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Securities
Commission

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Citation: Oei (Re), 2020 ONSEC 17

Date: 2020-06-03

File No. 2020-1

**IN THE MATTER OF
PAUL SE HUI OEI AND CANADIAN MANU IMMIGRATION
& FINANCIAL SERVICES INC.**

**REASONS AND DECISION
(Subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990, c S.5)**

Hearing: May 7, 2020

Decision: June 3, 2020

Panel: Heather Zordel Commissioner and Chair of the Panel

Appearances: Audrey Smith For Staff of the Commission

Paul Se Hui Oei For himself and Canadian Manu
Immigration & Financial Services Inc.

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REASONS AND DECISION

I. INTRODUCTION

- [1] On December 12, 2017, a hearing panel of the British Columbia Securities Commission (the **BCSC**) found that the Respondents, Paul Se Hui Oei and Canadian Manu Immigration & Financial Services Inc. (**Canadian Manu**), perpetrated a fraud contrary to s.57(1)(b) of the British Columbia *Securities Act*.¹
- [2] Following the BCSC Findings, the BCSC held a sanctions hearing and on August 8, 2018 issued a decision² including an order (the **BCSC Order**) imposing monetary and non-monetary sanctions on the Respondents.
- [3] On August 31, 2018, the Respondents applied for a hearing and review of both decisions of the BCSC. On July 22, 2019, the BCSC dismissed the application to vary or revoke any of their findings or orders against the Respondents.³
- [4] On September 20, 2018, the Respondents filed an Amended Notice of Application for Leave to Appeal with the British Columbia Court of Appeal (the **BCCA**) regarding the BCSC Findings and BCSC Order. On December 12, 2018, the BCCA issued an order dismissing the application for leave to appeal.⁴
- [5] Staff of the Ontario Securities Commission (**Staff of the Commission**) relies on the inter-jurisdictional enforcement provisions found in s.127(10) of the Ontario *Securities Act* (the **Act**)⁵ and requests that a protective and preventative order be issued in the public interest under s.127(1) of the Act that imposes terms similar to the non-monetary sanctions imposed by the BCSC to the extent possible under the Act.
- [6] There are two issues for my consideration:
- a. Are the Respondents subject to an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on the Respondents?
 - b. If so, should the Commission exercise its jurisdiction to make a protective and preventative order in the public interest in respect of the Respondents? Have the Respondents demonstrated that the BCSC Order should not be reciprocated?
- [7] I am satisfied that it is in the public interest to issue a protective and preventative order substantially in the form requested by Staff. These are my reasons.

II. SERVICE AND PARTICIPATION IN THIS PROCEEDING

- [8] Staff filed a Statement of Allegations dated January 7, 2020, naming Mr. Oei and Canadian Manu as the respondents in this proceeding and electing to proceed

¹ *Re Oei*, 2017 BCSECCOM 365 (**BCSC Findings**) at para 310

² *Re Oei*, 2018 BCSECCOM 231 (**BCSC Sanctions Decision**) at para 131

³ *Re Oei*, 2019 BCSECCOM 255 (**BCSC Section 171 Application Decision**) at para 69

⁴ Exhibit 1, Staff's Hearing Brief, BCCA Orders dated December 12, 2018, Tab 5

⁵ RSO 1990, c S.5

with a hearing in writing. On January 9, 2020, the Commission issued a Notice of Hearing commencing this proceeding and posted it on the Commission's website.

- [9] Staff served the Respondents with the Statement of Allegations, the Notice of Hearing, and Staff's written submissions, hearing brief⁶ and brief of authorities on January 9, 2020, via email. Staff filed an Affidavit of Service sworn on January 15, 2020.⁷
- [10] In accordance with the *Ontario Securities Commission Rules of Procedure and Forms*, a respondent may request, within 21 days following the service of Staff's documents, that the proceeding be heard orally by serving and filing a written request.⁸ On January 29, 2020, Mr. Oei emailed the Registrar with a written request for an oral hearing, copying Staff.
- [11] On February 20, 2020, the Commission held an attendance and made an order with respect to the scheduling of the oral hearing in this proceeding, the service and filing of the Respondents' submissions and evidence, and Staff's reply submissions.⁹ Mr. Oei participated by telephone on his own behalf and on behalf of Canadian Manu. Mr. Oei continued to represent Canadian Manu for the duration of this proceeding.
- [12] On April 9, 2020, the Respondents served Staff with their written submissions and evidence¹⁰ via email. On April 22, 2020, Staff served the Respondents with their written reply submissions and supplementary brief of authorities via email. Staff filed a second Affidavit of Service sworn by videoconference on April 23, 2020.¹¹
- [13] On April 28, 2020, the Registrar, on instruction from the Panel Chair, wrote to the parties advising that due to challenges presented by COVID-19, the oral hearing scheduled for May 7, 2020 could not proceed in-person. The parties were given the option to proceed in writing or by teleconference. On April 29, 2020, Staff indicated that the Respondents did not consent to the hearing proceeding by writing and as such, the hearing was to proceed by teleconference on May 7, 2020.
- [14] Mr. Oei was invited to make oral submissions at the hearing on May 7, 2020. Staff also made brief oral submissions at the hearing.

