Ontario

Capital Markets Tribunal | Tribunal des marchés financiers | 22nd Floor 20 Queen Street West Toronto ON M5H 3S8 | 22e étage 20, rue Queen ouest Toronto ON M5H 3S8

Citation: *Hogg (Re)*, 2024 ONCMT 31
Date: 2024-12-19
File No. 2022-20

IN THE MATTER OF
TROY RICHARD JAMES HOGG, CRYPTOBONTIX INC., ARBITRADE EXCHANGE INC., ARBITRADE LTD., T.J.L. PROPERTY MANAGEMENT INC. and GABLES HOLDINGS INC.

REASONS AND DECISION

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

Adjudicators:	Andrea Burke (chair of the panel) Sandra Blake M. Cecilia Williams	
Hearing:	September 30, 2024	
Appearances:	Erin Hoult Alvin Qian	For the Ontario Securities Commission
	No one appearing for Troy Richard James Hogg, Cryptobontix Inc., Arbitrade Exchange Inc., Arbitrade Ltd., T.J.L. Property Management Inc. and Gables Holdings Inc.	

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REASONS AND DECISION

1. OVERVIEW

[1] In a decision on the merits dated June 14, 2024 (the **Merits Decision**),[1] the Capital Markets Tribunal found that Troy Richard James Hogg, Cryptobontix Inc., Arbitrade Exchange Inc., Arbitrade Ltd. (**Arbitrade Bermuda**), T.J.L Property Management Inc. (**TJL**), and Gables Holdings Inc., breached the *Securities Act* (the ***Act***).[2] The Tribunal found that Hogg, Cryptobontix, Arbitrade Exchange and Arbitrade Bermuda breached the *Act* by fraudulently promoting and selling digital tokens (the **Tokens**) to investors around the world, and falsely representing to investors that the Tokens were backed by gold and that an audit had verified the existence of that gold. The respondents were also found to have misappropriated investor funds which were represented to investors as being used to purchase crypto asset mining equipment to increase the value of the Tokens. In making these findings, the Tribunal found that the transaction or scheme for the offer and sale of the Tokens constituted investment contracts and were therefore securities under the *Act*.

[2] Hogg, Cryptobontix, Arbitrade Exchange and Arbitrade Bermuda also breached the *Act* through unregistered trading and an illegal distribution of securities. The Tribunal also found that Hogg was deemed under the *Act* to have not complied with Ontario securities law in relation to Arbitrade Bermuda's breaches.

[3] As a result of the findings in the Merits Decision the Commission seeks the following sanctions and costs against the respondents:

a. permanent prohibitions on their ability to participate in Ontario's capital markets;

b. administrative penalties ranging between $750,000 and $2.5 million;

c. disgorgement of US $51,732,003.27 in investor funds received and $2,036,973.61 in profit made using investor funds; and

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[1] *Hogg (Re),* 2024 ONCMT 15

[2] RSO 1990, c S.5 (***Act***)

d. costs of $667,605.27.

[4] The respondents did not participate in the merits hearing. With the exception of Hogg's emails to the Tribunal addressed below, the respondents also did not participate in the sanctions and costs hearing.

[5] For the reasons set out below, we conclude that it is in the public interest to order:

a. permanent prohibitions on the respondents' ability to participate in Ontario's capital markets;

b. administrative penalties on a joint and several basis ranging from $500,000 to $2 million;

c. disgorgement by the respondents in varying amounts totalling US $51,732,003.27 in investor funds received; and

d. costs of $667,605.27.

[6] We decline to order disgorgement of amounts that the Commission characterizes as profit made using investor funds because the Commission did not establish the necessary causal link between these amounts and the contravention of the *Act*.

