

**IN THE MATTER OF THE FINANCIAL INSTITUTIONS ACT
R.S.B.C. 1996, C. 141**

AND

**A1 EXCHANGERS INC. AND GALIA GAYE CIPRUT, (DIRECTOR), AND DAN
BROWN (OFFICER)**

AND

**CARDONE PLUS LTD., AND CARL CORCORAN (DIRECTOR), KEVIN LEWIS
(DIRECTOR AND OFFICER), BRUCE LEWIS (DIRECTOR), HARVEY MCKENZIE
(DIRECTOR AND OFFICER), AND GRANT SAWIAK (OFFICER)**

AND

**NORTH YORK COMMUNITY CREDIT UNION LTD., AND DIANE BIRD (DIRECTOR),
MARY BROWN (DIRECTOR AND OFFICER), MARJORIE DEMETER (DIRECTOR
AND OFFICER), WILLIAM DOLLY (DIRECTOR), BLAIR GAGNON (DIRECTOR),
LOUISE HOURSTON (DIRECTOR), PAUL MORRISON (DIRECTOR), JOHN
RUSSELL (DIRECTOR), DIANNE SKINNER (DIRECTOR), DOUG THURSTON
(DIRECTOR), JAMES WILLIAMS (DIRECTOR), PATRICK MURPHY (OFFICER),
PAUL FERNANDES (OFFICER), GORD BEAUMONT (OFFICER), AND BETTY ANNE
FLYNN (CHIEF EXECUTIVE OFFICER)**

ORDERS UNDER SECTIONS 244(2) AND 238, AND

**NOTICE OF RIGHT OF HEARING OR APPEAL
UNDER SECTIONS 238(2) AND 242**

UPON REVIEWING THE SUBMISSIONS AND EXHIBITS OF STAFF, it appears to the Superintendent of Financial Institutions (the "Superintendent") that:

1. A1 Exchangers Inc. ("A1 Exchangers") is:
 - (a) A British Columbia company, incorporated January 10, 2006, having incorporation #BC0745337.
 - (b) Its mailing address is c/o Access Law Group, 1700-1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.
 - (c) Its director is: Galia Gaye Ciprut, Director, 505 Nicola Street, Vancouver, British Columbia, V6G 3G2.

2. **CardOne Plus Ltd. (CardOne Plus) is:**
 - (a) **An Ontario company, incorporated on July 5, 2004, having incorporation #1624551.**
 - (b) **Its registered office and mailing address is 164 Merton Street, 2nd Floor, Toronto, Ontario M4S 3A8.**
 - (c) **Its directors are: Carl Corcoran, Kevin Lewis, Bruce Lewis, and Harvey McKenzie.**
 - (d) **Its officers are: Kevin Lewis, Harvey McKenzie, and Grant Sawiak.**
 3. **North York Community Credit Union Ltd. ("North York") is:**
 - (a) **An Ontario company, incorporated on September 12, 1955, having Ontario incorporation #149738.**
 - (b) **Its registered office and mailing address is 5799 Yonge Street, 2nd Floor, North York, Ontario, M2M 3V3.**
 - (c) **Its directors are: Diane Bird, Mary Brown, Marjorie Demeter, William Dolly, Blair Gagnon, Louise Hourston, Paul Morrison, John Russell, Diane Skinner, Doug Thurston, and James Williams.**
 - (d) **Its officers are: Gord Beaumont, Mary Brown, Marjorie Demeter, William Dolly, Paul Fernandes, Blair Gagnon, Louise Hourston, Paul Morrison, Patrick Murphy, John Russell, Diane Skinner, Doug Thurston, and James Williams.**
 - (e) **Betty Anne Flynn is identified on the North York website as the Chief Executive Officer.**
 4. **The Financial Services Commission of Ontario confirms that North York is an authorized credit union in the Province of Ontario pursuant to Section 16 of the Credit Union and Caisses Populaires Act of Ontario.**
 5. **On August 1, 2006, staff began an investigation of A1 Exchangers into whether it was conducting unauthorized deposit taking business in British Columbia.**
 6. **The A1 Exchangers' website at www.a1exchangers.com ("the Website") has several pages that provide information on how to obtain and use their debit card. The Website includes within its content the following:**
 - (a) **The home page directs users to the three main services of the company and inviting them to enter each service area separately:**
 - i. **Debit Card**
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- ii. Buy E-gold
- iii. Sell E-gold