III. BRITISH COLUMBIA PROCEEDINGS

- [15] The findings made by another jurisdiction stand as a determination of fact for the purposes of the Commission's considerations under s.127(10) of the Act.¹²

⁶ Marked as Exhibit 1 in this proceeding

⁷ Marked as Exhibit 2 in this proceeding

⁸ *Ontario Securities Commission Rules of Procedure and Forms* (2019) 42 OSCB 9714, r 11(3)(e)

⁹ (2020) 43 OSCB 1782

¹⁰ Marked as exhibit 3 in this proceeding

¹¹ Marked as exhibit 4 in this proceeding

¹² *JV Raleigh Superior Holdings Inc (Re)*, 2013 ONSEC 18, (2013) 36 OSCB 4639 (***JV Raleigh***) at para 16

A. Background

- [16] The conduct for which the Respondents were sanctioned by the BCSC occurred between July 2009 and August 2013 (the **Material Time**).¹³
- [17] During the Material Time, Mr. Oei was a resident of British Columbia and was registered by the Insurance Council of British Columbia¹⁴ as an insurance broker¹⁵. Mr. Oei was not registered under the British Columbia *Securities Act*¹⁶ (**BC Act**) during the Material Time.¹⁷ No evidence was presented of any prior regulatory investigation or proceedings with respect to Mr. Oei.
- [18] Canadian Manu was incorporated under the laws of British Columbia on February 28, 2006¹⁸ and was dissolved on August 12, 2019 for failure to file records¹⁹. Canadian Manu was registered by the Insurance Council of British Columbia, but was not registered under the BC Act during the Material Time.²⁰
- [19] Mr. Oei was a director and officer of Canadian Manu from its incorporation to March 1, 2010. Mr. Oei's spouse became a director of Canadian Manu on November 9, 2009 and remained the sole director of the company after Mr. Oei's resignation in March 2010. Following Mr. Oei's resignation as a director of Canadian Manu he continued to control the company, including the company's bank accounts.²¹
- [20] 0863220 B.C. Ltd. (**0863**) and 0905701 B.C. Ltd. (**0905**) (together, the **Numbered Companies**) were respondents at the contested hearing on the merits at the BCSC. Both of these companies, which were controlled directly or indirectly by Mr. Oei²², are now dissolved²³. Staff are not seeking to reciprocate the BCSC Order as it related to the Numbered Companies as the limitation period²⁴ imposed by the British Columbia *Business Corporations Act* on commencing proceedings against dissolved corporations has passed. 0863 was dissolved on March 22, 2016²⁵ and 0905 was dissolved on August 31, 2015²⁶.

B. BCSC Findings

- [21] The BCSC Panel found that beginning in 2009²⁷, the Respondents raised funds on behalf of two companies, Cascade Renewable Carbon Corp. (**CRC**) and Cascade

¹³ BCSC Findings at para 2

¹⁴ BCSC Findings at para 7

¹⁵ BCSC Sanctions Decision at para 17

¹⁶ RSBC 1996, c 418

¹⁷ BCSC Findings at para 7

¹⁸ BCSC Findings at para 8

¹⁹ Exhibit 1, Staff's Hearing Brief, BC Company Summary, Tab 7

²⁰ BCSC Findings at para 9

²¹ BCSC Findings at para 10

²² BCSC Findings at paras 13 and 15

²³ Exhibit 1, Staff's Hearing Brief, BC Company Summaries, Tabs 8 and 9

²⁴ SBC 2002, c 57, s 346(1)(b); Section 346(1)(b) of the British Columbia *Business Corporations Act* (**BC Business Corporations Act**) deals with dissolved companies deemed to continue for litigation purposes. It states that even though a company is dissolved under the BC Business Corporations Act, litigation may continue as if the company is not dissolved if a legal proceeding is brought against the company within 2 years of its dissolution.