2. BACKGROUND

[7] The Merits Decision made the following findings of fact that are relevant to our decision on sanctions and costs:

a. Hogg was the sole director, officer, shareholder and directing mind of Cryptobontix, Arbitrade Exchange and TJL and the sole shareholder and a director of Gables during the material time. He was also a directing mind of Arbitrade Bermuda;

b. Hogg and the corporate respondents, with the exception of Arbitrade Bermuda which was incorporated in Bermuda, were Ontario residents and operated from Ontario;

c. Arbitrade Bermuda engaged in Token-related promotional activities through Hogg in Ontario and targeted Ontario residents, such that there

was a sufficient nexus to Ontario for the Tribunal to have jurisdiction over Arbitrade Bermuda;

d. Hogg developed the Tokens and arranged to have Cryptobontix issue the Tokens;

e. the Tokens were promoted and sold to investors around the world as representing a store of wealth (purportedly due to being backed by gold bullion) with a growth component (purportedly due to earnings related to cryptocurrency mining activities and growth in the investment in gold bullion);

f. in total Hogg, Cryptobontix, Arbitrade Exchange and Arbitrade Bermuda raised over US $51 million from the sale of Tokens to investors;

g. there was no gold bullion backing the Tokens; and

h. of the over US $51 million raised from investors, US $36.858 million was misappropriated by the respondents.

3. ANALYSIS

3.1 Introduction

[8] The Tribunal may impose sanctions under s. 127(1) of the *Act* where it finds it to be in the public interest to do so. The Tribunal's exercise of that jurisdiction must be consistent with the purposes of the *Act*, which include protecting investors from unfair, improper and fraudulent practices, and fostering fair and efficient capital markets and confidence in the capital markets.[3]

[9] The sanctions listed in s. 127(1) of the *Act* are protective and preventative and are intended to be exercised to prevent future harm to Ontario's capital markets.[4]

[3] *Act,* s 1.1

[4] *Committee for the Equal Treatment of Asbestos Minority Shareholders v Ontario (Securities Commission)*, 2001 SCC 37 at paras 42-43

[10] Sanctions must be proportionate to a respondent's conduct in the circumstances of the case.[5] Determining the appropriate sanctions is a highly contextual exercise that is dependent on the facts and findings in the case.[6]

[11] In previous decisions, the Tribunal has identified a non-exhaustive list of factors applicable to the determination of appropriate sanctions.[7] We have listed the factors that the Commission submits are applicable to this case, as well as some others as potentially relevant given matters raised by Hogg, which are:

a. the seriousness of the misconduct;

b. the respondents' level of activity in the marketplace, or in other words, the "size" of the contravention;

c. whether the misconduct was isolated or recurrent;

d. the profit made or loss avoided from the misconduct;

e. the likely effect that any sanction would have on the respondent ("specific deterrence") as well as on others ("general deterrence");

f. whether or not there has been a recognition of the improprieties by, and the remorse of, the respondent; and

g. the financial pain that any sanction would reasonably cause to the respondent.

[12] Before we turn to review the factors applicable to determining appropriate sanctions, we briefly address the weight to be given to two emails submitted to the Tribunal by Hogg for our consideration. The first was submitted one business day prior to the hearing (**First email**), and the second was submitted the day after the hearing (**Second email**).

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[5] *First Global Data Ltd (Re*), 2023 ONCMT 25 (***First Global***) at para 7

[6] *Quadrexx Hedge Capital Management Ltd (Re)*, 2018 ONSEC 3 (***Quadrexx***) at para 20; *Paramount Equity Financial Corporation (Re)*, 2023 ONCMT 20 (***Paramount***) at para 12

[7] *York Rio Resources Inc et al*, 2014 ONSEC 9 (***York Rio***) at para 34; *Kitmitto (Re)*, 2023 ONCMT 4 at para 8

3.2 Hogg's emails

[13] Hogg asks that the Tribunal consider his First email when making decisions on sanctions and costs. He asserts loss of reputation, remorse and financial difficulties. He alleges there were few Canadian or Ontario investors and that other unidentified individuals were involved who were not made respondents. He requests that we consider his ability to pay and his age in determining sanctions. Hogg cites a number of sanctions cases however, none are analogous to this case either because they do not involve fraud, they are settlement approvals, or they involve sanctions applied in an entirely different context by another body under different laws.

[14] We heard submissions from the Commission and considered *Paramount* and *Stinson (Re),*[8] both of which address the standard to be met for a reduction in sanctions based on a claim of impecuniosity. We agree that Hogg's bald statements about his financial difficulties are insufficient to meet the burden of demonstrating circumstances sufficient to reduce monetary sanctions. The email was scant on detail, uncorroborated, and unsworn. We give no weight to Hogg's submissions in the First email.

