



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF HARALD SEEMANN, JENS BRANDT and
KARL PAWLOWICZ**

**SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
and HARALD SEEMANN**

PART I - INTRODUCTION

1. This matter is about manipulative trading in shares of Big Rock Labs Inc. ("BLA") by Harald Seemann ("Seemann" or "the Respondent"), the directing mind of the company. Through the use of his own trading accounts and those of others, Seemann employed a number of different strategies to manipulate the market for BLA shares, all of which resulted in or contributed to a misleading appearance of trading activity in, and an artificial price for BLA shares. Ensuring that market participants do not manipulate the market for shares of a company is essential in achieving the purposes of the *Securities Act*, RSO 1990, c S.5 (the "Act") of protecting investors from unfair, improper or fraudulent practices and fostering fair and efficient markets and confidence in capital markets.

2. The parties will jointly file a request that the Ontario Securities Commission (the "Commission") issue a Notice of Hearing (the "Notice of Hearing") to announce that it will hold a hearing (the "Settlement Hearing") to consider whether, pursuant to sections 127 and 127.1 of the Act, it is in the public interest for the Commission to make certain orders against Seemann.

PART II - JOINT SETTLEMENT RECOMMENDATION

3. Staff of the Commission ("Staff") recommend settlement of the proceeding (the "Proceeding") against the Respondent commenced by the Notice of Hearing, in accordance with the terms and conditions set out in Part V of this Settlement Agreement. Staff and the Respondent consent to the making of an order (the "Order") in the form attached as Schedule "A" to this Settlement Agreement based on the facts set out herein.

4. For the purposes of the Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondent agrees with the facts

set out in Part III of this Settlement Agreement and the conclusion in Part IV of this Settlement Agreement.

PART III - AGREED FACTS

A. Overview

5. From June 2014 to June 2015 (the "Material Time"), Seemann engaged in manipulative trading of BLA shares which created a misleading appearance of market activity in an attempt to generate interest and create liquidity in BLA shares, and to sell BLA shares at beneficial prices. By engaging in such behaviour, Seemann interfered with the free and fair operation of the market.

B. The Respondent

6. Seemann was the founder, Chief Financial Officer and a director of BLA during the Material Time. Seemann has never been registered with the Commission in any capacity.

7. BLA is a public company which was incorporated in British Columbia in April 2014. Its shares are listed on the Canadian Securities Exchange ("CSE") and the Frankfurt Stock Exchange ("FSE"). BLA is a reporting issuer in Ontario with its registered address in Toronto. In 2014, BLA was a technology company which specialized in digital product research and development. BLA did not earn any revenue during the Material Time. Its business model was focused on growing the user base of its smartphone application, Reach.

8. In 2016 and 2017, BLA tried to change its business numerous times, from technology development to real estate and then to energy resources. In November 2017, BLA changed its name to Blox Labs Inc. In December 2017, it entered into a partnership with an arms-length third party, and commenced development of a blockchain based smart contract supply chain management platform for the legalized cannabis industry.

9. Seemann was the directing mind of BLA. Seemann was responsible for having the BLA shares listed on the CSE and the FSE. Seemann solicited the services of Bankhaus Scheich Wertpapierspezialist AG ("Bankhaus Scheich") to assist him with the listing of BLA shares on the FSE. Bankhaus Scheich performed market making activities for BLA on both the CSE and FSE during the Material Time.

C. Seemann's Manipulative Trading in BLA Shares

10. From June 2014 to June 2015, Seemann engaged in manipulative trading of BLA shares. Specifically, Seemann executed orders and trades in BLA shares using: (i) five accounts under his name and the name of his spouse; and (ii) six accounts of four other insiders of BLA, (the "Other Insiders") which included one of the other respondents, Karl Pawlowicz ("Pawlowicz").

11. Seemann encouraged the Other Insiders to open trading accounts at Questrade during the Material Time and each of the Other Insiders did so. Seemann then obtained the log-in information and the verbal consent of the Other Insiders to enter orders and execute trades in these accounts. Seemann used the accounts of the Other Insiders to carry out the manipulative trading described below.

12. During the Material Time, Seemann also engaged in pre-arranged trading with the respondent, Jens Brandt ("Brandt") and with his father-in-law, JR, which resulted in or contributed to a misleading appearance of trading activity in BLA shares.