Note: The purchase and sale of E-gold is separate to the purchase and use of the debit card, although E-gold is one method of loading the debit card. E-gold appears to be an on-line purchase and sale facility enabling customers to buy and sell gold bullion, as a commodity, and is not part of this investigation

- (b) The home page includes the A1 Exchangers name, and the logo in the upper left hand corner.
- (c) The home page includes links to the following pages:
 - i. Home
 - ii. Help Desk
 - iii. Privacy Policy
 - iv. Contact Us
- (d) From the home page, if you click on "Contact Us", the linked page shows, among other things, the following:
 - i. A1 Exchangers Inc.
505 Nicola Street
Vancouver, BC
V6G 3G2
Canada
 - ii. Office hours 7:00am - 7:00pm (PST) Monday through Friday
 - iii. Telephone (604) 739-4845
 - iv. Fax (604) 331-8546
- (e) From the home page, if you click on "Debit Card", among other statements, this page includes the following under the heading "Info About The Card":
 - i. Anybody, from any country can purchase this card;
 - ii. No credit checks required;
 - iii. Nobody is denied access to our card ;
 - iv. No name appears on the card;

- v. No maximum balance;
 - vi. Withdraw up to \$2500 per day;
 - vii. No maximum loading per day;
 - viii. Withdraw your funds from over 99% of ATMs around the World;
 - ix. Make purchases at point-of-sale retail locations in Canada only;
 - x. Reloadable;
 - xi. Card does not expire.
- (f) Fees to acquire, activate and use the card are charged in US dollars, and include a \$50 fee for shipping and activation of the card, plus a monthly maintenance fee of \$5.00, if there is a balance on the card. Other fees range from \$1.00 for an ATM or Point of Sale decline, to \$4.00 for a card to card transfer.
- (g) From the Debit Card page, click on "Load Card". This page identifies the methods of loading money onto the card, including fees charged either as a set fee or percentage of the value of money.
- (h) From the Debit Card page, click on "Buy Card". This page provides four methods of purchasing the card: E-gold, Certified Check, Money Order and Wire Transfer. Once a method is selected, the user is directed to a page identifying the fees and requesting they enter their personal information, along with any other particular instructions relating to the method of payment selected.
- (i) From the Debit Card page, select "Activate Card". This takes you to a page where the user inputs their personal details. This page also includes the Cardholder Agreement. Under the Agreement there is a button for the user to click on and the following statement: "By clicking "I Agree" you agree to all the terms and conditions of the Cardholder Agreement."
- (j) From the Debit Card page, select "Card Holder Login". This page asks the cardholder to input their card number and password to gain access to the platform where they can view their account, and information such as their account balance and transaction details.
7. The Investigator conducted an interview with Galia Ciprut, the sole director of the company, on Tuesday, August 8, 2006. During the interview, Ms. Ciprut stated the following:
- (a) that she was the sole director of A1 Exchangers;
 - (b) that A1 Exchangers' address was 505 Nicola Street, Vancouver, British Columbia, V6G 3G2;
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- (c) that she was actively involved in A1 Exchangers;
 - (d) that day to day operational activities were controlled by her colleague, Mr. Dan Brown;
 - (e) that she had personally used the services of an on-line debit card company before, and believed that this was a good business venture;
 - (f) that she and Mr. Brown had undertaken research into the business before setting up operations, and that they were not aware of the Financial Institutions Act and the need for a business authorization to conduct deposit business within British Columbia;
 - (g) that A1 Exchangers was not a bank;
 - (h) that she was looking into a \$25,000.00 cost relating to the venture, but she did not expand upon this statement;
 - (i) that A1 Exchangers would take whatever steps were required to ensure compliance with the legislation;
 - (j) that she would have Mr. Brown contact FICOM directly to set up an appointment.
8. On Wednesday, August 9, 2006, Mr. Brown attended FICOM's office. During the interview, Mr. Brown made the following statements to investigators:
- (a) that he had known of Ms. Ciprut for about 10 years in a social capacity, and that A1 Exchangers was their first business venture together;
 - (b) that it was his idea to set up the business, but that he had no personal experience of using an on-line debit card company prior to starting the business;
 - (c) that he was more interested in selling E-gold, and the debit card operation would enable his E-gold clients to withdraw their funds;
 - (d) that he did all the due diligence in relation to setting up the company. He said he was not aware of the Act and its requirements, and that he only looked into whether the company required a money transmitter license, which he determined it did not;
 - (e) that he engaged lawyers to set up the company vehicle for A1 Exchangers, but that he did not ask them to provide legal advice regarding any laws or regulations that might affect the company's business;
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- (f) that Ms. Ciprut was the sole director and shareholder of A1 Exchangers, but that he was in active control of day to day operations and participated in making decisions for the company;
 - (g) that he had no legal affiliation with A1 Exchangers. He said he was not an employee, and there was no employment contract, and that he was not an independent contractor. He also said he was not a director or a shareholder of the company;
 - (h) that he wanted to share in whatever penalties or decisions that were made by FICOM in relation to the company and that Ms. Ciprut should not bear full responsibility;
 - (i) that the office address on the website of 505 Nicola Street was his personal residence. There was no signage indicating A1 Exchangers operated from the premises and the office hours on the website of 7:00 a.m. – 7:00 p.m. were telephone hours only;
 - (j) that he had an office within his residence where he conducted activities relating to A1 Exchangers;
 - (k) that he did not remember if he had obtained a business license from the city of Vancouver to operate A1 Exchangers from his residence;
 - (l) that A1 Exchangers physically held the debit cards. A1 Exchangers had purchased these cards directly from another company called CardOne Plus Ltd. (www.cardoneplus.com), and that CardOne Plus had a relationship with North York Community Credit Union;
 - (m) that A1 Exchangers had entered into a contractual relationship with CardOne Plus, and that this contract had been signed by Ms. Ciprut;
 - (n) that A1 Exchangers did not have a contract with North York Community Credit Union, or any other direct relationship;
 - (o) that he received orders from customers wanting to purchase the debit cards, along with the \$50.00 US fee and any additional fee for sending the card by courier. Mr. Brown confirmed the \$50.00 US fee was payable to A1 Exchangers, and earned solely by A1 Exchangers. A1 Exchangers had paid \$6.00 US to CardOne Plus for the cards, and then re-sold these cards to customers for \$50.00 US per card;
 - (p) that he did not keep a list of customers, a list of addresses, or any other records identifying who had purchased a card, where the card was sent, and how much money had been received;
 - (q) that he sent debit cards to the customers. Once the customer received the card, they would log onto A1 Exchangers website to activate the card.
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Mr. Brown said that the record tracking system for customer accounts as accessed via the Website was maintained by CardOne Plus;

