



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  
QUANTFX ASSET MANAGEMENT INC., VADIM TSATSKIN,  
LUCIEN SHTROMVASER and ROSTISLAV ZEMLINSKY**

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**SETTLEMENT AGREEMENT  
BETWEEN STAFF AND VADIM TSATSKIN**

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**PART I - INTRODUCTION**

1. By Notice of Hearing dated November 10, 2010 and an Amended Notice of Hearing dated November 17, 2010 the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on November 18, 2010, pursuant to sections 37, 127, and 127.1 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 orders, as specified therein, against QuantFX Asset Management Inc. ("QuantFX") and its directors, Vadim Tsatskin ("Tsatskin"), Lucien Shtromvaser ("Shtromvaser") and Rostislav Zemlinsky ("Zemlinsky") (collectively the "Respondents"). The Notice of Hearing and Amended Notice of Hearing were issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff") dated November 10, 2010.

2. The Statement of Allegations alleged breaches of the Act and conduct contrary to the public interest for a time period from September 6, 2009 until April 13, 2010 (the "Material Time").

3. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 37 and 127 of the Act, it is in the public interest for the

Commission to approve this Settlement Agreement and to make certain orders in respect of Tsatskin.

## **PART II – JOINT SETTLEMENT RECOMMENDATION**

4. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing dated November 10, 2010 and the Amended Notice of Hearing dated November 17, 2010 against Tsatskin (the “Proceeding”) in accordance with the terms and conditions set out below. Tsatskin consents to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

## **PART III – AGREED FACTS**

### **i) The Business of QuantFX**

5. QuantFX was federally incorporated on August 4, 2009 and had its offices at an address located in Toronto, Ontario. Its founding directors were Tsatskin, Shtromvaser and Zemlinsky who continued as its directors during the Material Time.

6. During the Material Time, Tsatskin was a directing mind of QuantFX. Tsatskin signed documents on behalf of QuantFX as its ‘vice-president’ and its “chairman”.

7. During the Material Time, Tsatskin was not registered in any capacity with the Commission.

8. QuantFX, Shtromvaser and Zemlinsky have never been registered with the Commission in any capacity. As a directing mind of QuantFX, Tsatskin was aware of this.

9. Shtromvaser and Tsatskin were responsible for the development of the business infrastructure of QuantFX and its marketing and development, including the solicitation of clients. Zemlinsky was responsible for the trading on behalf of QuantFX clients.

10. From offices in Vaughan, Ontario, the agents of QuantFX solicited clients through its website and over the internet to invest in the currency market through accounts at GAIN Capital – Forex.com UK Ltd. (“Forex.com UK”).
11. Agents of QuantFX also solicited potential clients over the telephone. The operations of Forex.com UK and its clients’ accounts are located in the UK.
12. QuantFX also promoted its investment services on a website. This website contained misleading and/or inaccurate statements about the historical trading performance of QuantFX, the QuantFX management and its client base.
13. Clients of QuantFX, some of whom resided in Ontario, were instructed by QuantFX to deposit funds (the “Client Funds”) directly with Forex.com UK in accounts in their names (the “Managed Accounts”).
14. QuantFX and its agents then directed these clients to sign a limited power of attorney over the Managed Accounts allowing Zemlinsky to trade foreign exchange contracts on their behalf through Forex.com UK. This trading in foreign exchange contracts constituted trading in securities.
15. The Client Funds were then pooled by Zemlinsky and used to conduct trading in currency contracts through accounts in his name at Forex.com UK (the “Master Accounts”). He performed the foreign exchange contract trading from locations in Toronto, Ontario. Zemlinsky also allowed other traders in Russia to conduct trades in foreign exchange contracts from the Master Accounts using his password information.
16. Profits and losses in the Master Accounts were then distributed back to the Managed Accounts. Zemlinsky only had access to the Client Funds to permit him to trade in the Master Accounts. He could not instruct Forex.com UK to withdraw any funds from the Managed Accounts.
17. Clients of QuantFX also entered into a profit sharing agreement with QuantFX whereby QuantFX would receive 42.5% of any trading profits realized.

18. During the Material Time, clients placed a total of approximately \$680,000 U.S. in the Managed Accounts.

19. Tsatskin, Shtromvaser and Zemlinsky all discussed and considered whether their activities in relation to QuantFX required registration with the Commission. All reached the conclusion that they were not required to be registered with the Commission.

**ii) The Unregistered Trading of Securities by QuantFX and Tsatskin**

20. The trading of foreign exchange contracts or advising regarding the trading of foreign exchange contracts by persons or companies in Ontario requires registration under section 25 of the Act.

