recommended by Staff. Therefore, in my opinion, this is not the appropriate forum to review the assessment made by ASC staff of the Report and, ultimately, the actions taken by the Registrant's principal regulator.

"Debra Foubert", J.D.
Director, Compliance and Registrant Regulation Branch
Ontario Securities Commission
Dated: April 29, 2019