[15] Although Hogg expresses remorse by stating that he is "so sorry for anyone hurt by the actions chosen", overall we give no weight to this expressed remorse. This is because we do not interpret his statements as accepting his own responsibility for harm caused. They instead express regret for having listened to and become involved with other unnamed bad actors.

[16] Hogg did not attend the hearing. However, the day after the hearing he sent the Second email to the Tribunal, apparently in reply to the Commission's submissions at the hearing. Although we have read the Second email, we have not given it any weight. We did not invite Hogg to file the Second email, and it was delivered after the hearing and outside the established timetable for the delivery of evidence and submissions. The Second email contains extensive factual assertions that are unsworn and uncorroborated, and the Commission did not have the opportunity to respond to or test any of these factual assertions.

[8] 2023 ONCMT 50 at paras 66-67

[17] We turn now to the relevant sanctioning factors.

3.3 Sanctioning factors

3.3.1 Seriousness of the misconduct

[18] The Merits Decision found that the respondents violated numerous provisions of the *Act*.

[19] We find the misconduct serious due to the nature and scale of the violations.

[20] Fraud is one of the most egregious violations of the *Act*, causing direct harm to investors and undermining confidence in the capital markets.[9] The registration and prospectus requirements are cornerstones of Ontario securities law. Unregistered trading and illegal distributions undermine investor protection and the integrity of the capital markets.[10]

[21] The Commission submits that this fraud is particularly egregious because in other frauds there may be an underlying business, while here there is not. As there is no gold backing the Tokens, the Tokens are worthless. The offering is a total sham, therefore having significant market impact.

[22] The Commission further submits that while details of the total number of investors affected by the fraudulent and abusive conduct of the respondents are not available, there is little doubt that investor losses are likely significant.

[23] We find that the exact quantum of investor losses cannot be ascertained as some investors may have sold their Tokens in the secondary market. However, we agree that investors suffered harm by relying on false representations regarding the attributes of the Tokens.

3.3.2 Respondents' level of activity

[24] Hogg, Cryptobontix, Arbitrade Exchange and Arbitrade Bermuda raised over US $51 million from their promotion and sales of Tokens to investors. Most investor funds, at least US $36.858 million, were misappropriated by the respondents for

[9] *First Global* at para 18

[10] *Polo Digital Assets, Ltd (Re)*, 2022 ONCMT 32 at paras 71 and 84

purposes entirely unrelated to the acquisition or operation of cryptocurrency mining equipment, contrary to representations made to investors.

[25] The Commission alleges that in terms of scale, this is the largest crypto asset fraud the Tribunal has heard to date and among the largest fraud cases the Tribunal has adjudicated.

[26] We agree that the respondents' level of activity was high, resulting in significant amounts of funds raised from investors and a significant misappropriation of investor funds.

3.3.3 Violations were recurrent

[27] We find that the misconduct was recurrent.

[28] The misconduct of the respondents took place over the span of more than two years (May 2017 to June 2019).

[29] During this period, the Tokens were regularly and repeatedly promoted, and investors were solicited. The misrepresentations made to investors were repeated frequently through various channels of communication and advertisements.

[30] The misappropriation of investor funds by the respondents for their own purposes took place over many months through numerous transactions.

3.3.4 Profit

[31] This factor considers whether the respondents made a profit, or avoided a loss, because of their misconduct. A contravention will generally be worthy of greater sanctions when the contravening party benefits from the misconduct.[11]

[32] The Merits Decision found significant amounts of investor funds were used to benefit most of the respondents rather than to purchase cryptocurrency mining equipment, their stated purpose. US $36.858 million of investor funds went to paying operating expenses of Arbitrade Bermuda and fees owed by Arbitrade Bermuda, purchasing real estate, purchasing mining equipment that was

[11] *First Global* at para 26

transferred by Cryptobontix to Hogg, and personally benefitting Hogg, TJL and Gables.

[33] As a result, we find that Hogg, Arbitrade Bermuda, TJL and Gables directly benefitted from their misconduct.

