



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF
NOVA TECH LTD and CYNTHIA PETION**

STATEMENT OF ALLEGATIONS

(Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990 c S.5)

A. OVERVIEW

1. Nova Tech Ltd and its chief executive officer, Cynthia Petion, engaged in an aggressive and widespread campaign using the internet and social media to sell securities to the investing public. They sold these securities without registration and without prospectus disclosure. They continued to do so in the face of a cease trade order issued by the Ontario Securities Commission. These business activities have also attracted concerns by other Canadian and U.S. securities regulators.

2. The Respondents created a product known as the “Percentage Allocation Management Module” or “PAMM” and deployed an elaborate multi-level marketing scheme to sell units of the product—which are securities—to Ontario investors.

3. The Respondents used their website, social media and YouTube videos to promote the PAMM product and to solicit investors. The PAMM product was advertised as a way for investors to passively earn returns on investment without having to do any trading themselves. The company website depicted PAMM product returns of approximately 3% per week without ever sustaining a loss. Videos posted to the Nova Tech YouTube channel made statements soliciting investment in

the PAMM product, including Cynthia Petion claiming that returns from the investment allowed people to buy luxury cars and homes.

4. On December 13, 2022, the Ontario Securities Commission issued an investor warning with respect to Nova Tech Ltd.

5. In early February 2023, the company announced that it decided to place a “temporary freeze” on withdrawals from investor accounts. Notwithstanding this announcement, it continued to accept new investments in the PAMM product.

6. In light of these ongoing investor protection concerns, the Ontario Securities Commission issued a temporary cease trade order against Nova Tech Ltd on February 16, 2023. The order was extended by the Capital Markets Tribunal on March 2, 2023. The Respondents breached this order by allowing reinvestments of purported returns into PAMM units, and by selling new PAMM units to Ontario investors.

7. While the Respondents made changes to their website to make it appear they were restricting access to Canadian investors, individuals involved in perpetuating NovaTech’s multi-level marketing scheme were publicly disseminating instructions on how to circumvent geographic restrictions.

8. During this period, other Canadian provincial securities regulators published warnings about the Respondents, and a Californian regulator issued a protective order.

9. Where business activities raise serious securities regulatory concerns, the Ontario Securities Commission takes action to protect investors. Registration requirements serve an important gate-keeping function by ensuring that only properly qualified persons are permitted to engage in the business of trading securities. Prospectus requirements are fundamental to ensuring

that investors are provided with full, true, and plain disclosure of all material facts relating to the securities being offered.

10. None of the Respondents were registered to trade in securities and no prospectus was filed in connection with the sale of units of the PAMM product.

11. By disregarding these cornerstone principles of Ontario securities law, violating the temporary cease trade order, and conducting themselves contrary to the public interest, the Respondents exposed investors to serious risk and undermined confidence in the capital markets.

B. FACTS

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

I. The PAMM Product

12. Beginning in or around June 2019, and continuing until at least July 2023, the Respondents created and marketed a product known as the “Percentage Allocation Management Module” (**PAMM**) and sold units of the PAMM product through the Website, including to Ontario investors. PAMM units are securities under s. 1 (1) of the *Securities Act*, RSO 1990 c S.5 (the **Act**).

13. The marketing and sale of PAMM units is central to NovaTech’s business, and these activities have been ongoing since the company’s inception.

14. Nova Tech Ltd (**NovaTech**) was incorporated on September 26, 2019, in Saint Vincent and the Grenadines and carries on business as “NovaTech” and “NovaTech, LTD.” NovaTech published and operated the website www.novatechfx.com (the **Website**).

15. Cynthia Petion (**Petion**) is NovaTech’s founder, chief executive officer and sole director, shareholder and beneficial owner. Petion has been involved in NovaTech’s operation since its inception and is the directing mind of NovaTech. According to the Website, Petion is responsible for creating, planning, implementing and integrating the strategic direction of the organization. She is responsible for managing and implementing the Company’s research and development of strategies, and overseeing the company’s overall operations. She also oversees all marketing initiatives, brand recognition, finances, and compensation, as well as new product development.

16. The PAMM product is described as a “form of pooled money Forex trading” that “allows investors to earn without having to trade.” NovaTech explains that its own “traders” use these pooled investor funds to trade in crypto assets, and in the Forex markets, to generate profits for investors. PAMM units would therefore generate “sustainable passive profits” for investors that are paid consistently on a weekly basis. Figures on the Website depicted returns of approximately 3% per week.