- (r) that it was not possible for a customer to identify their relationship with CardOne Plus based on the information contained on the Website or the Cardholder Agreement on the Website because the SSL certificate, a security certificate, hides the domain of CardOne Plus;
- (s) that the Cardholder Agreement on the Website was prepared by CardOne Plus, and he was not familiar with the terms of the agreement. He said that wherever the original agreement read "CardOne Plus", this was substituted to read "A1 Exchangers". Mr. Brown said he did not write the agreement, and that A1 Exchangers did not have control over the wording of the agreement, contrary to what the wording of the agreement said;
- (t) that the debit card could be loaded by wire transfer, certified bank cheque, money order, or E-gold. Money orders and bank cheques were made payable to A1 Exchangers and deposited to their Vancouver bank account; wire transfers were to be made directly to the account.
- (u) that this bank account was a US dollar account. He also said there was a second account in the name of A1 Exchangers Inc. which was the same number, except for the last three digits; the second account was a Canadian dollar account;
- (v) that Ms. Ciprut was the sole signing authority on both bank accounts;
- (w) that he did not maintain any financial records on behalf of the company such as an income and expenditure statement, details of receipts from customers, or any other records confirming how much the company had earned. Mr. Brown did say that if he received a certified cheque to purchase E-gold, he would photocopy the cheque;
- (x) that he was unable to confirm if A1 Exchangers received a percentage of the fees charged for use and loading of the debit card;
- (y) that he could identify all the banking records on-line at the bank or in his E-gold account, and could use a calculator to add up fees each day to determine whether A1 Exchangers was making money;
- (z) that he checked the bank account hourly, depending on the work load, and transferred any receipts immediately to the customer's E-gold account or debit card;
- (aa) that he received no remuneration for his services from A1 Exchangers. He said he did not receive a salary, commission, or fee and that he provided his services, working 16 hour days, solely due to his friendship with Ms. Ciprut. Mr. Brown stated he had no other source of income, and no other employment. Mr. Brown said his rent was not paid by A1

