



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- AND -

**IN THE MATTER OF
2 WONGS MAKE IT RIGHT ENTERPRISES LTD.,
1409779 ALBERTA LTD. o/a CANREIG EDMONTON,
INTEGRITY PLUS MANAGEMENT INC.,
KHOM WONG, also known as KHOM NGOAN HUYNH,
and JANEEN WONG, also known as JANEED M. SCHIMPF**

**REASONS AND DECISION
(Sections 127(1) and 127(10) of the *Securities Act*)**

Decision: November 30, 2015

Panel: Mary G. Condon - Commissioner

Submissions by: Keir D. Wilmut - For Staff of the Commission

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REASONS AND DECISION

I. OVERVIEW

- [1] This was a hearing conducted in writing before the Ontario Securities Commission (the "**Commission** or **OSC**") pursuant to subsections 127(1) and 127(10) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") to consider whether it is in the public interest to make an order imposing sanctions against 2 Wongs Make It Right Enterprises Ltd. ("**2 Wongs**"), 1409779 Alberta Ltd. o/a CANREIG Edmonton ("**779**"), Integrity Plus Management Inc. ("**Integrity Plus**") (together, "**2 Wongs Issuers**"), Khom Wong, also known as Khom Ngoan Huynh ("**Khom**"), and Janeen Wong, also known as Janeen M. Schimpf ("**Janeen**") (collectively, the "**Respondents**").
- [2] A notice of hearing (the "**Notice of Hearing**") in this matter was issued by the Commission on January 29, 2015, in relation to a statement of allegations (the "**Statement of Allegations**") filed by Staff of the Commission ("**Staff**") on the same date.
- [3] On March 2, 2015, Staff brought an application to proceed by way of a written hearing in accordance with Rule 11.5 of the Commission's *Rules of Procedure* (2012), 35 O.S.C.B. 10071 ("**Rules of Procedure**"), and subsection 5.1(2) of the *Statutory Powers Procedures Act*, R.S.O. 1990, c. S. 22, as amended (the "**SPPA**"). The Respondents did not appear at the hearing, despite being provided with the Notice of Hearing, Statement of Allegations and disclosure, consisting of a copy of the Alberta Securities Commission's decision dated November 27, 2014.
- [4] On March 5, 2015, the Commission issued an order (the "**March 5 Order**"), stating that it would grant Staff's application to proceed by way of written hearing, subject to the Respondents' right to object under the *Rules of Procedure*. The Commission ordered that the Respondents shall advise of any objections they have to proceeding by way of a written hearing by March 25, 2015 and that the Commission will consider objections from the Respondents, if any.
- [5] Staff filed an Affidavit of Lee Crann (the "**Crann Affidavit**"), sworn March 31, 2015, confirming service of the March 5 Order on the Respondents, as well as service of Staff's written submissions, hearing brief and brief of authorities.
- [6] The Respondents did not file any responding materials. I am satisfied that the Respondent was provided with notice of the March 5 Order. Pursuant to Rule 7.1 of the Commission's *Rules of Procedure* and subsection 7(2) of the *SPPA*, I may proceed in the absence of the Respondents.
- [7] These are my reasons and decision with respect to the sanctions sought by Staff in this matter.

II. THE DECISION AND ORDER OF THE ALBERTA SECURITIES COMMISSION

- [8] On November 27, 2014, a panel of the Alberta Securities Commission (the "**ASC Panel**") found that the Respondents committed various breaches of the *Alberta Securities Act*, R.S.A. 2000, c. S-4 (the "**ASA**", and *Re 2 Wongs Make It Right Enterprises Ltd.*, 2014 ABASC 475 ("**ASC Decision**").

[9] The ASC Panel, in the same decision, imposed various sanctions on the Respondents, which would be sanctions, conditions, restriction or requirements that fall within the meaning of paragraph 4 of subsection 127(10) of the *Act*.

A. The Decision of the Alberta Securities Commission

[10] The conduct for which the Respondents were sanctioned occurred between March 2008 and August 2011 (the "**Material Time**").