3.3.5 Specific and general deterrence

[34] The Commission submits that given the size and scope of the fraud, significant sanctions are necessary to deter the respondents and other like-minded people from engaging in similar misconduct. We agree. We find that significant sanctions are warranted in this case.

[35] While Hogg submits that the number of Canadians involved was an extremely small number and even fewer were from Ontario, the misconduct was perpetrated from and had direct ties to Ontario. We find that it is important that the sanctions imposed deter misconduct from originating in Ontario, including where its effects are felt outside Ontario.

3.3.6 Remorse of the respondent

[36] For the reasons explained above, we give no weight to the remorse expressed by Hogg. This was not a factor in our decision.

3.3.7 Financial consequences of sanctions

[37] For the reasons explained above, we have also given no weight to Hogg's bald assertions about his financial difficulties without any corroborating or sworn evidence.

3.4 Administrative penalties

[38] The Commission is seeking an order that the respondents pay the following amounts in administrative penalties:

a. Hogg: $2.5 million;

b. Arbitrade Bermuda: $2 million;

c. Cryptobontix: $1.5 million;

d. Arbitrade Exchange: $1 million;

e. Gables: $750,000; and

f. TJL: $750,000.

[39] The Commission submits that the penalties requested are proportionate to the gravity of the respondents' misconduct and to sanctions in past cases involving fraudulent conduct.

[40] To support the quantum of penalties being sought, the Commission provides precedents of:

a. significant frauds where the individual respondents received high administrative penalties;[12]

b. other frauds involving less investor funds;[13] and

c. frauds involving misappropriation.[14]

[41] Many of these precedents also involve unregistered trading and illegal distributions, findings which increase the seriousness of the misconduct and thus increase the quantum of administrative penalties.

[42] The general theme of the Commission's submissions is that this is the largest crypto asset fraud the Tribunal has heard, and it ranks among the highest value frauds that the Tribunal has ever adjudicated.

[43] The Commission submits that the corporate respondents are separate legal entities, and it is appropriate that they be sanctioned based on the role they respectively played in the fraud. The Commission therefore seeks separate independent administrative penalties. The Commission submits that if we are inclined to order joint and several liability, the total amount of the penalties should be no less than the total amount of the administrative penalties sought.

[44] We reject the approach suggested by the Commission. In this case, Hogg is not only the directing mind but also the sole shareholder of Arbitrade Exchange,

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[12] *Sino-Forest Corporation (Re)*, 2018 ONSEC 37 (***Sino-Forest***); *Paramount*

[13] *York Rio*; *Global Energy Group Ltd (Re)*, 2013 ONSEC 44; *Money Gate Mortgage Investment Corporation (Re)*, 2021 ONSEC 10; *Hibbert (Re)*, 2012 ONSEC 33; *Quadrexx*; *First Global*; *Mughal Asset Management Corporation (Re)*, 2024 ONCMT 14 (***Mughal***); *International Strategic Investments et al*, 2015 ONSEC 8; *International Strategic Investments et al*, 2015 ONSEC 17; *Meharchand (Re)*, 2019 ONSEC 7; *Natural Bee Works Apiaries Inc (Re)*, 2019 ONSEC 31; *Miner Edge Inc (Re)*, 2021 ONSEC 31

[14] *Pogachar (Re)*, 2012 ONSEC 23; *Lewis (Re)*, 2012 ONSEC 5; *Feng (Re)*, 2023 ONCMT 43

Cryptobontix, Gables and TJL. The administrative penalty as against all of these corporations is effectively also being sought from the same source, Hogg. In this case, we are not prepared to inflate the effective administrative penalty against Hogg simply due to the number of corporate respondents involved. We have considered the relative roles of the various corporate respondents in the multiple contraventions of the *Act.* We therefore find that the respondents should pay the following amounts in administrative penalties:

a. Arbitrade Bermuda: $2 million;

b. Hogg and Cryptobontix: jointly and severally, $1 million;

c. Hogg and Arbitrade Exchange: jointly and severally $500,000;

d. Hogg and Gables: jointly and severally $500,000; and

e. Hogg and TJL: jointly and severally $500,000.