13. Seemann's trading activities reflected the following:

(a) Dominance

14. In June 2014, by trading through his accounts, his spouse's accounts and the accounts of the Other Insiders, and by co-ordinating pre-arranged trading with Brandt and JR (collectively "the Seemann Trading Group"), Seemann dominated the entire BLA market, accounting for 100% of the buy side volume and 99.7% of the sell side volume. On five of the six days when BLA shares traded in the month of June 2014, accounts owned by members of the Trading Group were buying or selling the BLA shares among each other at the same price of \$0.30. This resulted in a false appearance of trading activity and volume of BLA shares.

15. Between July 1, 2014 and July 16, 2014, trading by the Seemann Trading Group again dominated the entire BLA market, accounting for 63% of the buy side volume and 97% of the sell side volume. On three of the six days when the BLA shares traded between July 1, 2014 and July 16, 2014, accounts owned by members of the Seemann Trading Group were buying and selling the BLA shares among each other at prices between \$0.35 and \$0.42 through pre-arranged trading. This resulted in a false appearance of trading activity and volume of BLA shares.

(b) Wash and Match Trading

16. In June and July 2014, Seemann orchestrated pre-arranged trading through match trades. On June 9, 2014, Seemann executed one buy order for 128,182 BLA shares in his spouse's Scotia iTrade TFSA and one sell order, also for 128,182 BLA shares in his spouse's Scotia iTrade margin account, at the same time. This resulted in a wash trade which was cancelled by Scotia iTrade.

17. After this trade was cancelled, Seemann pre-arranged for the sale of BLA shares from his spouse to his father-in-law, JR. On June 10, 2014, JR bought 103,300 BLA shares which were sold from Seemann's spouse's iTrade margin account. This match trade was directed by Seemann. On the same day, Seemann was questioned by Scotia iTrade about whether this trade was arranged as the shares were purchased by JR, his father-in-law.

18. In June 2014, Seemann also engaged in match trading with Brandt. On the evening of June 10, 2014, there were two telephone calls between Seemann and Brandt, which were followed by Brandt's purchase of 145,200 BLA shares which were sold from Seemann's spouse's margin account on June 12 and 13, 2014.

19. On June 15, 2014, there was another telephone call between Brandt and Seemann, which was followed by the sale of 128,182 BLA shares from Brandt to Seemann's spouse's Scotia iTrade TFSA account, just after the opening of the market on June 16, 2014. The telephone calls between Seemann and Brandt on June 10 and 15, 2014 were the only three phone calls made between the two of them during the entire month of June.

20. On July 7 2014, Brandt entered a buy order for 5,000 BLA shares at \$0.35 in his Questrade TFSA trading account and established the National Best Bid ("NBB"), which had previously been \$0.29. Approximately 19 minutes later, Seemann placed a sell order in his spouse's Scotia iTrade margin account for exactly the same volume of BLA shares and at the same price and traded against Brandt's buy order.

21. On July 11 2014, Brandt entered a buy order for 8,000 BLA shares at \$0.40 in his TFSA trading account and established the NBB, which had previously been \$0.36. Just one minute later, Seemann placed a sell order in his spouse's Scotia iTrade margin account for exactly the same volume of BLA shares and at the same price and traded against Brandt's buy order.

22. On July 28 2014, Brandt entered a buy order for 15,000 BLA shares at \$0.55 in his spouse's Questrade TFSA trading account. Less than three minutes later, Seemann placed a sell order in his spouse's Scotia iTrade margin account for exactly the same volume of BLA shares and at the same price and traded against Brandt's buy order. This set the high closing trade, an improvement of \$0.01 from the previous trading day.

(c) Seemann's Passive Trading Strategy

23. In addition to making match trades, in June and July 2014, Seemann employed a passive trading strategy with respect to BLA shares which involved multiple entries and amending and cancelling Good Till Cancel ("GTC") orders with a 30 day expiration period on both sides of the market. The majority of these orders were entered by Seemann through his accounts or by him through his spouse's accounts. The GTC orders were entered at different price levels and outside the market spread resulting in:

- (a) multiple orders being placed in the market in the pre-opening and setting the market spread at the opening;
- (b) improving the market spread during the course of the trading day to the price level at which Seemann planned to sell the BLA shares; and
- (c) further improving the market after the trades occurred, to accommodate the execution of the same type of trading the following day at an improved price range.

(d) Seemann's Active Trading Strategy

24. From July 16, 2014 to December 2014, Seemann continued to employ the passive trading strategy to line the market and improve the market spread for BLA shares. In addition, during this time, Seemann engaged in another form of market manipulation, including, but not limited to practices known as intraday spoofing.