[11] During the Material Time, Khom and Janeen were residents of Alberta. Khom was the sole shareholder, and a director and officer of 2 Wongs. Khom was also the sole director of each of 779 and Integrity Plus. Janeen, the other individual respondent, is Khom's spouse, and was also a director and officer of 2 Wongs, and the sole shareholder of Integrity Plus.

[12] With respect to the corporations that are respondents in this proceeding, 2 Wongs and 779 were both incorporated in Alberta. 779 was wholly owned by 2 Wongs. Integrity Plus was a federal corporation. The ASC Panel noted that all three corporations have been struck under their incorporating laws.

[13] The Respondents made admissions in respect of the alleged breaches of the ASA. The ASC Panel made the following findings, consistent with the admissions of the Respondents. The ASC Panel found that:

(a) Each of the Respondents acted as a dealer without being registered to do so, contrary to section 75(1)(a) of the ASA;

(b) Each of the Respondents engaged in an illegal distribution of securities, contrary to section 110(1) of the ASA;

(c) As directors or officers (or both) of 2 Wongs, 779 and Integrity Plus, Khom and Janeen authorized, permitted or acquiesced in the contraventions of sections 75(1)(a) and 110(1) of the ASA by the 2 Wongs Issuers;

(d) Khom acted as an adviser without being registered to do so, contrary to section 75(l)(b) of the ASA;

(e) Khom made misrepresentations to investors, contrary to section 92(4.1) of the ASA; and

(f) Khom perpetrated a fraud, contrary to section 93(b) of the ASA.

[14] The ASC Panel found that during the Material Time, Khom and the 2 Wongs Issuers raised approximately \$4,970,000 from approximately 46 investors for investments in CANREIG and in Alberta real estate developments.

[15] The ASC Panel also found that Khom perpetrated fraud because he advised investors to maximize the amount of funds they could borrow on the equity in their homes by making simultaneous loan applications to several lending institutions on the same day (Khom referred to this as the multi-loan game or the money loan game). The ASC Panel found that "the deception was made at Khom's prompting, and both the purpose and the effect were to enable investors to invest more money in the securities he was selling, thereby putting the investors' pecuniary interests at risk" (ASC Decision, para. 42).

B. The Order of the Alberta Securities Commission

[16] The ASC imposed the following sanctions, conditions, restrictions or requirements (the "**ASC Order**"):

(a) Upon 2 Wongs:

- i. under section 198(l)(a) of the ASA, all trading in or purchasing of 2 Wongs securities must cease permanently;
- ii. under sections 198(l)(b) and (c) of the ASA, 2 Wongs must cease trading in or purchasing securities, and all of the exemptions contained in Alberta securities laws do not apply to it permanently;
- iii. under section 198(l)(e.2) of the ASA, 2 Wongs is prohibited from becoming or acting as a registrant, investment fund manager or promoter permanently; and
- iv. under section 198(l)(e.3) of the ASA, 2 Wongs is prohibited from acting in a management or consultative capacity in connection with activities in the securities market permanently;

(b) Upon 779:

- i. under section 198(l)(a) of the ASA, all trading in or purchasing of 779 securities must cease permanently;
- ii. under sections 198(l)(b) and (c) of the ASA, 779 must cease trading in or purchasing securities, and all of the exemptions contained in Alberta securities laws do not apply to it permanently;
- iii. under section 198(l)(e.2) of the ASA, 779 is prohibited from becoming or acting as a registrant, investment fund manager or promoter permanently; and
- iv. under section 198(l)(e.3) of the ASA, 779 is prohibited from acting in a management or consultative capacity in connection with activities in the securities market permanently;

(c) Upon Integrity Plus:

- i. under section 198(l)(a) of the ASA, all trading in or purchasing of Integrity Plus securities must cease permanently;
- ii. under sections 198(l)(b) and (c) of the ASA, Integrity Plus must cease trading in or purchasing securities, and all of the exemptions contained in Alberta securities laws do not apply to it permanently;
- iii. under section 198(l)(e.2) of the ASA, Integrity Plus is prohibited from becoming or acting as a registrant, investment fund manager or promoter permanently; and
- iv. under section 198(l)(e.3) of the ASA, Integrity Plus is prohibited from acting in a management or consultative capacity in connection with activities in the securities market permanently;

