

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

AND

UNICLEAR PAYMENT SYSTEMS INC.,
UNIGO GLOBAL PAYMENT SYSTEMS INC.,
UNICLEAR EXPRESS (HONG KONG) LTD.,
KENNETH IVAN CRAUSE, RYAN MICHAEL CRAUSE and
SHAWN MATTHEW ADRIAN

ORDER

BEFORE THE SUPERINTENDENT)
OF FINANCIAL INSTITUTIONS)
)
W. ALAN CLARK)
)
)

Wednesday, the 24th day
of January, 2007

THE HEARING requested by Kenneth Ivan Crause, Ryan Michael Crause and Shawn Matthew Adrian (collectively “the Individual Respondents”) pursuant to section 237(3) (b) of the *Financial Institutions Act* (“the *Act*”) taking place at Surrey, British Columbia, on the 22nd day of January, 2007 and continuing on the 24th day of January, 2007, and on hearing Richard Fernyhough, counsel for the staff of the Superintendent of Financial Institutions, and after finding that the Individual Respondents had abandoned their request for a hearing and no one appearing on their behalf, and after finding that Uniclear Payment Systems Inc., Unigo Payment Systems Inc. and Uniclear Express (Hong Kong) Ltd. (collectively “the Corporate Respondents”) had not requested a hearing though duly delivered of the Intended Order and no one appearing on their behalf, and after considering the testimony and evidence called at the hearing;

THIS TRIBUNAL FINDS that:

1. Uniclear Payment Systems Inc., Unigo Payment Systems Inc. and Uniclear Express (Hong Kong) Ltd. (having been found to be an alter ego of Uniclear Payment Systems Inc. and Unigo Payment Systems Inc.) contravened an order of the Superintendent of Financial Institutions to cease conducting unauthorized deposit business in British Columbia issued on March 24, 2006 pursuant to section 244(2)(f) of the *Act*.
2. Kenneth Ivan Crause and Ryan Michael Crause, as the controlling minds, directors and/or shareholders of the Corporate Respondents, contravened an order of the Superintendent of Financial Institutions to cease conducting unauthorized deposit business in British Columbia issued on March 24, 2006 pursuant to section 244(2)(f) of the *Act*.


3. Kenneth Ivan Crause, Ryan Michael Crause and Shawn Matthew Adrian, as officers, directors and/or agents of the Corporate Respondents, authorized, permitted and/or acquiesced in the contravention of an order of the Superintendent of Financial Institutions to cease conducting unauthorized deposit business in British Columbia issued on March 24, 2006 pursuant to section 244(2)(f) of the *Act*.

THEREFORE, THIS TRIBUNAL ORDERS that:

1. Uniclear Payment Systems Inc., Unigo Payment Systems Inc. and Uniclear Express (Hong Kong) Ltd. each pay an administrative penalty in the amount of \$50,000.00 pursuant to section 253.1 (2)(b)(i) of the *Act* within thirty (30) days of receiving notice of this Order;
2. Kenneth Ivan Crause, Ryan Michael Crause and Shawn Matthew Adrian each pay an administrative penalty in the amount of \$25,000.00 pursuant to section 253.1 (2)(b)(ii) of the *Act* within thirty (30) days of receiving notice of this Order; and
3. Kenneth Ivan Crause, Ryan Michael Crause and Shawn Matthew Adrian, jointly and severally, pay the costs of the investigation and preparation for hearing in this matter in the amount of \$12,626.32 pursuant to section 241.1 of the *Act* within thirty (30) days of receiving notice of this Order.

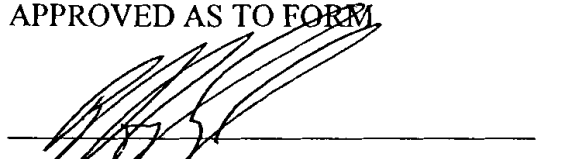
TAKE NOTICE THAT Uniclear Payment Systems Inc., Unigo Payment Systems Inc., Uniclear Express (Hong Kong) Ltd., Kenneth Ivan Crause, Ryan Michael Crause and/or Shawn Matthew Adrian may appeal this Order to the Financial Services Tribunal under section 242(1)(a) of the *Act*.