²⁵ Exhibit 1, Staff's Hearing Brief, BC Company Summary, Tab 8

²⁶ Exhibit 1, Staff's Hearing Brief, BC Company Summary, Tab 9

²⁷ BCSC Findings at paras 12 and 177

Renewable Organic Fertilizer Corp. (**CROF**) (together, **Cascade**), through an indirect investment structure.²⁸

- [22] Under the structure, Canadian Manu acquired securities from CRC and CROF and the investors purchased a security of either CRC or CROF from Canadian Manu. Canadian Manu agreed to hold this CRC or CROF security in trust for the investor under an Investment Trust Agreement. The Numbered Companies then issued shares to the investors, purportedly as “security” or collateral for the investor’s investment in CRC or CROF. In most cases, the investors paid their invested funds into an account with the Respondent’s legal counsel.²⁹
- [23] The executive director of the BCSC had alleged that the Respondents raised \$13,349,000 with respect to 64 investments in Cascade.³⁰ Mr. Oei submitted to the BCSC Panel that he had actually received approximately \$12.2 million from investor in Cascade and challenged the inclusion of over \$1 million in the allegations against the Respondents.³¹ As the BCSC Panel found that one of the investments did not make sense in the context of the allegations against the Respondents, the BCSC Panel instead focused on 63 total investments in Cascade, which raised a total of \$13,262,600.³² The BCSC Panel found that, with respect to the 63 investments in Cascade, fraud was carried out and the Respondents misappropriated approximately \$5 million in investor funds.³³ Investors were told that the funds would be used for the “start-up costs” of Cascade; however, the Respondents expended approximately \$5 million on items including commissions, interest payments, immigration fees, car lease payments and advertising, with funds paid to themselves and others, and for their own personal and corporate use.³⁴
- [24] The BCSC Panel found that investors received varying versions of a document called “offering summary” containing some terms that made little to no commercial sense. Certain versions of the document did not mention Canadian Manu. Aside from a term that there might be fees or expenses involved in the purchase of the securities, none of the versions made disclosure that some of the proceeds of the offering would be retained by the Respondents for their own personal or corporate use or that investors would be acquiring an indirect ownership interest in Cascade.³⁵
- [25] The BCSC Panel concluded that, for the 63 contraventions of the manipulation and fraud provision in s.57(1)(b) of the BC Act, Mr. Oei and Canadian Manu committed, each of them was accountable jointly and severally for the aggregate amount of \$5,003,088.³⁶ Mr. Oei controlled the flow of the investors’ funds and made the oral and written representations to investors that their funds would be used for the start-up costs of Cascade. Canadian Manu was part of the indirect

²⁸ BCSC Findings at para 29

²⁹ BCSC Findings at para 29

³⁰ BCSC Findings at paras 3 and 55

³¹ BC Findings at paras 55 and 159

³² BCSC Findings at paras 195-199

³³ BCSC Sanctions Decision at paras 2, 65 and 112

³⁴ BCSC Findings at paras 199, 281, 285 and 308

³⁵ BCSC Findings at paras 30, 31 and 34

³⁶ BCSC Findings at para 284

investment structure and was the primary conduit of most of the investors' funds.³⁷

- [26] The BCSC Panel rejected the Respondents' oral submissions that the Respondents' lawyers were at fault for the Respondents' fraud with respect to the legal documents failing to disclose to the investors that the Respondents would be keeping all or a portion of the approximately \$5 million that was misappropriated. The BCSC Panel said the Respondents' submission was made without any evidence to support the proposition that instructions were given by the Respondents to the Respondents' lawyers to prepare documents containing this disclosure. The submissions also suggested that the fraudulent misconduct was a mistake, which submission the BCSC Panel explicitly rejected.³⁸ The BCSC Panel found the indirect investment structure, which the lawyers had advised the Respondents on, did not cause the fraud in this case.³⁹
- [27] The BCSC Panel found that there was a material aggravating factor in this case with respect to the Respondents' poor record keeping, and while it may not have been the Respondents' intent to obfuscate the Respondents' misappropriation of investor funds, the poor record keeping had that effect.⁴⁰ The BCSC Panel further noted that those who do not keep adequate records of the use of investor funds pose a serious and substantial risk to the public.⁴¹

