



Vancouver Chapter

CONTACT NUMBERS FOR THE 2010 BOARD OF DIRECTORS

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|-----------------|--------------|
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| Rosanne Terhart | 604 697 5286 |
| Linda Murray | 250 755 6988 |
| Jean Michel | 604 682 1562 |

VANCOUVER CHAPTER COMMITTEES

Following are the Chairs and committee members for each committee as agreed at our first board meeting of the new year.

ETHICS

Jim Blatchford

MEMBERSHIP/OUTREACH LIAISON

*Rosanne Terhart
Colin Parcher
Pat McDowell*

PROFESSIONAL DEVELOPMENT AND TRAINING

*Kim Marsh
Colin Parcher*

NEWSLETTER

*Pat McDowell
Karrie Kaszczuk
Russ Lefler*

WEBSITE

*Russ Lefler
Pat McDowell*

PAST PRESIDENT

Linda Murray

RECORDING SECRETARY

Jean Michel

We are always looking for help with the various committees. Committee members do not have to be members of the board, so let us know if there is an area where you would like to help out. Contact the committee chair directly or send an email to:

information@cfevancouver.com

PRESIDENT'S REPORT

Given the ever present security challenges with new technology we have selected a speaker in June who will be talking about "Securing the Wireless Network". Our "information age" has spawned many new business opportunities for technically inclined people juxtaposed with the unsavory characters in our society who are constantly exploiting opportunities to steal and defraud. Wireless networks are increasingly popular but at the same time extremely vulnerable to intercepts and other abuses. I look forward to learning more about this subject with the help of our June speaker.



In a recent internet security threat report released by Symantec, the largest maker of personal computer security software, there are a number of interesting findings.

- Amateur hackers with the most basic computer skills are snapping up cheap do-it-yourself kits online that provide the means to gain access to personal computers.
- Hackers are tapping into social networks in order to access personal data.
- Generally speaking, the sale of these hacker kits has lowered the bar for cyber crimes.

If technical security was not challenging enough for individuals and companies, now entrepreneurial hackers are packaging their unscrupulous skills and selling them online. The kits can range from as little as \$25 to upwards of \$1,000. They are purchased by cybercriminals who are interested in spreading viruses and/or stealing financial information that can then be sold online. Credit card data will sell from 85 cents to \$30 depending, and bank account details range between \$15-850.

The United States and China are the top two sources for this kind of activity with Brazil coming in third and Germany fourth. Vancouver is ranked third in Canada as a source for this activity, after Toronto and Montreal respectively.

This month's speaker will provide even greater detail and perspective on this growing area of fraud, and there are more equally engaging sessions planned for the remainder of the year. A non-CFE who attended one of our lunches described these sessions "as the best deal in town". For \$20-\$30 one is able to listen to contemporary experts, have a good meal and meet interesting people. See you at the next lunch. ■

*Kim Marsh CFE
President, Vancouver Chapter*

CYBER CRIME ON THE RISE IN 2010

Charity Scams – Often following on the heels of a recent natural disaster, criminals of this ilk depend on the generosity of others in order to do their worst.

Tax Scams – Tax season saw a variety of phishing emails that looked to be sent by the IRS and promise a higher return if additional information is provided. ►



UPCOMING EVENTS

MONTHLY LUNCHEON

Our monthly luncheons are held, unless otherwise indicated on the fourth Wednesday of each month. The Hornby Banquet Centre is above the Keg at Hornby and Dunsmuir, on the 3rd floor.

- When:** **Thursday**, June 17th, 2010
- Time:** 12:00 Noon
- Speaker:** Nigel Holmes
- Topic:** Securing the Wireless Network
- Where:** Hornby Banquet Centre
595 Hornby Street
Vancouver
- Price:** \$20 members/students,
\$30 non-members

NOTE: Last month we noted that the Chapter's upcoming June luncheon may become an after-work event, however this has been postponed.

Contact Jean Michel to register today, send email to: cfevancouver@yahoo.ca

Visa™ and MasterCard™ accepted.

PD OPPORTUNITIES

CANADA

10th ANNUAL TORONTO FRAUD FORUM
Toronto ON September 29, 2010

13th ANNUAL ONE-DAY FRAUD PROFESSIONALS' CONFERENCE
Ottawa ON October 27, 2010

USA

PROFESSIONAL INTERVIEWING SKILLS
Kansas City MO, June 14,15, 2010

Social Networking Site Scams – Private information theft disguised as helpful support via bogus aps that do things like redirecting the unwary user off platform. Once off platform accepting the offer of a free security software upgrade will end in the user's computer being taken over. ■

MAY SPEAKER SUMMARY

We were pleased to welcome Sgt. Kurt Bedford of the Vancouver Integrated Market Enforcement Team (IMET) as the speaker at our May luncheon. He spoke on a topic of *Project Neptune, the Ian Thow Investigation*. While Sgt. Bedford was not on the investigatory team, he had access to all members and documentation.

