



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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Citation: Pasyk (Re), 2020 ONSEC 18

Date: 2020-07-13

File No. 2020-17

**IN THE MATTER OF
STANISLAW A. PASYK**

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

Hearing: In Writing

Decision: July 13, 2020

Panel: Timothy Moseley Vice Chair and Chair of the Panel

Submissions: Vivian Lee For Staff of the Commission

Emily Lam For Stanislaw A. Pasyk

REASONS AND DECISION

I. OVERVIEW

- [1] Stanislaw A. Pasyk was convicted in the Ontario Court of Justice of fraud over \$5,000.¹ In pleading guilty to the offence, Mr. Pasyk admitted that he made misleading or false statements to investors in a company of which he was the sole owner and operating mind, and that he misused most of the more than \$1 million he raised. Mr. Pasyk has since repaid the investors in full.
- [2] Staff of the Ontario Securities Commission seeks an order permanently prohibiting Mr. Pasyk from participating in Ontario's capital markets, subject to limited exceptions to allow Mr. Pasyk to trade for his personal account. Staff relies on the inter-jurisdictional enforcement provision in s. 127(10) of the *Securities Act*² (the **Act**), which provides that an order may be made under s. 127(1) of the Act against a person who has been convicted of an offence arising from a course of conduct related to securities.
- [3] Mr. Pasyk consents to the order requested by Staff.
- [4] I find that Mr. Pasyk was convicted of an offence arising from a course of conduct related to securities, and that it is in the public interest to make the order requested by Staff and consented to by Mr. Pasyk.

II. FACTUAL BACKGROUND

- [5] Between March 8, 2011 and July 3, 2017, Mr. Pasyk was the sole owner and operating mind of A4 Diamonds Inc.
- [6] During that time, Mr. Pasyk, either directly or through recruiting agents, approached at least 66 Ontario residents and convinced them to purchase shares of A4 Diamonds. Those investors contributed a total of \$1,035,150.
- [7] Mr. Pasyk told various investors that:
- a. A4 Diamonds was a diamond mining company, with mining claims over rich veins of diamonds;
 - b. investors would earn substantial returns in a short time;
 - c. A4 Diamonds would soon be listed on a stock exchange; and
 - d. invested funds would be used for exploration and mining, and not for himself.
- [8] Of the \$1,035,150 raised, only \$58,198 was used for A4 Diamonds's business purposes. More than half of the funds were transferred into Mr. Pasyk's personal bank account. Other large amounts were withdrawn in cash or used for purposes unrelated to A4 Diamonds.
- [9] Mr. Pasyk admitted that he used the investor funds to finance his lifestyle, pay the mortgage on his home, and fund other unrelated businesses.
- [10] On February 21, 2019, Mr. Pasyk pled guilty to fraud over \$5,000.

¹ Contrary to s. 380.1 of the *Criminal Code*, RSC, 1985, c C-46

² RSO 1990, c S.5

III. LEGAL FRAMEWORK

- [11] Subsection 127(1) of the Act empowers the Commission to make various orders against an individual if in the Commission's opinion it is in the public interest to do so.
- [12] Paragraph 127(10)1 of the Act explicitly authorizes an order under s. 127(1) where a person has been convicted in any jurisdiction of an offence arising from a transaction, business or course of conduct related to securities or derivatives.

IV. ANALYSIS AND CONCLUSION

- [13] Mr. Pasyk's conviction for fraud arises out of his course of conduct relating to the securities of A4 Diamonds. The test in s. 127(10)1 of the Act is therefore satisfied.
- [14] While Mr. Pasyk has made full restitution to investors, and has consented to the order requested by Staff, his misconduct was serious. Fraud is one of the most egregious violations of securities law. It causes direct harm to individual investors and it undermines confidence in the capital markets.
- [15] It is in the public interest to limit Mr. Pasyk's future participation in the capital markets on the terms that Staff has proposed and to which Mr. Pasyk consents. I will issue an order reflecting those terms, which are as follows:
- a. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Mr. Pasyk shall cease permanently, except that he shall not be precluded from trading in securities or derivatives in a registered retirement savings plan, registered education savings plan, any registered retirement income funds, and/or tax-free savings account (as defined in the *Income Tax Act*³) in which he has a beneficial ownership, provided that he carries out any permitted trading through a registered dealer (which dealer must be given a copy of the order that I will issue) and through accounts opened in his name or his spouse's name only, or from disposing to members of his immediate family the securities he currently owns of his spouse's medical professional corporation at which he is employed;
 - b. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Mr. Pasyk shall be prohibited permanently, except that he shall not be precluded from purchasing securities or derivatives in a registered retirement savings plan, registered education savings plan, any registered retirement income funds, and/or tax-free savings account (as defined in the *Income Tax Act*) in which he has a beneficial ownership, provided that he carries out any permitted acquisitions through a registered dealer (which dealer must be given a copy of the order that I will issue) and through accounts opened in his name or his spouse's name only;
 - c. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Mr. Pasyk permanently;

³ RSC, 1985, c 1 (5th Supp)

- d. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, Mr. Pasyk must resign any positions that he holds as a director or officer of any issuer or registrant;
- e. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the Act, Mr. Pasyk is prohibited permanently from becoming or acting as a director or officer of any issuer or registrant; and
- f. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Mr. Pasyk is prohibited permanently from becoming or acting as a registrant or promoter.

Dated at Toronto this 13th day of July, 2020.

"Timothy Moseley"

Timothy Moseley