C. BCSC Order

- [28] The BCSC Sanctions Decision imposed the following sanctions on the respondents pursuant to the BC Act:
- a. Against Mr. Oei:
 - i. under s.161(1)(d)(i) of the BC Act, Oei resign any positions he holds as a director or officer of an issuer or registrant;
 - ii. Oei is permanently prohibited:
 - (a) under s.161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts, except that he may trade and purchase securities or exchange contracts for his own account (including RRSP accounts, TFSA accounts and RESP accounts) through a registered dealer, if he gives the registered dealer a copy of the BCSC Sanctions Decision;
 - (b) under s.161(1)(c) of the BC Act, from relying on any of the exemptions set out in the BC Act, the regulations or a decision;
 - (c) under s.161(1)(d)(ii) of the BC Act, from becoming or acting as a director or officer of any issuer or registrant;

³⁷ BCSC Findings at para 286

³⁸ BCSC Sanctions Decision at para 27

³⁹ BCSC Sanctions Decision at para 26

⁴⁰ BCSC Sanctions Decision at para 28

⁴¹ BCSC Sanctions Decision at para 29

- (d) under s.161(1)(d)(iii) of the BC Act, from becoming or acting as a registrant or promoter;
 - (e) under s.161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and
 - (f) under s.161(1)(d)(v) of the BC Act, from engaging in investor relations activities;
 - iii. pursuant to s.161(1)(g) of the BC Act, Oei pay to the BCSC \$3,087,977.41; and
 - iv. pursuant to s.162 of the BC Act, Oei pay to the BCSC an administrative penalty of \$4.5 million.
- b. Against Canadian Manu:
 - i. Canadian Manu is permanently prohibited:
 - (a) under s.161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts;
 - (b) under s.161(1)(c) of the BC Act, from relying on any of the exemptions set out in this Act, the regulations or a decision;
 - (c) under s.161(1)(d)(iii) of the BC Act, from becoming or acting as a registrant or promoter;
 - (d) under s.161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and
 - (e) under s.161(1)(d)(v) of the BC Act, from engaging in investor relations activities;
 - ii. pursuant to s.161(1)(g) of the BC Act, Canadian Manu pay to the BCSC \$3,087,977.41; and
 - iii. pursuant to s.162 of the BC Act, Canadian Manu pay to the BCSC an administrative penalty of \$1 million.

D. Application to Vary or Revoke Findings

- [29] On August 31, 2018, the Respondents applied under s.171 of the BC Act for a hearing and review of both the BCSC Findings and the BCSC Sanctions Decision.⁴²
- [30] On July 22, 2019, the BCSC dismissed the application to vary or revoke any of their orders against the Respondents pursuant to s.171 of the Act. The BCSC determined it would have been prejudicial to the public to do so.⁴³

E. Application for Leave to Appeal to British Columbia Court of Appeal

- [31] On September 20, 2018, the Respondents filed an Amended Notice of Application for Leave to Appeal with the BCCA regarding the BCSC Findings and the BCSC

⁴² BCSC Section 171 Application Decision at para 1

⁴³ BCSC Section 171 Application Decision at para 69

Sanctions Decision. On December 12, 2018, the BCCA issued two Orders dismissing the application for leave to appeal.⁴⁴

IV. LAW AND ANALYSIS

A. Are the respondents subject to an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on the respondents?

- [32] The Act s.127(10) facilitates the inter-jurisdictional enforcement of orders following breaches of securities law. It allows the Commission to issue protective and preventative orders to ensure that misconduct that takes place in another jurisdiction will not be repeated in Ontario's capital markets.
- [33] The Act s.127(10)4 authorizes an order under s.127(1) where a respondent has been made subject to an order made by a securities regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on the respondent. The BCSC is a securities regulatory authority and the BCSC Sanctions Decision imposes sanctions on the Respondents. Therefore, the threshold test under s.127(10)4 of the Act is satisfied.
- [34] The Act s.127(10) does not itself empower the Commission to make an order; rather, if the threshold public interest criterion in s.127(10) is met, then it provides a basis for an order under s.127(1).