Exchangers, and he did not receive funds via E-Gold or the debit card. Mr. Brown said he paid his monthly rent by personal cheque;

- (bb) that in three months since A1 Exchangers had been operational, he believed there were approximately 1,000 E-gold customers, and 200 debit card customers;
- (cc) that he was unable to identify how any transaction fees identified as charged by A1 Exchangers were deducted from the overall customer deposit, and where the earned income was held for A1 Exchangers;
- (dd) that he did not know what the relationship was with a US bank in California. He believed there was an account and it was controlled by CardOne Plus, but he did not know how it operated. Mr. Brown said that A1 Exchangers did not have an account with a US bank, or use them in the course of their operational activities;
- (ee) that Ms. Ciprut had paid \$25,000.00 to CardOne Plus to establish A1 Exchangers. This fee included \$6,000.00 for the purchase of the debit cards at \$6.00 each for 1,000 cards, and also other fees relating to the business operation;
- (ff) that the marketing and advertising strategy was targeted towards countries like Malaysia and India where people were receptive to obtaining debit cards in US dollars;
- (gg) that he did participate in web based discussion forums, under the user name A1 Exchangers, and also advertised on Malaysian websites; he did not advertise on US or Canadian websites;
- (hh) that he advertised the debit card more, because customers who held E-gold accounts were already familiar with the service;
- (ii) that he made the statement in a web forum based in India that "All cards are CDIC (Canadian Deposit Insurance Corporation insured, which is the Canadian equivalent of the American FDIC (Federal Deposit Insurance Corporation)." He said he had been told this was true by CardOne Plus, and he had no reason to believe it was not true;
- (jj) that he had reviewed the FICOM website and was aware that North York Community Credit Union was the subject of a hearing.
- (kk) that he and A1 Exchangers wanted to comply with legislation requirements, but that he was currently unable to disable the website because his web site developer, who lived in India, was on vacation for one or two weeks; Mr. Brown did not know when his web developer would return.

9. Based on Mr. Brown's identification and confirmation of the level of authority and control he exerts over A1 Exchangers, Mr. Brown is a de facto officer of A1 Exchangers, and a controlling mind of the company.
10. A review of the Website does not disclose any information on North York, or confirm or otherwise identify that the card issuer was North York.
11. The Website also does not disclose any information on CardOne Plus, or its role in setting up new merchants like A1 Exchangers and supplying them with debit cards from North York. CardOne Plus' involvement in any other related activities such as deducting fees and maintaining on-line financial tracking records relating to the user's debit card activity is also not disclosed.
12. The language used on the Website indicates to the customers and users that A1 Exchangers provides all the services listed on their Website directly to the customer.
13. The A1 Exchangers' Cardholder Agreement uses language that would indicate to the user and cardholder that A1 Exchangers are in control of and providing all the services relating to the debit card.

A review of CardOne Plus' website (www.cardoneplus.com) includes, among other statements, that the company was founded in Toronto, Canada, in 2004, and that they want to provide debit cards for international use without the restrictions and controls of big banks.

14. On their website, CardOne Plus includes a section on how to become a merchant for the purpose of selling debit cards.
15. A review of the CardOne Plus website under the section "Cardholders: Q&A" included the following question and answer:

"Why should I trust CardOne Plus?

The security of your money is of utmost importance at CardOne Plus. We take great care to protect it, such as using the highest publicly available level of security on our Web site.

CardOne Plus is supported by the NYCCU Bank."

16. CardOne Plus does not identify who the NYCCU bank is on their website, or the relationship between CardOne Plus and the North York Community Credit Union. On the bottom of each web page, there are several logos including the logo of NYCCU, and the statement "® Trade-mark of Interac Inc. North York Community Credit Union Limited authorized user of the Trade-mark."
 17. The Investigator spoke to a senior employee of CardOne Plus, to request copies of contracts and correspondence between A1 Exchangers, CardOne Plus and North York. This information was not made available, and the Investigator was referred to Mr. Dan Coldwell, an employee of North York, or Mr. Blair Gagnon, of
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CU-Connection Ltd., the switcher, for further assistance. North York was to appear at a hearing before the Superintendent on August 29, 30 and 31, 2006, on a different matter, and it was thought they could be questioned at that time. North York failed to appear at the hearing.