17. The role of the investor is limited to the advancement of money. Investors purchase PAMM units by first creating an account through the Website using an online application process (**PAMM Account**). After opening a PAMM Account, investors can purchase PAMM units, which are priced in USD, by transferring the equivalent USD value of crypto assets (e.g., Bitcoin) to a wallet address provided by the Website. Purchases of PAMM units are only reflected in balances displayed in the PAMM Account. The units are not otherwise delivered to investors.

18. PAMM Accounts include both a “Trading Account” and a “Bonus Account.” The Trading Account balance displays the USD value of any purchases of PAMM units. The Bonus Account displays the USD value of returns received on the units held in the Trading Account. After earning returns in the Bonus Account, investors can choose to re-invest those returns by purchasing

additional PAMM units. The Website also offers an “Auto-Reinvestment” feature that automatically uses returns to purchase new PAMM units. These new units are then reflected in the balance of the investor’s Trading Account.

19. Investors are not required to do anything beyond purchasing PAMM units to earn returns on investment. Investors in PAMM units are wholly dependant on the success of the Respondents’ efforts to profit on their investment.

20. The Respondents are responsible for the control and operation of NovaTech and its Website. Investors are required to submit a withdrawal request through the Website to seek repayment of principal invested and payment of any returns earned on the investment.

21. NovaTech is also compensated for investments in the PAMM product. All PAMM Accounts are subject to a performance fee equal to 30% of all trading profits. NovaTech also charges a \$25 monthly service fee for PAMM Accounts, and a 15% fee on withdrawals from Trading Accounts made within three months of registering the account.

II. Aggressive Promotion and Multi-Level Marketing of the PAMM Product to Investors

22. The Respondents regularly and aggressively promoted investments in the PAMM product. Investors were solicited online, including through the Website and social media, and through videos available on NovaTech’s YouTube channel. One video posted by the Respondents includes Petion stating that “I have people who started with \$99 accounts and are now buying Mercedes and living in nice houses they would have never lived in.”

23. The Respondents also developed and engaged in an elaborate multi-level marketing scheme, which enlisted investors as a *de facto* sales force to funnel prospective investors to the Website to further the sale of PAMM units to the public (the **Affiliate Marketing Program**). By

sharing NovaTech's products with friends, family and others, NovaTech investors who become "affiliates" or "sponsors" by participating in the Affiliate Marketing Program could earn bonuses, collect fees and progress through different "ranks" within the Program. Through this Program, the Respondents were involved in facilitating and intermediating the sale of PAMM units to investors.

24. Ontario investors opened PAMM Accounts using the Website and purchased PAMM units (**Ontario Accounts**). Some Ontario investors were solicited by others located in Ontario as part of the Affiliate Marketing Program. While Ontario investors reported earning returns on their investments in PAMM units, NovaTech's policies made it difficult for investors to withdraw from their PAMM Accounts. Some investors were unable to withdraw any funds from their PAMM Accounts.

III. Multi-Jurisdictional Concerns with the Respondents' Activities

25. NovaTech's operations have attracted Canadian and U.S. securities regulatory concerns.

26. On November 22, 2022, the State of California, Business, Consumer Services and Housing Agency, Department of Financial Protection and Innovation, issued a Desist and Refrain Order against NovaTech, Petion and others.

27. On December 13, 2022, the Ontario Securities Commission issued an investor warning with respect to NovaTech.

28. The British Columbia Securities Commission, Financial and Consumer Affairs Authority of Saskatchewan, Autorité des Marchés Financiers, Alberta Securities Commission and the Canadian Securities Administrators have also issued warnings or alerts with respect to NovaTech.

29. In early February 2023, NovaTech announced that it decided to place a “temporary freeze” on withdrawals from investor accounts. Notwithstanding this announcement, NovaTech continued to accept new investments in its PAMM product.

IV. Violating the Temporary Cease Trade Order

30. On February 16, 2023, the Ontario Securities Commission issued a temporary cease trade order (**TCTO**) in respect of NovaTech’s activities, which ordered that:

- a. all trading in any securities by NovaTech, or any person on their behalf, shall cease;
- b. the acquisition of any securities by NovaTech, shall cease; and
- c. any exemption contained in Ontario securities law does not apply to NovaTech.

31. On March 2, 2023, the Tribunal extended the TCTO.

32. NovaTech failed to comply with the terms of the TCTO. While the TCTO was in force, NovaTech continued to trade in securities, including by allowing reinvestments of purported returns into PAMM units, and by selling new PAMM units to Ontario investors.