B. Should the Commission exercise its jurisdiction to make the requested order in the public interest?

- [35] I must now consider whether it is in the public interest to issue an order under the Act s.127(1). Orders made under the Act s.127(1) are "protective and preventative" and are made to restrain potential misconduct that could be detrimental to the integrity of the capital markets and are therefore prejudicial to the public interest. The Commission does not require a pre-existing connection to Ontario before exercising its jurisdiction to make an order in reliance on s.127(10) of the Act.⁴⁵

1. Staff's Position

- [36] Staff submits that the following factors establish that it is in the public interest to make a protective order:
- a. the Respondents were found by the BCSC Panel to have breached British Columbia securities law;
 - b. the conduct for which the Respondents were sanctioned in the BCSC Order would have likely constituted contravention of Ontario securities law, specifically the BCSC finding of fraud would constitute a contravention of s.126.1(1)(b) of the Act;
 - c. the terms of the order requested by Staff are consistent with the fundamental principle that the Commission maintain high standards of

⁴⁴ Exhibit 1, Staff's Hearing Brief, Amended Notice of Application for Leave to Appeal dated September 20, 2018, Tab 4; Exhibit 1, Staff's Hearing Brief, BCCA Orders dated December 12, 2018, Tab 5

⁴⁵ *Biller (Re)*, 2005 ONSEC 15, (2005) 28 OSCB 10131 at paras 32-35

fitness and business conduct to ensure honest and responsible conduct by market participants;

- d. the terms of the proposed order align with the sanctions imposed in the BCSC Order to the extent possible under the Act; and
- e. the sanctions requested by Staff are prospective in nature and would impact the Respondents only if they attempted to participate in the capital markets of Ontario.

2. Respondents' Position

- [37] The Respondents' filed approximately 900 pages of written submissions and documentary evidence in this proceeding. The Respondents' written submissions generally reflect the following points: Mr. Oei has no intention of working in the financial industry or moving to Ontario; Mr. Oei has a history of charitable work and community involvement; and Mr. Oei has suffered reputational damage and financial hardship as a result of the BCSC proceedings.⁴⁶ Mr. Oei further submits that an order from the Commission would further negatively impact his reputation in the community.
- [38] The Respondents also submitted that during the Material Time they relied on the advice of legal counsel to their detriment and that negligence on the part of the Respondents' legal counsel was responsible for any fraudulent conduct that took place, not the Respondents. See discussion under Appropriate Sanctions paragraph [52] below.

3. Respondents' Onus

- [39] Mr. Oei chose to focus many parts of his written and oral submissions on areas of the BCSC Findings and the BCSC Sanctions Decision that he did not agree with and on multiple occasions throughout this proceeding stressed that he wanted to "prove his innocence". It is not appropriate for this Panel to revisit the BCSC Findings as an enforcement proceeding under s.127(10) of the Act is not a forum for re-litigating findings made in other jurisdictions.⁴⁷
- [40] The onus lies on the Respondents to show that the BCSC Order should not be reciprocated by the Commission. The Commission should only refuse to reciprocate an order from another jurisdiction where a Respondent can demonstrate that:⁴⁸
- a. there was no substantial connection between the Respondent and the originating jurisdiction;
 - b. the order of the regulatory authority was procured by fraud; or
 - c. there was a denial of natural justice in the originating jurisdiction.
- [41] The Respondents have not disputed that there is a substantial connection between the Respondents and the originating jurisdiction of British Columbia. Likewise, the Respondents have not alleged that the BCSC Order was procured by fraud and there has been no convincing evidence before me that the Respondents were denied natural justice.

⁴⁶ Exhibit 3, Submissions and Evidence of Paul Oei dated April 9, 2020

⁴⁷ *Black (Re)*, 2014 ONSEC 16, (2014) 37 OSCB 5847 at para 24

⁴⁸ *JV Raleigh* at para 26

- [42] In order to successfully resist reciprocation of the BCSC Order, the Respondents would have to demonstrate that the BCSC Order was so outrageous as to violate Canadian notions of fundamental justice.⁴⁹ This is a very high bar, which the Respondents have not met. There has been no compelling evidence before me to indicate that BCSC proceedings were not fair. Both of Mr. Oei's attempts to have the BCSC Findings and the BCSC Sanctions Decision reviewed were dismissed, further indicating that the proceedings were fair.
- [43] The contents of the Respondents' written submissions, and supplementary oral submissions, do not form a basis to resist reciprocation of the BCSC Order. The Respondents' written submissions had copies of documents used for the purposes of the Respondents' hearing and review proceedings, which declined to vary the terms of the BCSC Order, and for the BCSC Sanctions Decision. While it is helpful to have character references from a number of people, those references do not counter the BCSC's conclusions that investors were harmed, and there is a risk the Respondents may engage in future non-regulatory-compliant activity in the Province of Ontario.