18. A review of the Cardholder Agreement on the CardOne Plus website and comparison to the Cardholder Agreement on the A1 Exchangers website identified that these two documents are virtually identical, with minor differences.
19. The Interac network describes itself as, "...allowing enterprises that have proprietary networks to communicate for the purpose of exchanging electronic financial transactions."
20. A review of the Interac website at www.interac.org states that only regulated deposit taking financial institutions can issue debit cards. The site also shows a list of authorized members who can issue debit cards or accept debit card transactions. North York is included as both an issuer and an acceptor.
21. Neither A1 Exchangers or CardOne Plus are listed as members of the Interac Association.
22. A review of certain Interac By-Laws and documentation provided by Interac discloses that for a card to be used, it must be issued by a financial institution and linked to an eligible account. Interac defines a financial institution as:
 - (a) Incorporated in Canada and carrying on, under the regulatory supervision of federal or provincial law, the business of providing financial services in Canada, including holding funds on account that are transferable by items that are admissible for clearing by members of the Canadian Payments Association.
 - (b) A Central Cooperative Credit Society, a Cooperative Credit Association or a federation of cooperative credit societies (as those terms are defined in the Canadian Payments Act or its successor or replacement legislation).
 - (c) An Authorized Foreign Bank that is operating at least one Full Service Branch in Canada.
 - (d) A Foreign Life Insurance Company.
 - (e) A trustee of a qualified trust (as those terms are defined in the Canadian payments Act or its successor or replacement legislation).
23. Interac defines an eligible account as a "chequing, savings, or similar account from which funds may be transferred by items that are admissible for clearing by members of the Canadian Payments Association ...".

24. The Canadian Payments Association web site at www.cdnpay.ca states that eligibility for membership means:

"The Bank of Canada and all banks operating in Canada are required to be members. In addition, Credit Union Centrals, Federations of Caisses Populaires, trust companies, loan companies, and other deposit taking institutions."

25. Neither A1 Exchangers or CardOne Plus are members of the Canadian Payments Association, however, North York is a member.

26. The Canadian Deposit Insurance Corporation (CDIC) website (www.cdic.ca) includes the following statement on their homepage:

"The Canada Deposit Insurance Corporation (CDIC) is a federal Crown Corporation. It was created in 1967 to provide deposit insurance and contribute to the stability of Canada's financial system. CDIC insures eligible deposits at member institutions (up to \$100,000 per depositor) and reimburses depositors for the amount of their insured deposits when a member institution fails.

To be eligible for insurance, deposits must be in Canadian currency and payable in Canada. Term deposits must be repayable no later than five years from the date of deposit."

27. To be eligible for CDIC insurance protection, deposits must be:

- (a) In Canadian currency, payable in Canada;
- (b) Repayable no later than five years from the date of deposit;
- (c) Placed at a financial institution that is a CDIC member.

28. A review of the List of Members showed that neither A1 Exchangers, CardOne Plus or North York were members of the CDIC.

29. The CDIC has applied its definition of "deposit", as contained in the Schedule to the CDIC Act, to retailer stored value cards, single purpose debit cards, and VISA debit cards, and summarised their determinations in a Memorandum issued June 26, 2006. Generally, CDIC must apply its statutory definition of deposit, and if the product meets this definition, CDIC insurance is available, providing the institution is a member. The single purpose debit card was considered by the CDIC. This is a debit card with a single source of deposit income, such as deposited by an employer onto a debit card for an employee. These funds were considered deposits and were eligible for CDIC insurance at a member institution. A1 Exchangers' debit card does not have single source deposit income, as any individual could make a deposit on behalf of another individual to that person's card account, and therefore it may not be deemed a single purpose debit card. However, the reload facility and ATM withdrawal features are similar. Also, the A1 Exchangers' card is not considered a retailer's stored value card under the example in the Memorandum.

