

THE LAW SOCIETY OF BRITISH COLUMBIA TRIBUNAL
HEARING DIVISION

BETWEEN:

THE LAW SOCIETY OF BRITISH COLUMBIA

AND:

WILLIAM LORNE MACDONALD

RESPONDENT

**RULE 4-29 ADMISSION OF MISCONDUCT
AND UNDERTAKING TO THE DISCIPLINE COMMITTEE**

The Respondent

1. On October 5, 2023 the Discipline Committee considered and accepted a proposal submitted by the Respondent under Rule 4-29 of the Law Society Rules.
2. Under the proposal, the Respondent admitted to various allegations of professional misconduct as alleged in a citation authorized October 26, 2022 (the “**Citation**”).
3. Under the Rule 4-29 proposal, the Respondent undertook that for a period of fifteen (15) years from November 15, 2023, he would not:
 - (i) engage in the practice of law in British Columbia with or without the expectation of a fee, gain or reward, whether direct or indirect, until such time as he may again become a member in good standing of the Law Society of British Columbia (the “**Law Society**”);
 - (ii) apply for admission or re-admission to the Law Society;
 - (iii) apply for membership in any other law society (or like governing body regulating the practice of law) without first advising the Law Society in writing; and

- (iv) permit his name to appear on the letterhead of, or otherwise work in any capacity whatsoever for, any lawyer or law firm in British Columbia, without obtaining the prior written consent of the Discipline Committee of the Law Society.

(the “**Undertaking**”)

4. As a result, the Citation is now resolved under Rule 4-29 of the Law Society Rules and the Respondent’s admission of professional misconduct and his Undertaking will be recorded on his professional conduct record.
5. In making its decision, the Discipline Committee considered a letter to the Chair of the Discipline Committee dated September 28, 2023 in which the Respondent admitted the disciplinary violations and gave his Undertaking not to practice law as well as an Agreed Statement of Facts dated September 28, 2023.
6. As part of his proposal, the Respondent has acknowledged that pursuant to Rule 4-29(5) of the Law Society Rules, his Undertaking not to practice law means that he is a person who has ceased to be a member of the Law Society as a result of disciplinary proceedings, and that section 15(3) of the *Legal Profession Act* applies to him.
7. At the conclusion of the term of his Undertaking, pursuant to section 19(3) of the *Legal Profession Act*, should the Respondent apply for reinstatement in British Columbia, a mandatory credentials hearing would be held to consider his good character and fitness to practise law, with the Respondent bearing the onus of demonstrating he meets the requisite test. The Respondent’s professional conduct record reflecting this admitted misconduct, as well as other relevant information, would be considered at that time.
8. If the Respondent were to be reinstated, he would have to comply with any “conditions on returning to practice” that a credentials panel may impose. The Law Society would have the opportunity to seek appropriate conditions to address the protection of the public.
9. As such, the public will be protected as the Respondent is not permitted to practise law for a lengthy period of time and the geographic scope of the Undertaking (specifically the requirement to inform the Law Society if he applies to practise elsewhere in the world)

adds an additional layer of protection beyond the orders that could be made by a discipline hearing panel. Finally, if the Respondent applies for reinstatement, he would be subject to a process in which he bears the onus of proof as to his fitness to practise law.

Key Admitted Facts

Respondent Background

10. The Respondent was called and admitted to the bar in British Columbia in February 1999.
11. Beginning in March 2008, the Respondent practiced law through his own firm, W.L. Macdonald Law Corporation.
12. Since March 2016, the Respondent practiced at Macdonald Tuskey, a law firm in North Vancouver (the “**Firm**”). The Respondent was the sole signatory on the Firm’s trust account.

Investigation and Citation

13. In May 2019, the Law Society’s Trust Assurance Department conducted a routine compliance audit of the Respondent’s practice for the period of October 1, 2017 to May 13, 2019, pursuant to Rule 3-85 of the *Law Society Rules* (the “**Compliance Audit**”).
14. The Compliance Audit identified several concerns relating to the Respondent’s practice, including certain trust account transactions and compliance with the client identification and verification rules of the *Law Society Rules*.
15. Pursuant to the Compliance Audit, the matter was referred to the Law Society’s Investigations, Monitoring and Enforcement department for further investigation.
16. The Citation in this matter was authorized by the Discipline Committee on October 26, 2022 and served on the Respondent through his counsel on October 31, 2022.
17. The specific admissions made by the Respondent are summarized below. He admits professional misconduct in connection with various aspects of his representation of clients and trust accounting procedures.

18. The Law Society did not proceed with Allegations 4, 5(a), 6(a), 7(a), 8(a), 9(a), 10 and 17-19 in the Citation.
19. As a result of the Respondent's Rule 4-29 Proposal, the entirety of the Citation is considered resolved.