4. Appropriate Sanctions

- [44] Staff submits that to adequately protect the capital markets in Ontario, a protective and preventative order should be granted against the Respondents, preventing or limiting the Respondents' participation in Ontario's capital markets. The Respondents submit that an order is unnecessary and Mr. Oei indicated that he would provide an oral statement as an alternative to an order of the Commission indicating that he would not participate in Ontario's capital markets. While I appreciate Mr. Oei's comments and assurance that he will not participate in Ontario's capital markets, I accept that a formal order is necessary to adequately protect the public.
- [45] The Commission may consider a number of factors in determining the nature and scope of sanctions, including the seriousness of the misconduct, any mitigating factors and the need to deter a respondent and other like-minded individuals from engaging in similar abuses of the capital markets in the future.
- [46] The BCSC Panel stated, among other things, that the Respondents represent a very serious risk to the capital markets. The Respondents tendered financial evidence that "was not credible and, in some cases, defied logic".⁵⁰ The BCSC Panel found a material aggravating factor in the case to be the poor record keeping by the Respondents (see paragraph [27] herein). The BCSC panel further stated that "Oei's conduct not only falls far short of that expected of someone who carries out the duties of an officer or a director of a corporation but, in fact, demonstrates his willingness to use corporations in carrying out harm to the public".⁵¹
- [47] The BCSC Panel dismissed the idea that the Respondents' conduct occurred in the context of legitimate capital raising⁵² and noted a number of investors testified that they first came into contact with the Respondents through dealings with the Respondents themselves, and Mr. Oei's spouse (both individuals were

⁴⁹ *Berry (Re)*, 2018 ONSEC 38, (2018) 41 OSCB 5897 at para 25

⁵⁰ BCSC Sanctions Decision at para 36

⁵¹ BCSC Sanctions Decision at para 37

⁵² BCSC Sanctions Decision at para 16

registered insurance brokers).⁵³ (See paragraph [17] herein re Mr. Oei and BCSC Sanctions Decision at paragraph [17] re Mr. Oei's spouse). They were induced to purchase securities in Cascade, suggesting there was an element of conflict of interest or abuse of that prior relationship.⁵⁴ Similar to the situation in *Theroux (Re)*⁵⁵, where Mr. Theroux had been a mutual fund salesperson, it could also be considered a "mistaken trust" of Mr. Oei as a registered insurance salesperson⁵⁶.

- [48] Staff submits that Mr. Oei's submissions with regard to his character and community involvement (see paragraph [43] herein) should be afforded little or no weight in my decision as the Commission and Ontario Court of Justice has long noted that individuals who commit fraud may use their position in the community and reputations to gain trust and to assist them in committing their fraudulent misconduct.⁵⁷
- [49] Based on his submissions in this proceeding (see paragraphs [37] and [38] herein), Mr. Oei does not appear to have a background in trading in securities and does not appear to be familiar with relevant rules and regulations that are meant to guide the behaviour of those taking part in the capital markets.
- [50] Individuals who want to advise other people about where and how to invest their money have obligations to such investees. There needs to be trust between the individuals. There needs to be a mutual understanding of what the investment is, what the rewards might be, what the risks are and how those risks might impact the investment. In order to build that trust, our securities regulatory system requires proper disclosure of material facts and material changes. There is an old saying that "sunlight is the best disinfectant".
- [51] Mr. Oei did not seem to understand the underlying principles of securities regulation and particularly the role of disclosure (see paragraph [26] herein). He did not disclose the mark-up on the price he had paid to acquire Canadian Manu shares as compared to the price he was "selling" them to subsequent investors and he did not disclose the fees he was taking and the expenses he was charging through his companies. Mr. Oei, in oral submissions, compared his management of these private investments to how a retail shop owner might manage the acquisition of cell phones that such store owner might buy at a wholesale price and sell at a higher retail price, without having to disclose how much he originally paid, and the owner would use the difference to pay the costs of running the retail business and use the net profit himself and for charity. However, securities are not cell phones and their sale is regulated through a different regulatory system that Mr. Oei had an obligation to learn and comply with. He appeared to have no sense that taking \$5 million out of the \$12.2 to \$13.3 million total funds raised (depending on whether the figure used by the BCSC executive director or the Respondents was used – see paragraph [23] herein)⁵⁸ might not be within the range of reasonable expectations of investors for fees and costs of investment.