BY THE TRIBUNAL



W. ALAN CLARK
Superintendent of Financial Institutions

APPROVED AS TO FORM



Counsel for the Staff of the Superintendent
of Financial Institutions

**Hearing before the Superintendent of Financial Institutions
January 22nd, 2007**

On March 24th, 2006 the Superintendent of Financial Institutions made the following order:

NOW THEREFORE the Superintendent orders pursuant to Sections 244(2) and 238 of the Act that Uniclear Payment Systems Inc., Unigo Global Payment Systems Inc., and North York Community Credit Union Ltd.:

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

This order was not appealed or otherwise challenged and remains in effect today.

On or about December 8th, 2006 the following:

- Uniclear Payment Systems Inc;
- Unigo Global Payment Systems Inc;
- Uniclear Express (Hong Kong) Ltd;
- Kenneth Ivan Crause;
- Ryan Michael Crause; and
- Shawn Matthew Adrian.

Were given notice that the Superintendent intended to issue an order imposing an administrative penalty against them for breaching the aforesaid order unless a hearing was requested.

A hearing was requested and set to begin on Monday January 22nd, 2007. By letter dated Friday January 19th, 2007 counsel for Kenneth Crause, Ryan Crause and Shawn Adrian advised the Superintendent that they have abandoned and discontinued their request for a hearing. It should be noted at this time that Uniclear Payment Systems Inc; Unigo Global Payment Systems Inc; and Uniclear Express (Hong Kong) Ltd; did not request a hearing. Counsel for staff, Richard Fernyhough, presented staff's case and Investigator Susan Dzurus-Bradley testified as to staff's investigation and findings.

When using the name Uniclear I will be using it for all named companies as, based on the evidence, it is clear they are controlled by the individual respondents in this matter and are alter egos for each other and the individual controlling minds.

On January 22nd, 2007 evidence was placed before me that clearly indicated the Superintendent's Cease and Desist Order of March 24th, 2006 was ignored by Uniclear and Uniglobe and the named individuals who clearly are the controlling minds of all three companies and the only officers and directors of the companies. Ken Crause swore that he was the majority shareholder of the Uniclear entities in a U.S. enforcement action.

I am especially troubled by the facts in the [REDACTED] matter which can be summed up as follows:

- After the sale of her home in California in July of 2006 she deposited the proceeds of the sale into an account with Uniclear;
- After opening this account she received a debit card with North York Community Credit Union being the financial institution behind the card; and
- She was advised by Ken Crause to wire transfer her funds to a bank account in the name of Farris Trust in New Zealand.

[REDACTED] produced the following:

- A Uniclear account statement showing the transfer of the funds and fees deducted on July 18th, Aug. 2, and Aug 4 2006; and
- A photocopy of her debit card with showed the following:
 - The Unigo logo;
 - A logo for Uniclear Express;
 - "Call Support 1-250-248-8981 or visit www.uniclear.com";
 - Symbolic trademark logos for Interac, Cirrus, Maestro and eBux;
 - "North York Community Credit Union";
 - "Use of this card is governed by the terms and conditions set out in the cardholder agreement"; and,
 - "Credit Union Authorized User of the Marks

[REDACTED] also provided the following statements:

- (a) Uniclear advertised that they were like an escrow company, and could accept and hold funds and then wire them anywhere in the world;
- (b) The account was opened around the end of 2005, but not used until the wire of the proceeds from the sale of the home on July 7, 2006;
- (c) Ken@uniclear.com emailed that it would be best to have the Proceeds wired to Uniclear via their wiring instructions and their bank "Comerica", with final credit to my uniclear account number and name;
- (d) Two emails were sent confirming receipt of my deposit, providing two different confirmation numbers, and stating my account would be credited as soon as my deposit arrived;
- (e) A debit card was requested from card services within their internal messaging system upon the notification that I sent a wire to them;
- (f) The only contact that would reply was Ken Crause, Manager (Project Development), ken@uniclear.com. Ken replied with an email saying [REDACTED] their card processing manager, would contact me directly and his email was braden@uniclear.com;
- (g) I received instructions from [REDACTED] at debitcards@uniclear.com to provide additional identification information;
- (h) On July 24, 2006, I received an email saying my debit card had been shipped out to me and instructions that I must email the last 10 digits of the debit card to Reagan@uniclear.com to activate the card;
- (i) I received the card and attempted to load it but received error messages saying the amounts were too large. Subsequently, I could see these two attempts had been charged to my on line account;
- (j) I could not access the funds because I had no PIN number. I emailed Reagan@uniclear.com and Ken@uniclear.com and asked for help. I left phone messages but no one called me back;
- (k) On August 4, 2006, Ken@uniclear.com emailed me asking if I contacted their live customer support as they have staff all over the USA and Canada. He said they recently moved their office so that was why they did not receive my phone calls;