- (d) Upon Khom:
- i. under section 198(l)(d) of the ASA, Khom must resign all positions he holds as a director or officer of any issuer;
 - ii. under section 199 of the ASA, Khom must pay an administrative penalty to the ASC of \$35,000;
 - iii. until and including November 27, 2024:
 1. under sections 198(l)(b) and (c) of the ASA, Khom must cease trading in or purchasing securities, and all of the exemptions contained in Alberta securities laws do not apply to him, except that these orders do not preclude him from trading in or purchasing securities through a registrant (who has first been given a copy of the ASC Order) in registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs") or tax-free savings accounts ("TFSA"), or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of him, his spouse and his dependent children;
 2. under section 198(l)(e) of the ASA, Khom is prohibited from becoming or acting as a director or officer (or both) of any issuer;
 3. under section 198(l)(e.1) of the ASA, Khom is prohibited from advising in securities;
 4. under section 198(l)(e.2) of the ASA, Khom is prohibited from becoming or acting as a registrant, investment fund manager or promoter; and
 5. under section 198(l)(e.3) of the ASA, Khom is prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
 - iv. under section 202 of the ASA, Khom must pay to the ASC, jointly and severally with Janeen, \$7,500 of the costs of the ASC's investigation and hearing;
- (e) Upon Janeen:
- i. under section 198(l)(d) of the ASA, Janeen must resign all positions she holds as a director or officer of any issuer;
 - ii. under section 199 of the ASA, Janeen must pay an administrative penalty to the ASC of \$15,000;
 - iii. until and including November 27, 2024:
 1. under sections 198(l)(b) and (c) of the ASA, Janeen must cease trading in or purchasing securities, and all of the exemptions contained in Alberta securities laws do not

apply to her, except that these orders do not preclude her from trading in or purchasing securities through a registrant (who has first been given a copy of the ASC Order) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of her, her spouse and her dependent children;

2. under section 198(l)(e) of the ASA, Janeen is prohibited from becoming or acting as a director or officer (or both) of any issuer;
 3. under section 198(l)(e.1) of the ASA, Janeen is prohibited from advising in securities;
 4. under section 198(l)(e.2) of the ASA, Janeen is prohibited from becoming or acting as a registrant, investment fund manager or promoter; and
 5. under section 198(l)(e.3) of the ASA, Janeen is prohibited from acting in a management or consultative capacity in connection with activities in the securities market; and
- iv. under section 202 of the ASA, Janeen must pay to the ASC, jointly and severally with Khom, \$7,500 of the costs of the ASC's investigation and hearing.

III. SUBMISSIONS OF THE PARTIES

A. Staff's Submissions

[17] Staff submit that the following order should be issued in order to adequately protect the capital markets in Ontario. Staff submit that they seek to impose terms which mirror the sanctions imposed by the ASC, to the extent possible under the Act.

[18] Staff requests that the following sanctions be imposed on the Respondents:

(a) Against 2 Wongs that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities of 2 Wongs cease permanently;
- ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by 2 Wongs cease permanently;
- iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by 2 Wongs be prohibited permanently;
- iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities laws do not apply to 2 Wongs permanently; and
- v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, 2 Wongs shall be prohibited permanently from becoming or acting

as a registrant, as an investment fund manager or as a promoter;

- (b) Against 779 that:
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities of 779 cease permanently;
 - ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by 779 cease permanently;
 - iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by 779 be prohibited permanently;
 - iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities laws do not apply to 779 permanently; and
 - v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, 779 shall be prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (c) Against Integrity Plus that:
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities of Integrity Plus cease permanently;
 - ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Integrity Plus cease permanently;
 - iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Integrity Plus be prohibited permanently;
 - iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities laws do not apply to Integrity Plus permanently; and
 - v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Integrity Plus be prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (d) Against Khom that:
- i. pursuant to paragraph 1 of subsection 127(1), any registration granted to Khom under Ontario securities law be prohibited until November 27, 2024;
 - ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Khom cease until November 27, 2024, except that this order does not preclude him from trading in securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding, if granted) in registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs") or tax-free savings accounts ("TFSA"), or their

equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of him, his spouse and his dependent children;

- iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Khom cease until November 27, 2024, except that this order does not preclude him from purchasing securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding, if granted) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of him, his spouse and his dependent children;
- iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Khom until November 27, 2024, except that this order does not preclude him from trading in or purchasing securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding, if granted) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of him, his spouse and his dependent children;
- v. pursuant to paragraph 7 of subsection 127(1) of the Act, Khom resign any positions that he holds as director or officer of any issuer;
- vi. pursuant to paragraph 8 of subsection 127(1) of the Act, Khom be prohibited until November 27, 2024 from becoming or acting as an officer or director of any issuer; and
- vii. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Khom be prohibited until November 27, 2024 from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(e) Against Janeen that:

- i. pursuant to paragraph 1 of subsection 127(1), any registration granted to Janeen under Ontario securities law be prohibited until November 27, 2024;
- ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Janeen cease until November 27, 2024, except that this order does not preclude her from trading in securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding, if granted) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of her, her spouse and her dependent children;

- iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Janeen cease until November 27, 2024, except that this order does not preclude her from purchasing securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding, if granted) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of her, her spouse and her dependent children;
- iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Janeen until November 27, 2024, except that this order does not preclude her from trading in or purchasing securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding, if granted) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of her, her spouse and her dependent children;
- v. pursuant to paragraph 7 of subsection 127(1) of the Act, Janeen resign any positions that she holds as director or officer of any issuer;
- vi. pursuant to paragraph 8 of subsection 127(1) of the Act, Janeen be prohibited until November 27, 2024 from becoming or acting as an officer or director of any issuer; and
- vii. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Janeen be prohibited until November 27, 2024 from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(f) to make such other order or orders as the Commission considers appropriate.

B. Respondents' Submissions

[19] The Respondents did not appear and did not make any submissions in this proceeding.

IV. ANALYSIS

A. Inter-jurisdictional Enforcement

[20] The relevant pre-conditions to be met for an inter-jurisdictional order are articulated in paragraph 4 of subsection 127(10) of the *Act*. An order may be made if:

- 4. The person or company is 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 person or company.

- [21] The Commission held in *Elliott (Re)* (2009), 23 O.S.C.B. 6931 ("**Elliott**") that subsection 127(10) "allows the Commission to consider any convictions or orders made against an individual in other jurisdictions, when deciding whether or not to make an order under subsection 127(1) or (5) in the public interest." (*Elliott* at para. 24)
- [22] In *Euston Capital Corp. (Re)* (2009), 32 O.S.C.B. 6313 ("**Euston Capital**"), the Commission concluded that subsection 127(10) of the *Act* can be the grounds for an order in the public interest under subsection 127(1) of the *Act*:

... we conclude that we can make an order against the Respondents pursuant to our public interest jurisdiction under section 127 of the *Act* on the basis of decisions and orders made in other jurisdictions, if we find it necessary in order to protect investors in Ontario and the integrity of Ontario's capital markets.

(*Euston Capital, supra*, at para. 46.)

- [23] Pursuant to the ASC Order, the Respondents are subject to sanctions, conditions, restrictions or requirements imposed by a regulatory authority within the meaning of paragraph 4 of subsection 127(10) of the *Act*. Accordingly, based on the ASC Order, the Commission may make one or more orders under subsection 127(1) of the *Act*, if in its opinion it is in the public interest to do so.
- [24] While a panel may rely on the findings of the other jurisdiction, it must then satisfy itself that an order for sanctions is necessary to protect the public interest in Ontario:

The applicability of subsection 127(10) to the BCSC Order and the Settlement Agreement does not automatically lead to the conclusion that this Panel must make an order similar to that made by the BCSC against Elliott. Rather, we must first consider whether or not sanctions are necessary to protect the public interest, before exercising any powers granted to us under subsections 127(1) and (5), and second, if necessary, consider what the appropriate sanctions should be.