As most of us are aware, Ian Thow was a Licensed Mutual Funds dealer and managed Berkshire Investment Group office in Victoria, BC. Between January 2003 and July 2005 he diverted \$22M from 26 investors into his own pockets. Thow had two main schemes for fleecing his clients: *Preferred Shares* and *Mezzanine Financing* (also called short term mortgage financing).

Thow's main "product" was something he called *Preferred Shares from the National Commercial Bank of Jamaica (NCBJ)*. In fact, Thow was not licensed by Berkshire to provide these investments, he told investors that it was a private deal that couldn't be followed on the Jamaican Stock Exchange (an element of a classic *Prime Bank Scheme* here), and Thow told victims that he was on the NCBJ Board of Directors. Of course, none of these stories were true as such shares never existed.

To further manipulate his clients, Thow invited many of his "investors" to listen to Michael LEE-CHIN at Berkshire sponsored "Meet the Billionaire" events to woo clients. He linked Mr. Lee-Chin with the Jamaican bank, saying that Lee-Chin owned 75% of NCBJ. In fact Lee-Chin owns Portland Holding Inc. which controlled AIC Ltd. and Berkshire. In effect he was Thow's boss.

At the seminars Thow would tout AIC Mutual Funds, Berkshire, and his purchase of the NCBJ. He would also tout Lee-Chin's rags to riches story – he came to Canada with nothing and turned \$400 into mutual fund empire. Thow frequently bragged about Lee-Chin and their relationship and claimed that it was because of him that Lee-Chin was rich. While Lee-Chin really was wealthy, it was just another ploy to convince people to invest in the non-existent shares of NCBJ.

Details of the Preferred Shares scheme involved telling investors that their initial investment was guaranteed, that money would be wired to one of Thow's companies because shares had to go in his name and because he had a special tax exemption rate (12% on the profit), sort of a private placement.

After a period of time, Thow convinced some of the wealthier investors that the Government of Jamaica gave a one time opportunity to get money out of Jamaica. If each of them paid over \$800,000 (to Thow, of course) this would supposedly get money out, however none of them ever got anything.

For the most part no documentation provided to investors. When pressed, Thow would write up a Promissory Note. Most often, cancelled cheques were the only receipts provided to victims.

Thow's other "product" was Mezzanine Financing (also called short term mortgage financing), which he apparently used near the end to entice his marks and to obtain some quick cash. He explained to investors that this financing was provided to builders nearing completion of their project. He gave his "clients" actual ROR #'s (unlike NCBJ shares). These were for short terms; 30-day 15% ROR; 3 to 4 mos @ 8% w/ an additional 10% if funds paid out early.

Ian Thow's victims all had similar things to say about him and why they were taken in. Mainly they trusted him, many had known him for years as a family friend or they grew up with him. As well, many of them had their accounts with him at Investors Group before he went to Berkshire.

Ian Thow worked very hard to convince his "clients" that he was rich, by: ►

INTERVIEWING TECHNIQUES FOR AUDITORS

Las Vegas NV, June 17, 18, 2010

COMBO COURSE:

- LEGAL ELEMENTS OF FRAUD EXAMS
- HEALTHCARE FRAUD

Baltimore MD, June 28-30, 2010

21st ANNUAL ACFE FRAUD CONFERENCE & EXHIBITION
Washington DC, July 25-30

CFE EXAM REVIEW COURSE
Washington DC, September 27-30

DIGITAL FORENSICS TOOLS AND TECHNIQUES
New York NY, October 14-15

COMPUTER AIDED INVESTIGATIONS
Austin TX, October 18-19

INTERVIEWING TECHNIQUES FOR AUDITORS
Seattle WA, October 21-22

COMBO COURSE:

- INVESTIGATING CONFLICTS OF INTEREST
- CONDUCTING INTERNAL INVESTIGATIONS

Orlando FL, November 15-16, 2010

COMBO COURSE:

- LEGAL ELEMENTS OF FRAUD EXAMINATIONS
- INTRODUCTION TO DIGITAL FORENSICS

Las Vegas NV, December 1-2, 2010

PRINCIPLES OF FRAUD EXAMINATION
Austin TX, December 13-16, 2010

For more information and registration details, go to www.acfe.com. Click on **Training & Events**, and then **Calendar of Events** to see all the options available.

