

FOUNDED 1879

CHARTERED PROFESSIONAL ACCOUNTANTS OF ONTARIO
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF
ONTARIO

THE CHARTERED ACCOUNTANTS ACT, 2010

IN THE MATTER OF: DRAFT ALLEGATIONS OF
PROFESSIONAL MISCONDUCT
AGAINST HENRY TSE, CPA, CA, A
MEMBER OF CPA ONTARIO BEFORE
THE DISCIPLINE COMMITTEE

SETTLEMENT AGREEMENT

***Made pursuant to Section 34 (1)(c) of the Chartered
Accountants Act 2010 and to ICAO Regulation 7-1, s.22.4***

Introduction

1. The Professional Conduct Committee approved draft Allegations against Henry Tse, CPA, CA ("Tse") **Doc 1**.
2. The draft Allegations pertain to Tse's acceptance of commission or other compensation for the referral of products or services of others to clients of his accounting practice. The draft Allegations further pertain to Tse's failure to register his accounting practice with CPA Ontario, and his failure to maintain mandatory professional liability insurance coverage for his practice.
3. The documents referred to in this agreement are found in the Document Brief ("**Doc**").

4. The Professional Conduct Committee ("PCC") and Tse agree with the facts and conclusions set out in this settlement agreement for the purpose of this proceeding only, and further agree that this agreement of facts and conclusions is without prejudice to Tse in any other proceedings of any kind, including, but without limiting the generality of the forgoing, any civil or other proceedings which may be brought by any other person, corporation, regulatory body or agency.

Background

5. Tse received his CA designation in 1990, and worked at Ernst & Young from 1990-1994. Tse obtained a public accounting licence in 1994, and became a partner at Plummer & Tse, Chartered Accountants. He later opened a sole registered practice in 1997, and in 2001 formed a partnership with another CA called Choong & Associates, which also operated under the name CA For You. CA For You provided public accounting services including assurance, tax, and advisory. Tse sold his interest in CA For You to his partner in 2008.
6. Tse's public accounting licence expired in 2007 and has not been renewed.
7. In 2000, Tse and a business partner formed iBrokerPower Financial Services. iBroker Power specializes in offering a variety of investment training courses targeting individuals within the Chinese community. Tse was a lead instructor at iBrokerPower and continues to lead investment training courses offered to individuals. He is also an Accredited Mortgage Professional. Through iBrokerPower, Tse sells insurance and mortgage products. **Doc 2**

8. In 2011, Tse began providing accounting and other advisory services to clients through a sole proprietorship called Chartered Accountant For Doctors ("CA4D"). Tse is primarily responsible for performing all client work, with one staff member to assist with administrative duties. CA4D operates out of the same offices as iBrokerPower.
9. Tse came to the attention of the PCC as a result of an anonymous complaint from a member of the public related to certain elements of Tse's website, which indicated that he was a "full service center that provides tax, accounting and financial services to medical professionals." **Doc 3** On review of Tse's website and of CPA Ontario records, the PCC became concerned that Tse may have been providing accounting services to the public without being registered to do so contrary to CPA Ontario Bylaws.
10. Tse's response to the complaint against him indicated that in addition to billing for services at hourly rates, he was compensated by commissions for sales of insurance products to CA4D clients. **Doc 4**
11. Mr. Ian Wintrip, CPA, CA, CBV, DIFA, was appointed to investigate.

Allegation 1 – Acceptance of Commissions

12. Tse had been servicing health care professionals since 2000 and found that he had developed an in-depth understanding of the needs of medical practitioners. CA4D was created to serve a few clients who wished to continue to engage Tse's services subsequent to the sale of his accounting practice in 2008. Tse's intention in establishing CA4D was to have clients be part of the mortgage, investment and life insurance service offerings which he provides through iBrokerPower.

13. Tse began providing services under the sole proprietorship CA4D in 2011, and registered CA4D under the Ontario *Business Names Act* in 2012. **Doc 5**
As of 2013, CA4D had 16 clients, most of whom were doctors or dentists.

14. Through CA4D, Tse provides a variety of services, including:

- a) advisory services, related to personal and corporate tax planning, director's remuneration, investments, and retirement savings plans;
- b) incorporation services;
- c) compilation of financial statements; and
- d) personal and corporate income tax preparation and filing.

15. In or about the period January 1, 2013 through December 31, 2014, Tse received commissions from the sale of life insurance policies, wealth management, and bank products to eleven CA4D clients. Tse was also providing accounting services to these eleven clients during the relevant period. Tse earned approximately \$103,000 in commissions from the sale of these products to his CA4D clients during the relevant period. **Doc 6**

16. Tse states that effective January 1, 2015, CA4D has ceased to perform any compilation engagements and any accounting work for clients, and that all CA4D clients requiring such work are referred to another licensed public accounting firm.