- (l) On the same day, August 4, 2006, I got an email from [REDACTED] (braden@uniclear.com) saying he had forwarded my request to the debit card manager to help me with the issues of my debit card;
- (m) On the same day, August 4, 2006, I got an email from Reagan@uniclear.com Department manager telling me they had to wire funds to the account for loading cards and he would see to it that my card was loaded and would notify me the moment it was done. He told me I should have received my PIN with the debit card, and if I lost it, they would have to mail me another debit card;
- (n) On the same day, August 4, 2006, Reagan emailed me back and said he would have Braden mail another card. He also said, depending on volume of activity, they may or may not be able to load the cards. He suggested I give him notice a week in advance when I need to make a card load;
- (o) On August 15, 2006, I got an email from [REDACTED] saying that my new card had been sent by courier, and I should email the last 10 digits to Reagan@uniclear.com. I received the card and sent the information to Reagan as instructed;
- (p) My Uniclear account showed the wrong debit card number had been loaded. I only received an automatic response to my emails asking them to load the right account so I could access my funds;
- (q) I emailed ken@uniclear.com on August 22, 2006, asking for help and if my funds were safe; he replied that there was no problem with my money as it was safe in Farris Trust;
- (r) On or around August 24, 2006, I received an email in my Uniclear account that all funds were being frozen for 120 days;
- (s) On August 25, 2006, I emailed ken@uniclear.com and received an email saying that he was no longer employed there;
- (t) I continued to email Uniclear Card Services, and on August 26, 2006, I received an email stating that Reagan had contacted them about my card activation, and I was to email the entire card number to Reagan@push72.com;
- (u) On August 28, 2006, I received an email from kencrause@hushmail.com saying he had been terminated from Uniclear and I must appeal by email to [REDACTED] in Hong Kong, at headoffice@uniclear.com;

- (v) The ANZ Bank in Wellington, New Zealand, told me they had received the wire transfer of the Proceeds, that subsequent transactions had occurred, and the balance was \$83.00; and,
- (w) After I contacted the ANZ Bank and found out how much was in the bank account, on line access to my Uniclear account was frozen.

What is especially troubling is the deception, falsehoods and outright lies Ms. [REDACTED] encountered, examples of which are:

- Ken Crause inferring Uniclear Hong Kong is a separate and distinct entity when in fact the evidence is clear that all contact information for this entity flows back to the Uniclear phone numbers and email addresses in Parksville B.C.;
- The name of the account in New Zealand: Ferris Trust, as the name "trust" gives comfort to most people in financial matters;
- Ken Crause stating he had been terminated from Uniclear when in fact it is clear on the evidence he is the principal shareholder, the CEO and a Director; and
- The runaround she received regarding the reasons why she could not access funds using the debit card, some of which were:
 - The absence of a PIN number which would cause them to have to mail her another card;
 - The wrong card had been loaded;
 - The funds were frozen for 120 days; and
 - The account had been frozen for gross violations of the user agreement.

This last excuse noted above was a result of Ms. [REDACTED] contacting the New Zealand Bank and her being advised that there had been activity in her account with the balance now at \$83.00.

It is clear that the [REDACTED] transaction occurred after the cease and desist order of March 24th, 2006. A review of the material contained in Exhibit #1 also indicates a continuous breach of this order up to at least August 24th, 2006, when Uniclear account funds were frozen.

As a result of the above noted evidence, the real issue before me is not whether the respondents have conducted unauthorized deposit business in British Columbia after the March 24th, 2006 order, which they clearly have, but what is

the most appropriate administrative penalty that should be imposed for breaching that order.