⁵³ BCSC Sanctions Decision at para 17

⁵⁴ BCSC Sanctions Decision at para 17

⁵⁵ 2019 ONSEC 20 (2019), 42 OSCB 5043 (*Theroux Sanctions Decision*)

⁵⁶ *Theroux Sanctions Decision* at para 26

⁵⁷ *R v Wall*, [2000] OJ No 5447 at para 102; *Theroux Sanctions Decision* at para 26

⁵⁸ BCSC Findings at para 159

- [52] Mr. Oei provided evidence that he had hired legal counsel to work with him and that the law firm had suggested the indirect investment structure he used. He also provided evidence that his lawyer had subsequently been the subject of a Law Society of British Columbia Discipline Committee process, in respect of legal advice given, considering questions including (i) whether there was a failure to make reasonable inquiries into whether the clients were registered to sell securities, (ii) the rates and forms of returns described to investors, (iii) the levels of investment risk described to investors and (iv) whether the investor funds were paid to the entities for which the funds were purportedly raised.⁵⁹ In *Black Panther Trading Corp (Re)*⁶⁰, it was noted that reliance on legal advice can be a mitigating factor where someone obtains advice from an appropriate source and, while relying in good faith on that advice, unknowingly contravenes Ontario securities law.⁶¹ However, in this case the BCSC Panel considered the evidence of legal advice and did not consider it to be a mitigating factor⁶² (see paragraphs [26] and [52] herein). Obtaining legal advice is evidence of an effort to comply with the law, but does not exculpate Mr. Oei from responsibility for the way he implemented whatever advice was given.
- [53] Mr. Oei did not have the appropriate education, qualifications or business support for the activities he was carrying on (see paragraphs [17], [24], [25], [26] and [27] herein). His insurance sales credentials and employment gave him access to individuals who mistakenly trusted that he had more knowledge about investing than he did. He did not take appropriate care in managing his business, to the degree that the BCSC found it fraudulent (see paragraph [23] herein). As had been the case in *Black Panther*, Mr. Oei made untrue statements that reasonable investors would consider relevant in deciding whether to enter into or maintain a trading or advising relationship, contrary the representation prohibited provision in s.44(2) of the Act.⁶³ He doesn't know what he doesn't know.
- [54] The BCSC Panel found that the Respondents "had the requisite mental intent for fraud and knowingly misappropriated over \$5 million of the funds provided by investors for Cascade" and stated "This is very serious misconduct and [the BCSC's] orders must reflect that".⁶⁴ (See paragraphs [23], [24], [25] and [27] herein.)
- [55] The Commission has consistently held that fraud is one of the most egregious securities regulatory violations. It causes direct and immediate harm to investors and it significantly undermines confidence in the capital markets.⁶⁵ The Commission has held that serious fraudulent conduct warrants permanent removal from the capital markets to protect investors and to deliver a deterrent message to others who might contemplate similar misconduct.⁶⁶

⁵⁹ Exhibit 3, Submissions and Evidence of Paul Oei dated April 9, 2020, p 55-57

⁶⁰ 2017 ONSEC 8, (2017), 40 OSCB 3727 (***Black Panther Sanctions Decision***)

⁶¹ *Black Panther Sanctions Decision* at para 28

⁶² BCSC Sanctions Decision at paras 23 and 24

⁶³ *Black Panther Sanctions Decision* at paras 50 and 51

⁶⁴ BCSC Sanctions Decision at para 14

⁶⁵ *Black Panther Sanctions Decision* at para 48

⁶⁶ *Black Panther Sanctions Decision* at para 68

- [56] The BCSC Panel noted that while the Respondents have no history of regulatory misconduct, there were no mitigating factors in this case, but there was a material aggravating factor.⁶⁷ (See paragraphs [17], [27] and [52] herein).
- [57] Taking into consideration the nature of the misconduct engaged in by the Respondents, the importance of inter-jurisdictional cooperation among securities regulators, and the need to deter the Respondents and other like-minded individuals from engaging in similar misconduct in Ontario, I conclude the Respondents have not discharged their onus and a protective and preventative order ought to be made in substantially the form requested by Staff. The Respondents, particularly Mr. Oei who fundamentally lacks an understanding of capital markets norms and regulation, cannot be trusted to refrain from engaging in any activities in Ontario's capital markets. I accept Staff's submissions that the sanctions requested are proportionate to the Respondents level of misconduct, and serve to protect Ontario investors and Ontario's capital markets from potential misconduct by the Respondents.
- [58] As noted above in paragraph [20], Staff do not seek to reciprocate the BCSC Order as it relates to the Numbered Companies, as this proceeding is outside of the two-year limitation period for litigation involving dissolved companies specified by the BC Business Corporation Act for both companies.⁶⁸ Canadian Manu was dissolved on August 12, 2019, which is within the two-year time frame of the commencement of this proceeding.⁶⁹ The Commission has reciprocated the non-monetary sanctions ordered by the BCSC against a dissolved company in the past when the proceeding was commenced within the specified time frame, in case the company is reinstated.⁷⁰ Therefore, I find that it is appropriate to make a protective and preventative order with respect to both Respondents.