25. Intraday spoofing involves the use of non-bona fide orders, or orders that the trader does not intend to have executed, to induce others to buy or sell the security at a price not representative of actual supply or demand. More specifically, a trader places a non-bona fide buy (or sell) order, which, if followed by another market participant, the trader will then enter a number of non-bona fide buy (or sell) orders for the purpose of attracting interest to that side of the order book. These non-bona fide orders are not intended to be executed. The purpose of these non-bona fide orders is to create

a false impression of interest on that side of the order book. The trader will then enter an order for execution on the other side of the market at the better price.

26. More specifically, commencing on July 16, 2014, the German market maker, Bankhaus Scheich became active on the buy side on the CSE with respect to BLA shares. Seemann was aware of Bankhaus Scheich's trading strategy, which was to short BLA on the FSE and buy long on the CSE. Seemann took advantage of Bankhaus Scheich by engaging in intraday spoofing. He lined the book on the CSE with buy orders and baited Bankhaus Scheich to join his order on the NBB. Once Bankhaus Scheich joined the NBB, Seemann cancelled or amended his bid and, within a short time period, he would switch sides of the market and place a sell order and trade against Bankhaus Scheich's bid.

27. As a result of Seemann's trading pattern, in July 2014, BLA's share price increased by 54%, from \$0.29 to \$0.63. Seemann continued to engage in intraday spoofing during the period of August to November 2014. During this time, BLA's share price increased month-to-month from \$0.75 to \$1.24. In December 2014, BLA's share price continued to rise, closing at \$1.50 by the end of the month.

(e) High Closing

28. Seemann also engaged in the high closing of BLA shares. In particular:
- (a) on the 19 trading days in July 2014, Seemann set the high closing trade on five days on up-ticks between \$0.01 to \$0.06;
 - (b) on the 21 trading days in September 2014, Seemann set the high closing trade on two days on up-ticks between \$0.01 to \$0.04;
 - (c) on the 22 trading days in October 2014, Seemann set the high closing trade on two days. The high closing on October 30 was on an up-tick of \$0.27;
 - (d) on the 20 trading days in November 2014, Seemann set the high closing trade on three days on up-ticks between \$0.01 and \$0.10; and
 - (e) on the 21 trading days in December 2014, Seemann set the high closing trade on two days on up-ticks between \$0.06 and \$0.09.

Seemann Directed the Trading of Others

29. During the Material Time, Seemann instructed Pawlowicz, the CEO of BLA, to place a bid for BLA shares on the market through his TD account and then to advise Seemann that the bid had been made. As instructed by Seemann, Pawlowicz placed the bid for BLA shares. Seemann told Pawlowicz to place bids in an attempt to show that there was an interest in buying BLA shares. Pawlowicz followed Seemann's instructions.

Seemann Acted Contrary To the Public Interest

30. As the founder, an officer and a director of BLA, Seemann was ultimately responsible for BLA's compliance with Ontario securities legislation. Seemann's conduct of engaging in manipulative trading of BLA shares, including the use of his spouse's and the Other Insiders' trading accounts, completely failed to meet the standard expected of an officer and director participating in Ontario's capital markets.

31. Staff do not allege that the Respondent earned a profit as a result of his manipulative activity described in paragraphs 10 to 29 of this Settlement Agreement.

Mitigating Factors

32. Seemann has not previously been the subject of OSC disciplinary proceedings.

33. Seemann has cooperated with Staff throughout the course of Staff's investigation and these proceedings.

34. By admitting the facts and contraventions described above, Seemann has:

- (a) expressed remorse for his actions; and
- (b) saved the OSC significant time and resources associated with conducting a fully contested hearing on the merits.

PART IV – CONTRAVENTIONS OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

35. By engaging in the conduct described above, Seemann admits and acknowledges that he has breached Ontario securities law by contravening subsection 126.1(1)(a) of the Act and engaged in conduct contrary to the public interest.

PART V - TERMS OF SETTLEMENT

36. The Respondent agrees to the terms of settlement set out below.
37. The Respondent consents to the Order, pursuant to which it is ordered that:
- (a) this Settlement Agreement be approved;
 - (b) the Respondent be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
 - (c) the Respondent pay an administrative penalty of \$100,000, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b)(i) or (ii) of the Act;
 - (d) trading by the Respondent in any securities cease for a period of 5 years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 2 of subsection 127(1) of the Act;
 - (e) the acquisition by the Respondent of any securities be prohibited for a period of 5 years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
 - (f) any exemptions contained in Ontario securities law do not apply to the Respondent for a period of 5 years, commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 3 of subsection 127(1) of the Act;
 - (g) the Respondent be prohibited from becoming or acting as a director or officer of any issuer for a period of 5 years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8 of subsection 127(1) of the Act; and
 - (h) the Respondent pay costs of the Commission's investigation, in the amount of \$25,000, pursuant to section 127.1 of the Act.