I think, at this point, I would like to refer to the Superintendent's decision in the North York Community Credit Union Administrative Hearing where it was stated:

The financial services sector is highly regulated by governments around the world as it is recognized the public confidence in this area leads to a strong economy. This is never truer than public confidence in deposit taking institutions. Governments have long recognized this fact. In order to build public trust many statutes have been enacted and government agencies formed to regulate this industry. In addition, deposit insurance has been put in place to further ensure the public have trust in their deposit taking institutions. The lack of public confidence would result in financial chaos.

For example if people if were no longer confident they would be able to get their deposit back on demand they would no longer use financial institutions but resort to keeping their money in a hiding place. This would be money used to finance purchases such as homes, cars and other products. I think we can all follow through to the end result that line of thought.

One of the ways confidence is protected is the rules in place to ensure those who conduct deposit taking activities are authorized to do so. British Columbia is no exception and we regulate credit unions and trust companies that do business in this province. Banks are the only entity that does not require a business authorization from this office to conduct deposit taking business in B.C. They are regulated federally

In British Columbia it is clear the public has the utmost confidence in their credit unions. This is demonstrated by the size of the system which about 25 per cent of the province's retail banking.

In the last decade the banking world has experienced an explosion in the use of technology which has as a result impacted the average person by the increased use of debit cards. Canada is now the world's leader in the use of debit cards. With increased use comes the risk of misuse and fraud.

All debit cards issued in Canada require a financial institution to stand behind the card to issue payment for the transaction. In this matter North York Community Credit Union ("North York") was that institution.

North York is a credit union authorized to do business in Ontario but through representatives such as Bux Cash Card and Uniclear Payment Systems Inc. accepted deposits in British Columbia. The depositor received a debit card loaded with the amount of deposit less the fees paid for the service. Although each fee may not be large it is clear to me that the end result is a tidy profit for the parties involved in supplying these debit cards.

Given all the circumstances I find that:

1. Uniclear Payment Systems Inc. and Unigo Global Payment Systems Inc. are alter egos of Uniclear Express Ltd., Uniclear Card Services Inc., and Uniclear Express (Hong Kong) Ltd. The above conduct shows that Uniclear, Unigo and their Principals continue to engage in the same conduct which was the subject of the Cease and Desist Order of March 24, 2006 long after the order was issued.
2. The severity of the breach of the Cease and Desist Order and the deception and falsehoods surrounding the breach threatens to damage the integrity of the financial markets and authorized financial institutions that conduct business under the regulatory laws of British Columbia as well as undermine the financial reputation of British Columbia.
3. It is appropriate to sanction Uniclear Payment Systems Inc., Unigo Global Payment Systems Inc. and its Principals and accomplices to deter them and others from similar misconduct. I also note the parties have not presented any mitigating factors for my consideration nor do I find any to exist.
4. The severity of the breach calls for the maximum penalty under the Act which is \$50,000.00 for a corporation and \$25,000.00 for individuals.
5. In making this determination I have considered the authorities placed into evidence by counsel for the Superintendent's staff and find guidance in the principals considered and applied in penalty cases.

Therefore I order that:

1. Uniclear Express (Hong Kong) Ltd., Uniclear Payment Systems Inc. and Unigo Global Payment Systems Inc. pay an administrative penalty of \$50,000.00 each pursuant to section 253.1(1)(d) of the Act, within 30 days from the receipt of this Order.
2. Each of the principals of Uniclear Payment Systems Inc. and Unigo Global Payment Systems Inc., namely Kenneth Ivan Crause and Ryan Michael Crause, as the controlling minds, directors and shareholder of Uniclear Payment Systems Inc. and Unigo Global Payment Systems Inc., pay an administrative penalty of \$25,000.00 pursuant to section 253.1(1) (d) of the Act, within 30 days from the receipt of this Order; in any event that penalty is also warranted under section 253.1 (5) of the Act.
3. Shawn Matthew Adrian, as a controlling mind and director of Uniclear Express (Hong Kong) Ltd. and administrator of Uniclear's on line marketing, who authorized, permitted, or acquiesced in the contravention of the Cease and Desist Order of March 24, 2006, pay an administrative penalty of \$25,000.00 pursuant to section 253.1(5) of the Act, within 30 days from the receipt of this Order.

4. That each individual respondent jointly and severally pay the reasonable costs of the investigation and preparation of this matter up and until the receipt of their counsels letter on Friday January 19th, 2007 within 30 days of the receipt of this order pursuant to section 242.1 of the Act. I will access costs under separate application of staff.