(*Elliott, supra* at para. 27.)

- [25] The ASC Panel made determinations of fact which the Commission may consider under section 127(10) of the *Act*. The Commission's task is then to determine whether, based on those findings of fact, the sanctions proposed by Staff would be in the public interest in Ontario. An important factor to consider is whether, if the facts had occurred in Ontario, the respondents' conduct would have constituted a breach of the *Act* and been considered contrary to the public interest, such that it would attract the same or similar sanctions. (*Re JV Raleigh Superior Holdings Inc.* (2013), 36 O.S.C.B. 4639) at para.16)

- [26] The Commission has relied on the findings made in other jurisdictions, and has not required a nexus to Ontario, when considering imposing an inter-jurisdictional order (*Re Cho (c.o.b. Chosen Media and Groops Media)* (2014), 37 O.S.C.B. 7285; *Re Lough* (2014), 37 O.S.C.B. 10744; *Re Sundell* (2014), 37 O.S.C.B. 10755). However, while a nexus to Ontario is not a necessary precondition to the Commission's jurisdiction, it is a factor that may be considered by the Commission in determining whether to make such an order (*Euston, supra* at para. 42 citing *Biller (Re)* (2005), 28 O.S.C.B. 10131 at para. 32).
- [27] Staff submit that they have no evidence to suggest that the Respondents were soliciting investors in Ontario. However, based on the findings of the ASC Panel, Staff submit that it is in the public interest to protect Ontario investors from the Respondents by preventing or limiting their participation in Ontario's capital markets.

B. The Commission's Discretion to Determine Sanctions

- [28] I may make an order against the Respondents under section 127 of the Act based on the findings of the ASC Panel and the ASC Order if I find it necessary to protect investors in Ontario and the integrity of Ontario's capital markets.
- [29] The ASC Order imposed significant sanctions on the Respondents. As previously indicated, Staff submit that the Commission should exercise its discretion to impose sanctions substantially similar to those imposed in the ASC Order to the extent possible under the Act.

C. Should an Order for Sanctions be imposed in Ontario?

- [30] When exercising the public interest jurisdiction under section 127 of the Act, I must consider the purposes of the Act. Those purposes, set out in section 1.1 of the Act, are:
- (a) to provide protection to investors from unfair, improper or fraudulent practices; and
 - (b) to foster fair and efficient capital markets and confidence in capital markets.
- [31] In pursuing these purposes, I must have regard to the fundamental principles that animate the purposes of the Act. Section 2.1 of the Act provides that one of the primary means for achieving the purposes of the Act is to restrict fraudulent and unfair market practices and procedures. Another fundamental principle is that:
- [t]he integration of capital markets [be] supported and promoted by the sound and responsible harmonization and co-ordination of securities regulation regimes.
- (Act, *supra* at subsection 2.1(5)).
- [32] The principles that guide the Commission in exercising its public interest jurisdiction are reflected in *Committee for Equal Treatment of Asbestos Minority*

Shareholders v. Ontario (Securities Commission) 2001 S.C.C. 37 ("**Asbestos**") where the Supreme Court of Canada considered the nature of section 127:

[I]t is important to recognize that s. 127 is a regulatory provision. In this regard, I agree with Laskin J.A. that "[t]he purpose of the Commission's public interest jurisdiction is neither remedial nor punitive; it is protective and preventive....

...[t]he purpose of an order under s. 127 is to restrain future conduct that is likely to be prejudicial to the public interest in fair and efficient capital markets. The role of the OSC under s. 127 is to protect the public interest by removing from the capital markets those whose past conduct is so abusive as to warrant apprehension of future conduct detrimental to the integrity of the capital markets."

(*Asbestos*, at paras. 42-43, citing *Re Mithras Management Ltd.* (1990), 13 O.S.C.B. 1600.)