C. Differences between British Columbia and Ontario Statutes

- [59] Due to differences between the Act and the BC Act, some of the sanctions I impose in Ontario differ from those imposed in British Columbia, as outlined below.
- [60] First, the BCSC prohibited the Respondents from trading in or purchasing "exchange contracts"⁷¹. Subsection 127(1) of the Act does not expressly refer to exchange contracts. The BC Act defines "exchange contract" to mean a futures contract or option that meets certain specified requirements. As a result, Staff seeks an order prohibiting the Respondents from trading in derivatives. In my view, when considering the factors described above that support the making of an order prohibiting trading, there is no reason to distinguish between securities and derivatives. I find it is equally in the public interest to protect Ontario investors and the capital markets by prohibiting the Respondents from trading in derivatives. I will therefore make the order requested by Staff.
- [61] Second, the BCSC Sanctions Decision prohibits the Respondents from engaging in "investor relations activities" and from "acting in a management or

⁶⁷ BCSC Sanctions Decision at paras 21 and 24

⁶⁸ BC Business Corporations Act, s 346(1)(b); see para 20 of these Reasons for a further explanation.

⁶⁹ BC Business Corporations Act, s 346(1)(b)

⁷⁰ *SBC Financial Group Inc (Re)*, 2018 ONSEC 60, (2018) 42 OSCB 89 at paras 29-31

⁷¹ BC Sanctions Decision at paras 131(b) and 131(e)

consultative capacity in connection with activities in the securities market.”⁷² In Ontario, the Act does not use those terms. Instead, such activities would largely be covered by the prohibitions already requested, against individuals acting as a director or officer of an issuer or as a registrant or promoter.

D. Importance of Reciprocating Orders Across Canada

[62] Canada has a provincial system for securities regulation, with a long-term objective of having a consistent approach across the country, as much as possible. I hope Mr. Oei and Canadian Manu will understand that this exercise has been an effort to apply in Ontario the decision made by the primary regulator, British Columbia, to the extent reasonably possible. Through the process and this decision, I hope we are providing improved information and understanding to the parties of what the relevant securities regulatory requirements and expectations are and how we are interpreting and applying legislation, rules, regulations and regulatory interpretations.

V. CONCLUSION

[63] For the reasons set out above, I will make the following order:

- a. against Mr. Oei:
 - i. pursuant to the Act s.127(1)2, trading in any securities or derivatives by Mr. Oei cease permanently, except trades that are made for his own accounts (including RRSP accounts, TFSA accounts and RESP accounts) through a registered dealer, if he gives the registered dealer a copy of the BCSC Order and a copy of this Order;
 - ii. pursuant to the Act s.127(1)2.1, the acquisition of any securities by Mr. Oei cease permanently, except purchases that are made for his own accounts (including RRSP accounts, TFSA accounts and RESP accounts) through a registered dealer, if he gives the registered dealer a copy of the BCSC Order and a copy of this Order;
 - iii. pursuant to the Act s.127(1)3, any exemptions contained in Ontario securities law do not apply to Mr. Oei permanently;
 - iv. pursuant to the Act s.127(1)7 and s.127(1)8.1, Mr. Oei resign any positions that he holds as a director or officer of an issuer or registrant;
 - v. pursuant to the Act s.127(1)8 and s.127(1)8.2, Mr. Oei is prohibited permanently from becoming or acting as a director or officer of any issuer or registrant; and
 - vi. pursuant to the Act s.127(1)8.5, Mr. Oei is prohibited permanently from becoming or acting as a registrant or promoter;
- b. against Canadian Manu:
 - i. pursuant to the Act s.127(1)2, trading in any securities or derivatives by Canadian Manu cease permanently;

⁷² BC Sanctions Decision at paras 131(b) and 131(e)

- ii. pursuant to the Act s.127(1)2.1, the acquisition of any securities by Canadian Manu cease permanently;
- iii. pursuant to the Act s.127(1)3, any exemptions contained in Ontario securities law do not apply to Canadian Manu permanently; and
- iv. pursuant to the Act s.127(1)8.5, Canadian Manu is prohibited permanently from becoming or acting as a registrant or promoter.

Dated at Toronto this 3rd day of June, 2020.

"Heather Zordel"

Heather Zordel