For details on early registrations, hotel packages, costs and course outlines, click on the course title links on the [Calendar of Events](#) page.



- Flying them to a fly-in fishing lodge (in his own plane – one of three) where he gave each one of them \$600 fishing reels and tipped the staff \$10,000.
- Taking them to dinner where he paid \$55,000 and then to a Canucks game.
- Claimed Lee-Chin was thinking of buying the Canucks (apparently he was not interested in hockey and was never interested in buying the team).
- Took seven friends and clients to Las Vegas in 2004 where he purchased \$500 bottles of wine and Tasmanian lobster. He also purchased a \$10,000 bottle of McCallum's Whiskey, tasted it and pronounced it s**. He then threw it over his shoulder and everyone laughed.
- "Owned" three aircraft plus two helicopters, plus many other toys.

During the investigation several patterns emerged:

- Thow often opened new accounts when he received large amounts of money.
- Investigators followed trail of money going to pay off house and toys
- There were also hundreds of transfers between bank accounts.

In order to investigate they had to prepare nineteen Production Orders on six different banks. In all they identified 64 bank accounts and thirteen credit cards. Both kiting and a classic Ponzi scheme were identified.

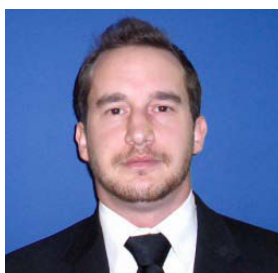
By mid 2005 Thow was put into bankruptcy, and the only asset the trustee was able to find was about \$1.5m in equity in his house. In the end, the trustee was able to distribute only one cent on the dollar, although Berkshire reimbursed approximately 60% of their losses to their own clients.

Some of the issues surrounding the victims were that many of them were elderly, there was virtually no documentation and the losses spanned 2 to 3 years.

A preliminary hearing had originally been scheduled for April to June, 2011 but in early 2010 Thow pleaded guilty on twenty (most) of the counts. Investigators believe he waited until then to enable him to take advantage of the 2 to 1 credit for pre-trial custody. Crown and defense agreed to ask for 7 years, but the judge decided to sentence Thow to 9 years plus \$3.9 million restitution. Thow is currently appealing the sentence. ■

Prepared by Pat McDowell CFE
Newsletter Chair

JUNE SPEAKER BIOGRAPHY



NIGEL HOLMES, EnCE, ACE Certified Forensic Examiner & Security Specialist - Nigel Holmes comes to TCS Forensics Limited after spending several years with one of Canada's largest telecommunications companies.

During his tenure there he was involved with Networking and Client Support undertaking enterprise server management, internal penetration testing, server development and deployment as well as advised senior management on IT Security matters.

Nigel has furthered his practical experience by completing education through the University of Victoria's Computer Based Information Systems program and successfully completed his certificate in Leadership Development from the Northern Alberta Institute of Technology (NAIT). Nigel has also successfully completed Level I and II of the EnCase© certification program and will be completing his CISSP designation in the near future.

- Guidance Software Certified Examiner, EnCE (EnCase)
- Access Data Certified Examiner, ACE (FTK)
- University of Victoria – Computer Based Information Systems
- North Alberta Institute of Technology – Leadership Development
- EnCase© Computer Forensic Level I
- EnCase© Computer Forensic Level II

HOW TO FIND A FRAUD EXAMINER

The Vancouver Chapter website www.cfevancouver.com has a section called **Find a Fraud Examiner** where members in private practice or those willing to take outside jobs can advertise.

If you are a CFE and a current member of the Vancouver Chapter of the Association of Certified Fraud Examiners and you would like your name and contact information on our website, please send the following information to us at website@cfevancouver.com and put 'Find a Fraud Examiner' in the subject line.

Name:

Professional Designation(s):

Title:

Company:

Address:

Telephone #:

Fax:

Cell Phone #:

Email:

Website:

Specialty or Area(s) of Practice: *

** For instance, Forensic Accounting, Risk Consulting, Investigation, Employment Law, etc. We are also happy to accept a short narrative description of your services. Please note that other than name, each of these fields is entirely optional.*

JOIN US!