21. Tsatskin's activities, individually and as a director and officer of QuantFX, constituted trading of securities contrary to subsection 25(1) of the Act. Further, Tsatskin held himself out as engaging in the business of trading securities without the proper registration contrary to subsection 25(1) of the Act through his actions, both individually and as a director and officer of QuantFX.

22. Tsatskin, individually and through his role as a director and officer of QuantFX, engaged in the business of advising members of the public with respect to the investing in, buying or selling securities of QuantFX and held himself out as engaging in the business of advising members of the public with respect to the investing in, buying or selling securities of QuantFX contrary to subsection 25(3) of the Act.

**iii) The Illegal Distribution of Securities by QuantFX and Tsatskin**

23. Forex.com UK has never filed a prospectus or a preliminary prospectus with the Commission or obtained receipts for them from the Director regarding the trading of foreign exchange contracts in its accounts by account holders situated in Ontario. Further, these foreign exchanges contracts did not qualify for any exemption under Ontario securities law which would otherwise permit their trading.

24. The business of QuantFX, of which Tsatskin was a director and officer, was to persuade investors in Ontario and elsewhere to open trading accounts at Forex.com UK to allow QuantFX, primarily through Zemlinsky, to conduct foreign exchange contract trading on behalf of these investors.

25. From locations in Ontario, Zemlinsky, as part of the business of QuantFX, conducted trades of foreign exchange contracts on behalf of residents of Ontario and elsewhere. Tsatskin was aware of the activities of Zemlinsky and authorized these activities as a director and officer of QuantFX.

26. The trading of foreign exchange contracts by persons or companies in Ontario must meet the prospectus requirements under subsection 53(1) of the Act or qualify for an exemption.

#### **PART IV - CONDUCT CONTRARY TO THE PUBLIC INTEREST**

27. By engaging in the conduct described above, Tsatskin admits and acknowledges that he contravened Ontario securities law during the Material Time in the following ways:

- (a) During the Material Time, Tsatskin engaged in the trading of securities and held himself out as engaging in the business of trading securities without being registered in accordance with Ontario securities law, contrary to subsection 25(1) of the Act and contrary to the public interest;
- (b) During the Material Time, Tsatskin engaged in the business of advising members of the public and held himself out as engaging in the business of advising members of the public with respect to the investing in, buying or selling securities of QuantFX without being registered in accordance with Ontario securities law, contrary to subsection 25(3) of the Act and contrary to the public interest; and
- (c) During the Material Time, Tsatskin traded in foreign exchange contracts when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for these foreign exchange contracts by the Director, contrary to subsection 53(1) of the Act and contrary to the public interest.

28. Tsatskin admits and acknowledges that he acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 27 (a), (b) and (c) above.

#### **PART VI - TERMS OF SETTLEMENT**

29. Tsatskin agrees to the terms of settlement listed below.

30. The Commission will make an order, pursuant to section 37 and subsection 127(1) of the Act, that:

- (a) the Settlement Agreement is approved;
- (b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Tsatskin cease permanently from the date of the approval of the Settlement Agreement;
- (c) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Tsatskin is prohibited permanently from the date of the approval of the Settlement Agreement;
- (d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Tsatskin permanently from the date of the approval of the Settlement Agreement;
- (e) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act, Tsatskin is prohibited permanently from the date of the approval of the Settlement Agreement from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;
- (f) pursuant to clause 8.5 of subsection 127(1) of the Act, Tsatskin is prohibited permanently from the date of the approval of the Settlement Agreement from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(g) pursuant to clause 10 of subsection 127(1) of the Act, Tsatskin shall disgorge to the Commission the amount of \$7,154 obtained as a result of his non-compliance with Ontario securities law, to be paid to or for the benefit of third parties designated by the Commission, pursuant to subsection 3.4(2)(b) of the Act;

(h) pursuant to clause 9 of subsection 127(1) of the Act, Tsatskin shall pay an administrative penalty in the amount of \$15,000 for his failure to comply with Ontario securities law, to be paid to or for the benefit of third parties designated by the Commission, pursuant to subsection 3.4(2)(b) of the Act; and

(i) pursuant to subsection 37(1) of the Act, Tsatskin is prohibited permanently, from the date of the approval of the Settlement Agreement, from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities.

31. Tsatskin undertakes to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in subparagraphs 30 (b) to (f) and (i) above.

#### **PART VII - STAFF COMMITMENT**

32. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Tsatskin in relation to the facts set out in Part III herein, subject to the provisions of paragraph 33 below.