False and/or Inaccurate Representations (Allegation 1)

20. In October 2012, the Respondent was engaged by an existing client, JM, to act for I Inc., a company incorporated in the British Virgin Islands. The Respondent took instructions on the I Inc. file from JM and another individual, KT.
21. Between December 2012 and January 2013, the Respondent prepared a registration statement for I Inc. to be filed with the United States Securities and Exchange Commission (the "SEC"). The statement disclosed that 500,000 shares in I Inc. were held by P Corp. and that KT held voting and dispositive control over securities held by P Corp.
22. Between October 2012 and July 2016, the Respondent facilitated payments out of I Inc.'s trust account to various companies, including to D Ltd. for "financial consulting services" and to E Ltd. for "public market consulting".
23. According to documents provided to the Respondent in connection with another matter in 2009, KT was also the beneficial owner of E Ltd.
24. The Respondent admitted that on July 29, 2016, in a letter to Hong Kong counsel for I Inc., responding to an inquiry from a securities regulator, the Respondent made representations that he ought to have known were false or inaccurate, or both, contrary to one or more of rules 2.1-1(a), 2.1-3(e), 2.2-1, and 3.2-7 of the *Code of Professional Conduct for British Columbia*, by making one or both of the following representations:
 - (i) that no emails between I Inc. and D Ltd., E Ltd., P Corp. or KT existed; and
 - (ii) that no agreements between I Inc. and D Ltd., E Ltd., P Corp. or KT existed.

25. The Respondent admitted that his conduct with respect to this allegation constituted professional misconduct.

Assisting in, Encouraging, and/or Facilitating Dishonesty, Crime or Fraud and Failure to Withdraw from Representation (Allegations 2-3)

26. The Respondent admitted that between approximately July 2012 and July 2018, the Respondent took instructions from his clients KT, I Inc. and JM and allowed funds to flow through the Firm's trust account in objectively suspicious circumstances. In those circumstances, the Respondent failed to make reasonable inquiries and continued to allow the use of the Firm's trust account where he ought to have known it was being used to facilitate unlawful or dishonest conduct; as such, the Respondent assisted KT, I Inc. and JM in a fraudulent scheme to manipulate the securities market.
27. The facts pertaining to this allegation are set out in the Agreed Statement of Facts, but the suspicious circumstances that the Respondent should have inquired into included:
- (i) Documents provided to the Respondent showed that KT and JM were closely connected with many of the entities involved in the trust transactions:
 - (i) KT was the beneficial owner of E Ltd., controlled 500,000 shares in I Inc. through P Corp., was a director and officer of M Corp. and once a director and shareholder of C Corp.;
 - (ii) JM was a director, shareholder and control person of E Corp., previously a director of C Corp. and purportedly a consultant hired on behalf of I Inc.;
 - (ii) The transactions were often described simply as "investments" or "loan payments", and in many cases copies of relevant agreements were not provided;
 - (iii) The Respondent did not provide any legal services in respect of the transactions;
 - (iv) The transactions involved companies that were, at various times, owned or controlled by one or more of the same individuals;

- (v) After November 24, 2015, several of the transactions involved companies with close connections to I Inc., which the Respondent then knew was the subject of an SEC investigation; and
 - (vi) After September 29, 2017, several of the transactions involved companies with close connections to KT, I Inc. and JM, which the Respondent then knew were the subject of a SEC complaint.
28. The Respondent admitted that his conduct with respect to these allegations constituted professional misconduct.

Use of Trust Accounts (Allegations 5-9):

29. The Respondent admitted that between approximately January 2009 and March 2020, he used or permitted the use of the Firm's trust account to receive and disburse funds on behalf of several clients (as set out in Schedules B through F to the Citation), and failed to provide substantial legal services, make reasonable inquiries about the circumstances of transactions, or record the results of any inquiries.
30. The details of the transactions are set out in the Agreed Statement of Facts, but the suspicious circumstances that the Respondent should have inquired into included:
- (i) On many occasions, the purpose of the transaction was described vaguely as "consulting fees", "investment funds", "loans", and no supporting agreements or other documentation was provided to the Respondent;
 - (ii) The transactions involved companies that were, at various times, owned or controlled by one or more of the same individuals, including JM and KT;
 - (iii) In April 2016, JM engaged the Respondent in respect of a new "investor company", C Corp., the sole director and officer of which was MG. However, the contact email address in the Respondent's file for C Corp. was JM's; and
 - (iv) On several occasions, funds were transferred between the Firm's trust account for M Corp. and M Corp.'s Hong Kong bank account, described only as "release funds".

31. The Respondent admitted that his conduct with respect to these allegations constituted professional misconduct.

Client Identification and Verification (Allegations 11-16):

32. The Respondent admitted that between approximately January 2009 and March 2020, he failed to properly obtain, record, and verify client identification information for several clients.

33. The details of the clients involved are set out in the Agreed Statement of Facts, but the instances in which client identification was not properly obtained, recorded or verified include:

(i) In September 2015, JM provided the Respondent with scanned copies of a Philippines passport and phone bill for EM, who was to be the new CEO of E Corp. The Respondent did not retain an agent to verify EM's identification;

(ii) In June 2016, MG instructed the Respondent to incorporate a new company, and provided the same scan of EM's passport that JM had provided in September 2015. Again, the Respondent did not retain an agent to verify EM's identification; and

(iii) Also in September 2015, JM instructed the Respondent to incorporate a new company, X Inc. In 2018, X Inc. appointed a new sole officer and director, EG. EG provided the Respondent with a scanned copy of his Philippines passport, but the Respondent did not retain an agent to verify EG's identification. A loan agreement between C Corp. and MV Inc., provided to the Respondent in 2016, was executed by an individual by the same name, EG, as CEO on behalf of MV Inc.

34. The Respondent admitted that his conduct with respect to these allegations constituted professional misconduct.