30. The Federal Deposit Insurance Corporation (FDIC) has also considered stored value and debit cards. In their letter dated August 22, 2005, FIL-83-2005, "Insurability of Funds Underlying Stored Value Cards Notice of Proposed Rulemaking", the FDIC considers the insurability of these products. Providing the funds are deposited with an insured depository institution, they may be eligible for deposit insurance. If the party making the deposit is not the actual holder of the funds, then the funds would be insured on a "pass-through" basis to the cardholders.
31. The Electronic Fund Transfer Working Group has produced a voluntary code titled "Canadian Code of Practice for Consumer Debit Card Services" ("the Code"). This Group "is made up of representatives from consumer organisations, financial institutions, retailers, and federal and provincial governments", including Credit Union Central of Canada. The Code sets out responsibilities of institutions issuing debit cards and Personal Identification Numbers (PIN). Some groups endorse the code, and other groups, such as the Canadian Payments Association, support the Code. This Code sets out Issuer responsibilities, such as due diligence and account record keeping.
32. Interac appears to support the Code, and the Code may be accessed via a link from the Interac website.
33. Credit Union Central of Canada (CUCC) is "the national trade association and central finance facility for credit unions in Canada." Their website home page states the CUCC was established to "provide liquidity for the credit union system in Canada".
34. Each Province has a Credit Union Central which forms the middle tier of the organisation, and individual members belong to the middle tier. In Ontario, that is the Credit Union Central of Ontario (CUCO).
35. A search of the member list shows that North York is not a member of the CUCO. A1 Exchangers and CardOne Plus are not members.
36. Only members of CUCO are required to comply with the rules and by-laws of CUCO and ultimately CUCC.
37. The Exchange Network states on their website that they are a "full function, national ATM network, and is made up of 249 Canadian participating financial institutions and their respective ATMs". The Exchange enables participating financial institutions to offer their cardholders access to a large ATM network.
38. The Exchange Network Membership Requirements on their website state that members must be a deposit-taking financial institution within Canada. The member list shows that North York is a member of the Exchange. A1 Exchangers and CardOne Plus are not identified as members.

39. As a deposit-taking financial institution within Canada and member of the Exchange Network, North York is able to access the ATM network. If North York ceased to be a member of the Exchange and Interac, A1 Exchangers and CardOne Plus would not be able to access the ATM network as they do not meet the definition of deposit-taking financial institutions.
40. Mr. Brown emailed a scanned picture of the debit card to the Investigator. The picture showed a debit card with the A1 Exchangers logo in the upper left hand corner of the card, and "North York Community Credit Union" in the bottom left hand corner of the card. The debit card number is across the front of the card.
41. The back of the debit card was later faxed to the Investigator. Among other things, there was a statement in French, English and Spanish that reads "Use of this card is governed by the terms and conditions set out in the Cardholder Agreement". Below this statement are the symbolic trademark logos for Interac, Cirrus and Maestro. Beneath the logos is the statement "Credit Union Authorized User of the Marks." The bottom right hand corner of the card includes support@a1exchangers.com and www.a1exchangers.com.
42. Mr. Brown phoned the Investigator and advised that he had received a letter from the HSBC bank advising that they intended to close A1 Exchangers' bank account. Mr. Brown offered to take steps towards voluntary compliance with FICOM. Mr. Brown indicated that A1 Exchangers wanted to continue to operate their E-gold service, but would offer to move the debit card business outside of FICOM's jurisdiction. Mr. Brown confirmed that operations would still be conducted in British Columbia, although the debit card may operate through a company registered out of jurisdiction.
43. Mr. Brown phoned the Investigator to suggest that A1 Exchangers would cease its debit card operations altogether. Mr. Brown indicated that this would include advising current debit card holders to remove their funds, or convert existing funds to E-gold balances. Mr. Brown stated that A1 Exchangers made their money from E-gold, and he was willing to take the loss on the debit card operation. He said advertising and promotion of the debit card would cease, and the website would be amended. Mr. Brown indicated that he was waiting to see what FICOM's position was in the matter, and continues to expect to receive a Cease and Desist Order. Mr. Brown is aware that A1 Exchangers debit card activities are also linked to North York and Card OnePlus.
44. FICOM is informed that CardOne Plus is a member of and account holder with North York.
45. It is the opinion of the Investigator that A1 Exchangers is soliciting for deposits and taking deposits. These deposits are then pooled in one or more accounts with financial institutions within British Columbia and possibly elsewhere under the name of A1 Exchangers. Those pooled deposits are in turn transferred to the control of an agent on behalf of North York, and likely to the CardOne Plus account. However, staff does not have documentary evidence of the money flow.