- [33] The threshold for determining whether it is in the public interest to reciprocate an order from another regulatory authority is a low threshold (*Re JV Raleigh Superior Holdings Inc.* (2013), 36 O.S.C.B. 4639 at para. 21). While the Commission must make its own determination of what is in the public interest, "it is important that the Commission be aware of and responsive to an increasingly complex and interconnected cross-border securities industry" (*Re New Futures Trading International Corp.* (2013), 36 O.S.C.B. 5713 at para. 23; *Re JV Raleigh Superior Holdings Inc.* (2013), 36 O.S.C.B. 4639 at para. 21).
- [34] Staff submit, and I agree, that it is in the public interest to make a protective order in the present circumstances. The Respondents were found to have breached Alberta securities law and the conduct for which the Respondents were sanctioned would constitute contraventions of Ontario securities law.
- [35] In light of the ASC Order, I find that it is necessary to order sanctions against the Respondents in the public interest to protect investors in Ontario and the integrity of Ontario's capital markets from future abusive conduct. I consider specific aspects of the ASC Order below. Moreover, I have the authority to make a public interest order under subsections 127(1) and 127(10) of the *Act*, based on the ASC Findings and the ASC Order.

D. **The Appropriate Sanctions**

- [36] The Supreme Court of Canada has affirmed that the Commission may make an order under section 127 of the *Act* for the purposes of deterrence, stating that "it is reasonable to view general deterrence as an appropriate, and perhaps necessary, consideration in making orders that are both protective and preventative" (*Cartaway Resources Corp.*, 2004 SCC 26 ("**Cartaway**") at para. 60). The Supreme Court of Canada also held that "deterrence is prospective in orientation and aims at preventing future conduct" (*Cartaway*, *supra* at para. 52).

[37] The Commission has held that, in determining appropriate sanctions it is necessary to take into account circumstances that are relevant to the particular respondents. In determining the nature and duration of the appropriate sanctions in this case, I must consider all of the relevant facts and circumstances before me. Previous decisions of the Commission have identified a list of factors to be considered in sanctioning respondents. The factors I consider most relevant in this case are:

- (c) the seriousness of the misconduct and the breaches of the ASA;
- (d) the level of a respondent's activity in the marketplace;
- (e) whether or not there has been a recognition of the seriousness of the improprieties
- (f) any mitigating factors.

(Re Belteco Holdings Inc. (1998), 21 O.S.C.B. 7743 at 7746; M.C.J.C. Holdings (Re) (2002), 25 O.S.C.B. 1133 at p. 1134.)

Seriousness of the Misconduct

[38] The ASC Panel found that each of the Respondents acted as a dealer without being registered and engaged in illegal distribution of securities. The ASC Panel also found that Khom acted as an adviser without being registered, made misrepresentations to investors and perpetrated a fraud. As a result, the 2 Wongs Issuers have been banned from participation in the capital markets permanently, and Khom and Janeen, the individual respondents, have been banned for a period of 10 years.

[39] In Ontario, as in Alberta, individuals are required to register in order to ensure that they meet the level of integrity, solvency and proficiency required to maintain the trust of the investing public in the capital markets. Engaging in unregistered trading and advising, illegal distribution of securities, making misrepresentations to investors and perpetrating fraud is all serious misconduct.

Level of Respondents' Activity in the Marketplace

[40] The Respondents raised approximately 4,970,000 from approximately 46 investors. The Respondents' activities persisted for more than three years.

Whether or not there has been a Recognition of the Seriousness of the Improprieties

[41] The Respondents submitted a statement to the ASC Panel admitting their alleged breaches of the ASA. In my view, by submitting a statement of admissions, the Respondents have demonstrated a recognition of the seriousness of the allegations. The ASC Panel also found that Khom and Janeen "recognize the seriousness of, and accept responsibility for, their misconduct and that of the 2 Wongs Issuers" (para.50).

