



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
APRIL VUONG and HAO QUACH**

STATEMENT OF ALLEGATIONS

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

A. OVERVIEW

1. An inter-jurisdictional enforcement order using the expedited procedure for inter-jurisdictional proceedings as set out in Rule 11(3) of the Capital Markets Tribunal's (the **Tribunal**) *Rules of Procedure* is sought based on a conviction of April Vuong (**Vuong**) and Hao Quach (**Quach**, collectively, the **Respondents**) at the Ontario Superior Court of Justice. Between October 2007 and October 2012 (the **Material Time**)¹, the Respondents defrauded investors of \$5.1 million in a sophisticated investment scam that resembled a ponzi scheme involving promissory notes.

B. FACTS

Staff of the Enforcement Branch of the Ontario Securities Commission (**Enforcement Staff**) makes the following allegations of fact:

2. On October 12, 2021, the Respondents' appeals against their convictions and sentences were dismissed. On October 23, 2018, the Respondents received a custodial sentence of six years less 11 days credit for pre-trial custody and three months credit for their lengthy bail conditions resulting in a net sentence of five years, eight months, and 19 days.
3. On July 5, 2018, the Respondents were convicted before the Honourable Justice Shaw of the

¹ All activities described occurred during the Material Time unless otherwise indicated.

Ontario Superior Court of Justice of fraud over \$5000 contrary to section 380(1)(a) of the Canadian Criminal Code based on their role in the fraudulent scheme.

4. The conviction followed a four-week trial where the offences for which the Respondents were charged arose from transactions, business or a course of conduct related to securities. The promissory notes are securities as defined in subsection 1(1) of the Act.
5. The court's Reasons for Sentencing includes the following findings:
 - (a) During the Material Time, Vuong and Quach engineered a large scale and sophisticated fraud involving millions of dollars of investor funds being deposited into multiple bank accounts held in the name of the Respondents jointly and individually;
 - (b) Investor funds were also deposited into bank accounts registered to Systematech Solutions Inc. (**Systematech**), a company incorporated in 1999 by the Respondents. By 2007, Systematech was being used by the Respondents as a vehicle to offer investment opportunities to various investors;
 - (c) Most of the investor victims signed promissory notes they received from the Respondents guaranteeing high annual rates of interest between 12 and 15 per cent, with some offered rates as high as 20 per cent;
 - (d) Investors were also promised that their principal and any unpaid interest would be returned, upon written request, within a fixed number of days;
 - (e) During the trial, the 12 investor witnesses were consistent in their evidence that:
 - a. The Respondents promised to invest their money;
 - b. They were assured that their money was not at risk and that the investment scheme was safe; and
 - c. They were never told that their money would be used by the Respondents for their personal expenses or to pay other investors.

- (f) The Respondents used some of the investor funds to repay principal or to make interest payments to other investors in the way of a ponzi scheme. The Respondents also used some of the money personally, including for the purchase of a \$50,000 Porsche in October 2010;
 - (g) Investor funds flowed through a myriad of personal and corporate bank accounts and trading accounts that belonged to the Respondents and Systematech between February 2010 and March 2012;
 - (h) During that time, the investors who testified at trial gave evidence that they deposited \$3,627,670 into the various bank accounts. Also during that time, other deposits into those same bank accounts from other sources totaled \$3,267,924. Thus, between February 2010 and March 2012, a total of \$6,895,594 was deposited into bank accounts held by the Respondents or their company, Systematech;
 - (i) During that time, the Respondents lost \$1,711,205 of investor funds in trading, despite this, Vuong and Quach withdrew \$468,487 out of the bank accounts for their personal use as cash withdrawals, for retail and miscellaneous purchases and credit card payments, including the \$50,000 Porsche payment in October 2010, funded partially from an investment made by one of the victims;
6. Vuong was the president and a director of Systematech. Vuong resides in Ontario and had primary responsibility for communicating with investors about the investment opportunity offered by Systematech.
 7. Quach was the managing director and a director of Systematech. Quach acted as a directing mind of Systematech and resides in Ontario. Quach participated in activities related to the sale of the promissory notes.
 8. Neither of the Respondents has ever been registered with the Commission in any capacity.
 9. On November 11, 2013, Systematech, Vuong and Quach entered into a Settlement Agreement (the **Settlement Agreement**) with the OSC. Paragraph nine of the Settlement Agreement

specifically contemplated and allowed for the criminal proceedings referenced above and the subsection 127(10) reciprocal proceeding presently sought against the Respondents.

10. Under the Settlement Agreement, the market participation bans levied against the Respondents expire on November 11, 2023 for Quach and on November 11, 2028 for Vuong.

C. JURISDICTION

11. Pursuant to paragraph 1 of subsection 127(10) of the Act, the Respondents' conviction for offences arising from transactions, business or a course of conduct related to securities or derivatives may form the basis for an order in the public interest made under subsection 127(1) of the Act.
12. It is in the public interest to make an order against the Respondents.

D. ORDER SOUGHT

13. Enforcement Staff requests that the Tribunal make the following order:
 - (a) against Vuong and Quach that:
 - i. pursuant to paragraphs 2 and 2.1 of subsection 127(1) of the Act, trading in or the acquisition of any securities or derivatives by Vuong and Quach cease permanently;
 - ii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Vuong and Quach permanently;
 - iii. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Vuong and Quach resign any positions they hold as a director or officer of any issuer or registrant, including an investment fund manager;
 - iv. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Vuong and Quach be prohibited permanently from becoming or acting as a director or officer of any issuer or registrant, including an investment fund manager;

v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Vuong and Quach be prohibited permanently from becoming or acting as a registrant, including as an investment fund manager or promoter; and

(b) such other order or orders as the Tribunal considers appropriate.

14. These allegations may be amended and further and other allegations may be added as the Tribunal may permit.

DATED at Toronto this 15th day of June, 2023.

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