33. If this Settlement Agreement is approved by the Commission, and at any subsequent time Tsatskin fails to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Tsatskin based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

### **PART VIII - PROCEDURE FOR APPROVAL OF SETTLEMENT**

34. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and Tsatskin for the scheduling of the hearing to consider the Settlement Agreement.

35. Staff and Tsatskin agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding the conduct of Tsatskin in this matter, unless the parties agree that further facts should be submitted at the settlement hearing.

36. If this Settlement Agreement is approved by the Commission, Tsatskin agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

37. If this Settlement Agreement is approved by the Commission, no party will make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

38. Whether or not this Settlement Agreement is approved by the Commission, Tsatskin agrees that they will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

### **PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT**

39. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

- (a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and Tsatskin leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and Tsatskin;  
and
- (b) Staff and Tsatskin shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the



allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

40. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of Tsatskin and Staff or as may be required by law.

**PART X - EXECUTION OF SETTLEMENT AGREEMENT**

41. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement

42. A facsimile copy of any signature will be as effective as an original signature.

Dated this 3rd day of October, 2011.

Signed in the presence of:

***“J. Morton”***

\_\_\_\_\_  
Witness

***“Vadim Tsatskin”***

\_\_\_\_\_  
**Vadim Tsatskin**

Dated this 3rd day of October, 2011.

**STAFF OF THE ONTARIO SECURITIES COMMISSION**

***“Tom Atkinson”***

\_\_\_\_\_  
**Tom Atkinson**  
Director, Enforcement Branch

Dated this 5th day of October, 2011.

SCHEDULE "A"



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

P.O. Box 55, 19<sup>th</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

CP 55, 19e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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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  
QUANTFX ASSET MANAGEMENT INC., VADIM TSATSKIN,  
LUCIEN SHTROMVASER and ROSTISLAV ZEMLINSKY**

**- AND -**

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN STAFF OF THE  
ONTARIO SECURITIES COMMISSION AND VADIM TSATSKIN**

**ORDER  
(Sections 37 and 127(1))**

**WHEREAS** by Notice of Hearing dated November 10, 2010 and an Amended Notice of Hearing dated November 17, 2010 the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on June 14, 2010, pursuant to sections 37, 127, and 127.1 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 orders, as specified therein, against QuantFX Asset Management Inc. ("QuantFX") and its directors, Vadim Tsatskin ("Tsatskin"), Lucien Shtromvaser and Rostislav Zemlinsky. The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff") dated November 10, 2010.

**AND WHEREAS** Tsatskin entered into a settlement agreement with Staff dated \_\_\_\_\_, 2011 (the "Settlement Agreement") in which Tsatskin agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated November 10, 2010 and Amended Notice of Hearing dated November 17, 2010, subject to the approval of the Commission;

## SCHEDULE "A"

**WHEREAS** on \_\_\_\_\_, the Commission issued a Notice of Hearing pursuant to sections 37 and 127 of the Act to announce that it proposed to hold a hearing to consider whether it was in the public interest to approve a settlement agreement entered into between Staff and Tsatskin;

**AND UPON** reviewing the Settlement Agreement, the Notices of Hearing, and the Statement of Allegations of Staff, and upon hearing submissions from counsel for Tsatskin and from Staff;

**AND WHEREAS** the Commission is of the opinion that it is in the public interest to make this Order;

### **IT IS HEREBY ORDERED THAT:**

- (a) the Settlement Agreement is approved;
- (b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Tsatskin cease permanently;
- (c) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Tsatskin is prohibited permanently;
- (d) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Tsatskin permanently;
- (e) pursuant to clauses 8, 8.2 and 8.4 of subsection 127(1) of the Act, Tsatskin is prohibited permanently from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;
- (f) pursuant to clause 8.5 of subsection 127(1) of the Act, Tsatskin is prohibited permanently from becoming or acting as a registrant, as an investment fund manager or as a promoter;

SCHEDULE "A"

- (g) pursuant to clause 10 of subsection 127(1) of the Act, Tsatskin shall disgorge to the Commission the amount of \$7,154 obtained as a result of his non-compliance with Ontario securities law, to be paid to or for the benefit of third parties designated by the Commission, pursuant to subsection 3.4(2)(b) of the Act;
- (h) pursuant to clause 9 of subsection 127(1) of the Act, Tsatskin shall pay an administrative penalty in the amount of \$15,000 for his failure to comply with Ontario securities law, to be paid to or for the benefit of third parties designated by the Commission, pursuant to subsection 3.4(2)(b) of the Act; and
- (i) pursuant to subsection 37(1) of the Act, Tsatskin is prohibited permanently from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities.

**DATED AT TORONTO** this            day of            , 2011.

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