We are always looking for help with the various committees. Committee members do not have to be members of the board, so let us know if there is an area where you would like to help out. Contact the committee chair directly or send an email to:

information@cfevancouver.com

TRAINING – Cross Border Securities Fraud

The Vancouver Chapter is offering a unique training opportunity on "Cross Border Securities Fraud". This will be held at the British Columbia Securities Commission office on Monday, July 12, 2010 from 8:30 A.M. to 12:00 P.M. The presenter Lou Straney veteran in the securities field with over 3 decades of senior supervisory positions on Wall Street. The cost for this 3 hour session, which includes a continental breakfast is \$75 plus HST for members and \$90 plus HST for non-members. Please contact the Vancouver Chapter at cfevancouver@yahoo.ca for registration, Visa and MasterCard accepted. Due to room size, attendance is limited so sign up early.



LOUIS STRANEY - Louis Straney received his first general and principal's securities licenses in 1980. He spent the next twenty-four years in senior management positions for Wall Street firms. He has extensive experience in all aspects of supervising institutional and private client accounts. His responsibilities have also included the professional development of financial consultants and branch managers.

After his retirement in 2004, he spent the next three years conducting risk management research and curriculum development at a leading business school. He was an instructor and academic advisor for students enrolled in programs such as; MBA, MBA/JD, MD/MBA, Undergraduate Honors, and Masters in Accounting.

In 2007, Louis launched his securities litigation consulting practice. He has been engaged by Plaintiff and Defendant counsel in approximately one hundred cases, requiring personal testimony in numerous hearings in 2009.

Along with his consulting services, Louis is a published writer and contributor to journals such as the Public Investor Arbitration Bar Association Law Journal and the Chinese edition of CFO Magazine. His text on securities fraud was chosen by the Association of Certified Fraud Examiners (ACFE) as the primary topical resource for training and certifying their examiners in this area.

Among other things, Louis' current research projects include; structured products, Canadian securities regulation, pre-20th century Ponzi Schemes, and regional securities exchanges such as the Havana Stock Exchange. Louis is a lecturer for the U. S. Securities and Exchange Commission's examiner's training program. He is also active in collaborative efforts with several Canadian securities regulatory authorities and investigative agencies. Louis was formerly with the U. S. Department of Justice (FBI) in Washington DC and an U.S Army Infantry officer. Louis lives in northern New Mexico. ■

INDUSTRY NEWS

Highlight from the article, "The Coming Wave of Mobile Attacks", by Dennis Fisher. Reprinted from online security news service, Threatpost. Full article available on line at: http://threatpost.com/en_us/blogs/coming-wave-mobile-attacks-051710/

"The pace of innovation on mobile phones and other smart wireless devices has accelerated greatly in the last few years, adding features, speed and computing power. But now the attackers are beginning to outstrip the good guys on mobile platforms, developing innovative new attacks and methods for stealing data that rival anything seen on the desktop, experts say.

For years there have been dire predictions from industry pundits about the coming wave of mobile malware, viruses and Trojans that would specifically target smartphones and PDAs, wreaking havoc on mobile devices. But that giant tide of mobile malware never materialized. There have been a few mobile viruses here and there, but for the most part attackers have decided to forego those kinds of attacks and instead have focused on stealthy techniques that give them unlimited--and unnoticed--control of the device.

Banker Trojans targeting platforms such as the iPhone and Windows Mobile have appeared in recent months, and fake mobile banking applications have shown up in the app stores of some mobile platforms, as well. Those malicious applications look exactly like the legitimate banking apps produced by major international banks and are designed to capture users' online banking credentials..." ■



Vancouver Chapter

½ Day Training Session Monday July 12 2010*
0830 — Noon**

Topic – Cross Border Securities Fraud

Presenter — Lou Straney (see his bio in the June Newsletter)

Location — BC Securities Commission (Theatre)
701 West Georgia Street, Pacific Centre, Vancouver, BC
0830 Continental Breakfast; 0900 session starts

Registration Deadline — Thursday, July 8, 2010

***** Please Note — space is restricted to 45 registrants**

| | |
|--------------------|--------------|
| First Name (Print) | Last Name |
| Job Title | Company/Firm |
| Address | |
| City | Postal Code |
| Telephone | Email |

Vancouver Chapter member

Guest

| | ½ Day Training Session | HST | Total Cost |
|--------|------------------------|---------|-----------------|
| Member | \$75.00 | \$9.00 | \$84.00 |
| Guest | \$90.00 | \$10.80 | \$100.80 |

Credit Card Payment:

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|----------------|
| Credit Card #: |
| Signature |

Mail cheques — “ACFE Vancouver Chapter,” PO Box 48751, Bentall Centre, Vancouver, BC
V7X 1A6 **email address** — cfevancouver@yahoo.ca

Cancellations: A full refund will be made for cancellations received in writing by July 8, 2010. Confirmed reservations not cancelled within 4 days of the start of the meeting will be billed at full rate. Substitution will be accepted up to and including the date of the training session.