[45] These amounts take a global view of sanctions, reflecting the serious nature of the multiple breaches of the *Act* by Arbitrade Bermuda, Hogg, Cryptobontix and Arbitrade Exchange while addressing Hogg's role with the corporate respondents and also drawing a distinction based on our view of the relative role of each company. These amounts also take into consideration our disgorgement orders and the non-monetary sanctions that we order below.

3.5 Disgorgement

[46] The Commission seeks the following disgorgement orders:

a. Arbitrade Bermuda disgorge US $41,622,965.27, of which amount Hogg and Cryptobontix be jointly and severally liable to disgorge US $7,822,296.72;

b. Hogg disgorge US $10,109,038, of which amount:

   i. TJL be jointly and severally liable to disgorge US $5,637,259.39; and

   ii. Gables be jointly and severally liable to disgorge US $4,345,737.14; and

c. Hogg disgorge an additional $2,036,973.61 of which amount:

i. TJL be jointly and severally liable to disgorge $64,712.19; and

ii. Gables be jointly and severally liable to disgorge $1,972,261.42.

[47] These disgorgement amounts include US $51,732,003.27 obtained from investors who purchased Tokens plus an additional $2,036,973.61 which the Commission submits represents the profit connected to the purchase and sale of real estate by TJL and Gables.

[48] We first consider the amounts obtained from investors who purchased Tokens.

[49] Subsection 127(1) of the *Act* permits the Tribunal to order disgorgement of any amounts obtained "as a result of the non-compliance" with Ontario securities law. The purpose of a disgorgement order is to restore confidence in the capital markets, ensure wrongdoers do not benefit from violations of Ontario securities law, and deter others from engaging in similar misconduct.[15]

[50] We find that the US $51,732,003.27 obtained from investors who purchased Tokens is an amount obtained as a result of non-compliance with Ontario securities law. Of that amount, Arbitrade Bermuda received US $41,622,965.27. We therefore find that Arbitrade Bermuda must disgorge US $41,622,965.27.

[51] Of the US $41,622,965.27, Hogg and Cryptobontix shall be jointly and severally liable to disgorge US $7,822,296.72. This represents the portion of these investor funds used to purchase cryptocurrency mining equipment owned by Cryptobontix and Hogg. We find that Hogg should be jointly and severally liable for this amount given that he is the sole shareholder, officer and director of Cryptobontix, and because, of this amount, US $4,141,700 worth of the equipment was transferred by Cryptobontix to Hogg.

[52] We also find that US $10,109,038 of the US $51,732,003.27 represents the amount of investor funds transferred to or used for the benefit of Hogg and his companies, TJL and Gables, including investor funds that were used by TJL and Gables to purchase real estate.

[53] We therefore find that Hogg must disgorge US $10,109,038, of which amount:

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[15] *North American Financial Group Inc v Ontario Securities Commission*, 2018 ONSC 136 (Div Ct) at para 218; *Al-Tar Energy Corp et al*, 2011 ONSEC 1 at para 71

a. TJL shall be jointly and severally liable to disgorge US $5,637,259.39; and

b. Gables shall be jointly and severally liable to disgorge US $4,345,737.14.

[54] We now consider the profit earned from the purchase and sale of real estate by TJL and Gables.

[55] The Commission submits the term "amounts obtained" should not be limited to the investor funds that were received by the respondents from investors as a result of their contraventions of the *Act,* but may include any amount obtained as a result of their non-compliance. The Commission cites *Pushka v Ontario Securities Commission*[16] and *Limelight Entertainment Inc et al*[17] in urging us to consider ordering the disgorgement of the "total profit" received by Hogg and his companies, TJL and Gables, on the real estate transactions. The Commission calculates the "total profit" by subtracting the original purchase price of the properties (including acquisition fees) from the sale price, and then subtracting a further $12,500 representing deposits paid toward the purchase price that were not investor funds.

[56] Disgorgement orders issued by the Tribunal typically involve the disgorgement of investor funds that have been received by respondents from investors as a result of their contraventions of the *Act*. However, we agree with the Commission that the Tribunal's ability to order disgorgement is not limited to funds received from investors but may include any amount obtained as a result of non-compliance with the *Act*.