46. North York's Interac authorization requires that the debit cards be linked to deposits held on behalf of cardholders, and North York's debit card is therefore likely ultimately linked to the deposits which were taken and or submitted by A1 Exchangers in British Columbia.
47. A1 Exchangers debit card customers may access their funds on deposit on demand through ATM withdrawals or Point of Sale transactions.
48. As an unregulated deposit taker, A1 Exchangers would not be required to report to FINTRAC or would not otherwise be required to report suspicious transactions or conduct any due diligence with regard to the deposits.
49. Mr. Brown, on behalf of A1 Exchangers, has indicated willingness to the Investigator to voluntarily comply with any requirements of FICOM, including closing down the debit card element of its business, however, he will not take action unless a Cease and Desist Order is issued.
50. A1 Exchangers does not have a business authorization to conduct deposit business in the Province of British Columbia.
51. CardOne Plus does not have a business authorization to conduct deposit business in the Province of British Columbia.
52. North York does not have a business authorization to conduct deposit business in the Province of British Columbia, nor is it an authorized financial institution in the Province of British Columbia.
53. CardOne Plus is not incorporated or registered to do business as an extraprovincial corporation in the Province of British Columbia.
54. Section 1 of the Financial Institutions Act (the "Act") defines 'deposit business' as:
 - "Means the business of receiving on deposit or soliciting for deposit money that is payable,
 - (a) on demand,
 - (b) after notice,
 - (c) on expiry of a specific term, or
 - (d) at specified intervals for a specified term."
55. Section 81(1) of the Act states:
 - "A person must not carry on deposit business in British Columbia unless the person is,

- (a) an extra-provincial trust corporation that has a business authorization to carry on deposit business,
- (b) a credit union or extra-provincial credit union that has a business authorization to carry on deposit business,
- (c) a bank, or
- (d) a corporation that is a subsidiary of a bank and is a loan company to which the Trust and Loan Companies Act Canada applies.”

AND WHEREAS the Superintendent finds that:

1. Neither A1 Exchangers Inc., Card One Plus Ltd., nor North York Community Credit Union Ltd. have been issued with a business authorization or are otherwise permitted to carry on deposit business in the Province of British Columbia pursuant to Section 81(1) of the Act.
2. “Soliciting” includes marketing and promotion. By authorizing CardOne Plus Ltd. and or A1 Exchangers Inc. to use debit cards under the license, logo and trademark of North York Community Credit Union Ltd., North York Community Credit Union Ltd. is soliciting for deposits. These cards are issued to persons who are not members of North York Community Credit Union Ltd. The debit cards allow the depositors to access the ATM and Interac and Exchange networks. Without North York Community Credit Union’s licenses and authorization, this deposit taking scheme could not exist.
3. A1 Exchangers Inc. themselves or as agents for North York Community Credit Union Ltd., and North York Community Credit Union are conducting unauthorized deposit business by soliciting for and/or receiving money that is payable on demand or after notice which does not comply with the Act and therefore pursuant to Section 244(2)(a), they are committing an act or pursuing a course of conduct that does not comply with the Act.
4. By facilitating the unauthorized deposit taking of A1 Exchangers Inc., CardOne Plus Ltd., and their officers and directors, and North York Community Credit Union, and their officers and directors, are committing or pursuing a course of conduct which, pursuant to Section 244(2)(c) might reasonably be expected to result in a state of affairs not in compliance with this Act or regulations.

AND WHEREAS the Superintendent considers, pursuant to Section 238(1)(b) of the Act, that the length of time that would be required to hold a hearing would be detrimental to the due administration of the Act. A hearing could not be held until at least two months due to scheduling and preparation requirements. If this conduct continues for another two months or more there may be thousands of additional deposits taken which is contrary to the public interest, and would enable unregulated and unsupervised funds to enter into and leave the Canadian financial system. This conduct puts the reputation and safety of the British Columbian and Canadian financial institution industry at risk. A1 Exchangers Inc. has indicated it will cease this operation but only once an order is issued. Any delay would therefore only harm the due administration of the Act.