33. Prior to the TCTO being issued, the Website did not include Canada or Ontario on its list of “Restricted Areas and Regions.” However, in or around March 2023, the Website was modified to include Canada on its list of “Restricted Areas and Regions.” NovaTech also removed the option to select Canada and Ontario from certain menus on the Website. No communications were sent to Ontario Account holders to advise of this change.

34. Investors in PAMM units, including Ontario investors, were advised to take steps to circumvent geographic restrictions imposed through the Website, including modifying the addresses on their PAMM Accounts. These practices were discussed publicly, including in videos posted on YouTube and by groups of investors participating in the Affiliate Marketing Program.

35. While the TCTO was in force, communications attributed to Petion were also sent to PAMM Accounts through the Website. These detailed new account withdrawal procedures and restrictions.

Unregistered Trading

36. None of the Respondents have ever been registered with the Ontario Securities Commission to trade in securities. No exemptions from the registration requirement were available to the Respondents under Ontario securities law.

37. Based on the conduct described above, NovaTech engaged in, and held itself out as engaging in, the business of trading in PAMM units, without the necessary registration or an applicable exemption from the registration requirement, contrary to subsection 25(1) of the Act.

Illegal Distribution

38. The sales of the PAMM units were trades in securities not previously issued and were therefore distributions.

39. No preliminary prospectus or prospectus was filed for the distribution of PAMM units. The investments did not qualify for any exemption from the prospectus requirements under Ontario securities law. No report of exempt distribution, including Form 45-106F1, was filed with the Ontario Securities Commission in connection with the distribution of PAMM units.

40. Based on the conduct described above, NovaTech engaged in a distribution of securities without filing a preliminary prospectus or a prospectus and without an applicable exemption to the prospectus requirement, contrary to subsection 53(1) of the Act.

Breach of the TCTO Contrary to Ontario Securities Law

41. Based on the conduct described above, NovaTech failed to comply with the TCTO, thereby contravening Ontario securities law.

Authorizing, Permitting or Acquiescing in Breaches of Ontario Securities Law

42. Based on the conduct described above, Petion authorized, permitted or acquiesced in NovaTech's non-compliance with Ontario securities law described above. As a result, Petion is deemed not to have complied with Ontario securities law pursuant to section 129.2 of the Act.

Conduct Contrary to the Public Interest

43. Based on the conduct described above, each of the Respondents engaged in conduct that is contrary to the public interest. In particular, by continuing to accept investments in the PAMM product while simultaneously freezing and later restricting investor withdrawals, the Respondents engaged in practices contrary to the purposes and the animating principles under subsections 1.1(a) and 2.1(2) of the Act.

C. BREACHES AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

Enforcement Staff alleges following breaches of Ontario securities law and/or conduct contrary to the public interest:

44. NovaTech engaged in, and held itself out as engaging in, the business of trading in securities without being registered to do so and without an applicable exemption from the registration requirement, contrary to subsection 25(1) of the Act.

45. NovaTech engaged in distributions of securities without filing a preliminary prospectus or prospectus and without an applicable exemption from the prospectus requirement, contrary to subsection 53(1) of the Act.

46. NovaTech breached the terms of the TCTO and thereby contravened Ontario securities law.

47. Petion authorized, permitted or acquiesced in NovaTech's non-compliance with Ontario securities law and is deemed not to have complied with Ontario securities law, pursuant to section 129.2 of the Act.

48. Each of the Respondents engaged in conduct that is contrary to the public interest.

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

D. ORDERS SOUGHT

Enforcement Staff requests that the Tribunal make the following orders:

50. As against NovaTech and Petion:

- a. that they cease trading in any securities or derivatives permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2 of subsection 127(1) of the Act;
- b. that they be prohibited from acquiring any securities permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
- c. that any exemptions contained in Ontario securities law do not apply to them permanently or for such period as is specified by the Tribunal, pursuant to paragraph 3 of subsection 127(1) of the Act;
- d. that they be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;

- e. that they be prohibited from becoming or acting as a registrant or promoter permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
- f. that they pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
- g. that they disgorge to the Ontario Securities Commission any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
- h. that they pay costs of the Ontario Securities Commission's investigation and the hearing, pursuant to section 127.1 of the Act; and
- i. such other order as the Tribunal considers appropriate in the public interest.

51. And further as against Petion:

- a. that she resign any position she may hold as a director or officer of any issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;
- b. that she be prohibited from becoming or acting as a director or officer of any issuer permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8 of subsection 127(1) of the Act;
- c. that she resign any position she may hold as a director or officer of any registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act; and

- d. that she be prohibited from becoming or acting as a director or officer of any registrant permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.2 of subsection 127(1) of the Act.

DATED this 24th day of August, 2023

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