[57] Indeed, *Pushka* is an example where the Tribunal ordered disgorgement of funds that were not funds received from investors, but instead were fees earned on management contracts that were purchased with investor funds in breach of the respondents' fiduciary duties under the *Act*. We read s. 127(1) broadly and purposively, such that "amounts obtained" are not limited to amounts obtained from investors and may, in appropriate circumstances, encompass amounts obtained in other ways so long as the requisite causal link between the "amounts obtained" and the "non-compliance" is established. The analysis of causation to

[16] 2016 ONSC 3041 (Div Ct) (***Pushka***)

[17] 2008 ONSEC 28 (***Limelight***)

establish that the amounts obtained" are "as a result of" the non-compliance includes consideration of events that interrupt the chain of causation and principles of remoteness.[18]

[58] On the facts before us, we find that the Commission failed to establish a direct causal link between the contraventions of the *Act* and the "total profit" received on the sale of one property acquired by TJL and the sale of three properties acquired by Gables. Although we find that investor funds raised from the sale of Tokens were misappropriated and flowed directly into a lawyer's trust account to purchase real estate, the Commission did not establish that there actually was a gain or profit (*i.e.*, further "amounts obtained") that flowed from this use of investor funds. For example, the difference between the purchase and sale price for the properties may be attributed to improvements made to the properties in the intervening time between the purchase and sale, and the Commission did not rule out that this was the case or otherwise establish the requisite connection between the misuse of investor funds.

[59] We recognize that s. 127(1) authorizes a disgorgement order for gross amounts obtained, without a requirement to net out any related expenses.[19] If the Commission had established a direct causal link, we still need to know the costs related to the sale of the properties (commissions and other fees) as arguably these amounts may reduce the "amounts obtained". We could then exercise our discretion to order disgorgement. Whether the amounts sought to be disgorged are reasonably ascertainable is an important factor.[20]

[60] Therefore, we conclude that it is not appropriate to order disgorgement of the "total profits" realized from the sale of real estate. We also note that although the Commission's Statement of Allegations dated September 30, 2022 seeks disgorgement orders, the Commission did not make any allegations about profits allegedly earned by TJL and Gables through the sale of real estate. Although we have not decided the issue on this basis, and did not ask the Commission for submissions on this point, we do have concerns that the Statement of

[18] *Pushka* at para 254

[19] *Pushka* at para 253; *Limelight* at paras 49-54

[20] *Limelight* at para 52

Allegations may not provide sufficient notice of the Commission's intention to seek disgorgement of real estate profits.

3.6 Market participation and director and officer prohibitions

[61] The Commission seeks permanent trading, acquisition, and exemption bans, and registrant and promoter bans against the respondents. The Commission further seeks against Hogg a permanent director and officer ban with respect to all issuers and registrants.

[62] Participation in the capital markets is a privilege, not a right.[21] The Tribunal has repeatedly found that it is in the public interest to permanently deprive those who commit fraud of the privilege of participating in the capital markets.[22]

[63] We find that there are no mitigating circumstances here, and order permanent market participation bans against the respondents and director and officer bans against Hogg.

3.7 Costs

3.7.1 Introduction

[64] Section 127.1 of the *Act* authorizes the Tribunal to order a respondent to pay the costs of an investigation or a hearing if the Tribunal is satisfied that the person or company has not complied with Ontario securities law or has not acted in the public interest.

[65] The Commission seeks costs of $667.605.27, apportioned among the respondents as follows:

a. Hogg, Cryptobontix, Arbitrade Exchange and Arbitrade Bermuda: $534,084.22 jointly and severally; and

b. Hogg, TJL and Gables: $133,521.05 jointly and severally.

[66] A smaller amount is attributed to TJL and Gables because they were only involved in the misappropriation fraud which represents one of the four

[21] *Glen & Christine Erikson v OSC*, 2003 CanLII 2451 (Div Ct) at paras 55-56

[22] *First Global* at paras 213-214

substantive breaches (the others being the gold audit fraud, unregistered trading, and illegal distribution).

3.7.2 The costs sought are reasonable and proportionate in the circumstances

[67] The Commission submits that the costs are reasonable and proportionate in the circumstances. This matter involved the investigation and preparation for a hearing involving a complex multijurisdictional crypto fraud that spanned over two years. There was significant investigation and forensic accounting work done to trace the use of investor funds by the respondents in numerous transactions during the material time involving many real properties, financial institutions, and other intermediaries.