AND WHEREAS the Financial Institutions Commission has delegated to the Superintendent the powers and duties under section 244 of the Act in the Instrument of Delegation executed June 2, 2005.

NOW THEREFORE the Superintendent orders pursuant to Sections 244(2)(a) and (f)(i) and 238 of the Act that A1 Exchangers Inc., Galia Ciprut (Director) and Dan Brown (Officer); and North York Community Credit Union Ltd.:

1. Cease from either directly or indirectly carrying on unauthorized deposit business in British Columbia.

AND

The Superintendent orders pursuant to Section 244(2)(c) and (f)(ii) of the Act that CardOne Plus Ltd., Carl Corcoran (Director), Kevin Lewis (Director and Officer), Bruce Lewis (Director), Harvey McKenzie (Director and Officer), Grant Sawiak (Officer), and North York Community Credit Union Ltd., Gord Beaumont (Officer), Diane Bird (Director), Mary Brown (Director and Officer), Marjorie Demeter (Director and Officer), William Dolly (Director and Officer), Paul Fernandes (Officer), Blair Gagnon (Director and Officer), Louise Hourston (Director and Officer), Paul Morrision (Director and Officer), Patrick Murphy (Officer), John Russell (Director and Officer), Diane Skinner (Director and Officer), Doug Thurston (Director and Officer), James Williams (Director and Officer), and Betty Anne Flynn (Chief Executive Officer):

1. Cease facilitating unauthorized deposit taking in British Columbia, including the deposit taking of A1 Exchangers, by terminating British Columbia debit card programs, including by terminating issuance, and processing, and licensing of debit cards to and for A1 Exchangers.

TAKE NOTICE THAT A1 Exchangers Inc., Galia Ciprut (Director) and Dan Brown (Officer); Card One Plus Ltd., Carl Corcoran (Director), Kevin Lewis (Director and Officer), Bruce Lewis (Director), Harvey McKenzie (Director and Officer), Grant Sawiak (Officer); and North York Community Credit Union Ltd., Gord Beaumont (Officer), Diane Bird (Director), Mary Brown (Director and Officer), Marjorie Demeter (Director and Officer), William Dolly (Director and Officer), Paul Fernandes (Officer), Blair Gagnon (Director and Officer), Louise Hourston (Director and Officer), Paul Morrision (Director

and Officer), Patrick Murphy (Officer), John Russell (Director and Officer), Diane Skinner (Director and Officer), Doug Thurston (Director and Officer), James Williams (Director and Officer), and Betty Anne Flynn (Chief Executive Officer), each, may request a hearing before the Superintendent under section 238(2)(a) of the Act or appeal to the Financial Services Tribunal under section 238(2)(b) of the Act.

Dated at the
City of Surrey,
Province of British Columbia
this 6th day of September, 2006.


W. Alan Clark
Superintendent of Financial Institutions
Province of British Columbia

TO: A1 Exchangers Inc.

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V6E 4E6
Fax: (604)

Customer Contact Address:
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Fax: (604) 331-8546

Card One Plus Ltd.

Registered and Mailing Address:
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Fax: (416) 667-8595

North York Community Credit Union Ltd.

Registered and Mailing Address:
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2nd Floor, North York, Ontario
M2M 3V3
Fax: (416) 223-0601
Email: nyccu.info@nyccu.com

Deposit Insurance Corporation of Ontario

Fax: (416) 325-9439

Financial Services Commission of Ontario

Fax: (416) 590-7070

Individuals:

Carl Corcoran, 164 Merton Street, Toronto, Ontario, M4S 3A8;
[REDACTED]

Kevin Lewis, 164 Merton Street, Toronto, Ontario, M4S 3A8;
[REDACTED]

Bruce Lewis, 164 Merton Street, Toronto, Ontario, M4S 3A8

Harvey McKenzie, 164 Merton Street, Toronto, Ontario, M4S 3A8;
[REDACTED]

Grant Sawiak, 164 Merton Street, Toronto, Ontario, M4S 3A8;

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Gord Beaumont, 5799 Yonge Street, 2nd Floor, North York, Ontario, M2M 3V3;

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