Allegation 2 – Failure to Comply with CPA Ontario Bylaws

Registration of Practice Name

17. ICAO Bylaw 307 as amended from time to time requires a Member, firm or professional corporation to register with CPA Ontario the name or names under which the Member, firm or professional corporation carries on a public accounting practice or a related business or practice.

18. Carrying on a public accounting practice includes the performance of any engagement addressed by standards in the CPA Canada Handbook – Assurance for which a licence is not required under the *Public Accounting Act, 2004*, to perform the engagement; taxation, insofar as it involves advice and counselling in an expert capacity, but excluding mechanical processing of returns; and compilation services, if it can reasonably be expected that all or any portion of the compilation or associated materials prepared by the Member providing the service will be relied upon or used by a third party.
19. Through CA4D, Tse performs compilation engagements and provides expert taxation advisory services incidental to financial planning for his clients, most of whom are medical professionals. **Doc 3, 4**
20. CA4D is not, nor has it ever been registered as firm or professional corporation with the ICAO or with CPA Ontario.
21. Tse states that CA4D does not and did not at any time provide assurance services to clients. At all material times CA4D clients requiring assurance services were referred to another licensed public accounting firm.

Professional Liability Insurance

22. ICAO Bylaw 701 as amended from time to time requires that any member or firm, including a professional corporation, engaged in the practice of public accounting or providing accounting services to the public maintain professional liability insurance and provide CPA Ontario with satisfactory proof of same.
23. It is agreed that through CA4D, Tse was at all material times providing accounting services to the public, in the form of performing compilation engagements and providing expert taxation advisory incidental to financial planning for his clients.

24. Although Tse does maintain some level of professional liability insurance coverage for financial advisory professional liability, the insurance policy does not include insurance coverage for accounting services provided to the public, other than for defense costs for tax work performed in Canada. **Doc 7**
25. It is agreed that the professional liability insurance coverage obtained by Tse is not in compliance with the mandatory professional liability insurance coverage required for a public accounting practice by CPA Ontario Bylaws.

Acknowledgement

26. It is agreed that, in or about the period January 1, 2013 through December 31, 2014, while engaged in the practice of public accounting, Tse referred a client or clients to products or services of others, and directly or indirectly accepted a commission or other compensation for that referral, in the manner described above, contrary to Rule 216 of the Rules of Professional Conduct.
27. It is agreed that, in or about the period January 1, 2011 through December 31, 2014, while engaged in the practice of public accounting, Tse contravened the provisions of the Bylaws and Regulations in that he failed to register the name of his accounting practice with the Institute, and failed to maintain mandatory professional liability insurance, in the manner described above, contrary to Rule 101 of the Rules of Professional Conduct.

Terms of Settlement

28. Tse and the Professional Conduct Committee agree to the following Terms of Settlement:

- a) Tse will receive a reprimand in writing from the Chair of the Discipline Committee;
- b) Tse will pay a fine in the amount of \$7,500 within 18 months of this agreement receiving approval of the Discipline Committee;
- c) Notice of the terms of this Settlement is to be published in accordance with the provisions of ICAO Regulation 7-3, s. 22, including notice to be given to CPA Canada, and in a CPA Ontario publication;
- d) Tse will pay costs in the amount of \$17,000 within 18 months of this agreement receiving approval of the Discipline Committee; and
- e) A failure by Tse to comply with any of the terms of settlement will result in his suspension from membership in the Institute which suspension will continue until he complies PROVIDED THAT if his suspension under this section continues for three months his membership in the ICAO will be revoked with full publicity in accordance with Regulation 7-3(23).

29. Should the Discipline Committee accept this Settlement Agreement, Tse agrees to waive his right to a full hearing, judicial review or appeal of the matter subject to the Settlement Agreement. Upon the member fulfilling the requirements of this Settlement Agreement, the draft Allegations approved by the Professional Conduct Committee and dated February, 2015, shall be forever stayed.

30. If for any reason this Settlement Agreement is not approved by the Discipline Committee, then:
- a) This Settlement Agreement and its terms, including all Settlement Negotiations between the Professional Conduct Committee and Tse leading up to its presentation to the Discipline Committee, shall be without prejudice to the Professional Conduct Committee and Tse; and
 - b) The Professional Conduct Committee and Tse shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations, or negotiating a new Settlement Agreement, unaffected by this Settlement Agreement or the Settlement Negotiations.


Disclosure of Settlement Agreement

31. This Settlement Agreement and its terms will be treated as confidential by the Professional Conduct Committee and Tse, until approved by the Discipline Committee, and forever if for any reason whatsoever this Settlement Agreement is not approved by the Discipline Committee, except with the written consent of the Professional Conduct Committee and Tse, or, as may be required by law.

32. Any obligations of confidentiality shall terminate upon approval of the Settlement Agreement by the Discipline Committee.

All of which is agreed to for the purpose of this proceeding alone this 6 day of October, 2015.


ALEXANDRA E. HERSAK


HENRY TSE, CPA, CA on his own behalf

On behalf of:
THE PROFESSIONAL CONDUCT COMMITTEE