[68] The Commission cites numerous precedents to establish that the costs sought are reasonable and within the range of other cases of serious misconduct including fraud.[23]

[69] We question whether the costs claimed by the Commission actually represent a 38.4% discount, as it submits, to the total costs incurred in connection with the investigation and hearing in this matter. This is because some of the discounted costs incurred are likely not recoverable as they were incurred in connection with obtaining freeze orders in separate court proceedings, as well as acknowledged inefficiencies. However, we find that the costs sought are reasonable and have been proven satisfactorily. The Commission provided an affidavit regarding costs and disbursements, which shows costs of the investigation, pre-hearing activities and the merits hearing. The affidavit lists members of the Commission who participated in each phase, the hourly rates for their positions (which have been previously approved by the Tribunal), and the time spent by them. We also find that the costs sought are in line with precedent cases.

[70] We therefore order the respondents to pay the Commission's costs of the investigation and hearing in the amounts sought.

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[23] *Cartu (Re)*, 2022 ONSEC 4; *Cartu (Re)*, 2022 ONCMT 21 at paras 36-40; *Pro-Financial Asset Management (Re)*, 2018 ONSEC 18 at paras 106-115; *Mughal*, at para 136; *Quadrexx* at paras 117, 120; *Money Gate Mortgage Investment Corporation (Re)*, 2021 ONSEC 10 at para 83; *Paramount* at para 125; *First Global* at para 256; *Sino-Forest* at paras 8, 205-206

4. CONCLUSION

[71] For the above reasons, we order that:

a. pursuant to paragraph 2 of subsection 127(1) of the *Act*, trading in any securities or derivatives by the respondents shall cease permanently;

b. pursuant to paragraph 2.1 of subsection 127(1) of the *Act*, the acquisition of any securities by the respondents is prohibited permanently;

c. pursuant to paragraph 3 of subsection 127(1) of the *Act*, any exemptions contained in Ontario securities law do not apply to the respondents, permanently;

d. pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the *Act*, Hogg shall immediately resign any positions that he holds as a director or officer of an issuer or registrant;

e. pursuant to paragraphs 8 and 8.2 of subsection 127(1) of the *Act*, Hogg is prohibited from becoming or acting as a director or officer of any issuer or registrant, permanently;

f. pursuant to paragraph 8.5 of subsection 127(1) of the *Act*, the respondents are prohibited from becoming or acting as a registrant or as a promoter, permanently;

g. pursuant to paragraph 9 of subsection 127(1) of the *Act*, administrative penalties shall be paid as follows:

   i. Arbitrade Bermuda, $2 million;

   ii. Hogg and Cryptobontix, jointly and severally, $1 million;

   iii. Hogg and Arbitrade Exchange, jointly and severally, $500,000;

   iv. Hogg and Gables, jointly and severally, $500,000; and

   v. Hogg and TJL, jointly and severally, $500,000;

h. pursuant to paragraph 10 of subsection 127(1) of the *Act*:

   i. Arbitrade Bermuda shall disgorge to the Commission the amount of US $41,622,965.27, of which amount Hogg and Cryptobontix shall be jointly and severally liable to disgorge US $7,822,296.72; and

ii. Hogg shall disgorge to the Commission an additional amount of US $10,109,038, of which amount:

- TJL shall be jointly and severally liable to disgorge US $5,637,259.39; and
- Gables shall be jointly and severally liable to disgorge US $4,345,737.14; and

i. pursuant to section 127.1 of the *Act*:

i. Hogg, Cryptobontix, Arbitrade Exchange and Arbitrade Bermuda shall pay costs to the Commission in the amount of $534,084.22, for which they shall be jointly and severally liable; and

ii. Hogg, TJL and Gables shall pay costs to the Commission in the amount of $133,521.05, for which they shall be jointly and severally liable.

Dated at Toronto this 19th day of December, 2024

"Andrea Burke"

Andrea Burke

"Sandra Blake"

Sandra Blake

"M. Cecilia Williams"

M. Cecilia Williams