Mitigating Factors

[42] The ASC Panel identified a number of factors that mitigated the severity of sanctions against the Respondents. The ASC Panel held that "we accept that

Khom and Janeen are genuinely contrite. This is mitigating, and warrants recognition in our sanctions decision” (para. 56). The ASC Panel noted that Khom and Janeen cooperated with Staff of the ASC, that they signed the statement of admissions, did not challenge statements from investors, and that the Respondents, with Staff of the ASC, jointly recommended bans on access to the market. Further, the ASC Panel noted that there was no prior history of capital markets disciplinary sanctions against the Respondents. I find that these factors mitigate the severity of any sanctions to be imposed in Ontario.

V. CONCLUSION

[43] Accordingly, I find it is in the public interest to issue the following orders upon the Respondents:

(a) Against 2 Wongs that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities of 2 Wongs cease permanently;
- ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by 2 Wongs cease permanently;
- iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by 2 Wongs be prohibited permanently;
- iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities laws do not apply to 2 Wongs permanently; and
- v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, 2 Wongs shall be prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(b) Against 779 that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities of 779 cease permanently;
- ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by 779 cease permanently;
- iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by 779 be prohibited permanently;
- iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities laws do not apply to 779 permanently; and
- v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, 779 shall be prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(c) Against Integrity Plus that:

- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities of Integrity Plus cease permanently;
 - ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities by Integrity Plus cease permanently;
 - iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities by Integrity Plus be prohibited permanently;
 - iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities laws do not apply to Integrity Plus permanently; and
 - v. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Integrity Plus be prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;
- (d) Against Khom that:
- i. pursuant to paragraph 1 of subsection 127(1), Khom shall be prohibited under Ontario securities law from being registered in any category from which he is prohibited by the ASC Order until November 27, 2024;
 - ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities in Ontario by Khom cease until November 27, 2024, except that this order does not preclude him from trading in securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding) in registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs") or tax-free savings accounts ("TFSAs"), or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of him, his spouse and his dependent children;
 - iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities in Ontario by Khom cease until November 27, 2024, except that this order does not preclude him from purchasing securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of him, his spouse and his dependent children;
 - iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Khom until November 27, 2024, except that this order does not preclude him from trading in or purchasing securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding)

in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of him, his spouse and his dependent children;

- v. pursuant to paragraph 7 of subsection 127(1) of the Act, Khom resign any positions that he holds as director or officer of any issuer;
- vi. pursuant to paragraph 8 of subsection 127(1) of the Act, Khom be prohibited until November 27, 2024 from becoming or acting as an officer or director of any issuer; and
- vii. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Khom be prohibited until November 27, 2024 from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(e) Against Janeen that:

- i. pursuant to paragraph 1 of subsection 127(1), Janeen shall be prohibited under Ontario securities law from being registered in any category from which she is prohibited by the ASC Order until November 27, 2024;
- ii. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities in Ontario by Janeen cease until November 27, 2024, except that this order does not preclude her from trading in securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of her, her spouse and her dependent children;
- iii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, acquisition of any securities in Ontario by Janeen cease until November 27, 2024, except that this order does not preclude her from purchasing securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income Tax Act* (Canada), for the benefit of one or more of her, her spouse and her dependent children;
- iv. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Janeen until November 27, 2024, except that this order does not preclude her from trading in or purchasing securities through a registrant (who has first been given a copy of the ASC Order and a copy of the Order of the Commission in this proceeding) in RRSPs, RRIFs, RESPs or TFSAs, or their equivalents as may from time to time be defined in the *Income*

Tax Act (Canada), for the benefit of one or more of her, her spouse and her dependent children;

- v. pursuant to paragraph 7 of subsection 127(1) of the Act, Janeen resign any positions that she holds as director or officer of any issuer;
- vi. pursuant to paragraph 8 of subsection 127(1) of the Act, Janeen be prohibited until November 27, 2024 from becoming or acting as an officer or director of any issuer; and
- vii. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Janeen be prohibited until November 27, 2024 from becoming or acting as a registrant, as an investment fund manager or as a promoter.

Dated at Toronto this 30th day of November, 2015.

"Mary Condon"

Mary G. Condon