38. The amounts set out in sub-paragraphs 37(c) and (h) shall be paid by the Respondent by the date of the Commission's Order approving this Settlement Agreement, in separate certified cheques payable to "the Ontario Securities Commission".

39. Seemann will cooperate with Staff in its investigation including testifying as a witness for Staff in any proceedings commenced or continued by Staff or the Commission relating to the matters set out herein and meeting with Staff in advance of that proceeding to prepare for that testimony.

40. The Respondent acknowledges that this Settlement Agreement and the Order may form the basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions automatically, without further notice to the Respondent. The Respondent should contact the securities regulator of any other jurisdiction in which the Respondent intends to engage in any securities - or derivatives - related activities, prior to undertaking such activities.

41. The Respondent undertakes to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the prohibitions set out in sub paragraphs 37(d), (e), (f) and (g) above. These sanctions may be modified to reflect the provisions of the relevant provincial or territorial law.

PART VI - FURTHER PROCEEDINGS

42. If the Commission approves this Settlement Agreement, Staff will not commence or continue any proceeding against the Respondent under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondent fails to comply with any term in this Settlement Agreement, in which case Staff may bring proceedings under Ontario securities law against the Respondent that may be based on, among other things, the facts set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement.

43. The Respondent acknowledges that, if the Commission approves this Settlement Agreement and the Respondent fails to comply with any term in it, the Commission is entitled to bring any proceedings necessary.

44. The Respondent waives any defences to a proceeding that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement.

PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT

45. The parties will seek approval of this Settlement Agreement at the Settlement Hearing before the Commission, which shall be held on a date determined by the Secretary to the Commission in accordance with this Settlement Agreement and the Commission's Rules of Procedure, adopted October 31, 2017.

46. The Respondent will attend the Settlement Hearing in person.

47. The parties confirm that this Settlement Agreement sets forth all of the agreed facts that will be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

48. If the Commission approves this Settlement Agreement:

- (a) the Respondent irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and
- (b) the parties will not make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

49. Whether or not the Commission approves this Settlement Agreement, the Respondent will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART VIII - DISCLOSURE OF SETTLEMENT AGREEMENT

50. If the Commission does not make the Order:

- (a) this Settlement Agreement and all discussions and negotiations between Staff and the Respondent before the Settlement Hearing will be without prejudice to Staff and the Respondent; and

- (b) Staff and the Respondent will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations contained in the Statement of Allegations in respect of the Proceeding. Any such proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this Settlement Agreement.

51. The parties will keep the terms of this Settlement Agreement confidential until the Settlement Hearing, unless they agree in writing not to do so or unless otherwise required by law.

PART IX - EXECUTION OF SETTLEMENT AGREEMENT

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

53. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

DATED at "Toronto", this "3rd" day of "May", 2018.

"Dana Carson"

Witness: (print name):

"Harald Seemann"

Harald Seemann

DATED at Toronto, Ontario, this "3rd" day of "May", 2018.

**STAFF OF THE ONTARIO SECURITIES
COMMISSION**

**"Johanna Superina, Deputy
Director, Enforcement Branch for
By: Jeff Kehoe"**

Name: Jeff Kehoe

Title: Director, Enforcement Branch

Schedule "A"



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

22nd Floor
20 Queen Street West
Toronto ON M5H 3S8

22e étage
20, rue queen ouest
Toronto ON M5H 3S8

IN THE MATTER OF HARALD SEEMANN, JENS BRANDT and KARL PAWLOWICZ

[INSERT COMMISSIONERS OF THE PANEL]

____, 2018

ORDER Sections 127 and 127.1 of the *Securities Act*, RSO 1990, c S.5

WHEREAS on ____, 2018, the Ontario Securities Commission held a hearing at the offices of the Commission, located at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider the approval of a settlement agreement dated ____, 2018 (the **Settlement Agreement**) between Harald Seemann (the **Respondent**) and Staff of the Commission (**Staff**);

ON READING the Statement of Allegations dated ____, 2018 and the Settlement Agreement and on hearing the submissions of representatives of Staff and the Respondent;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;
2. the Respondent be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);
3. the Respondent pay an administrative penalty of \$100,000, pursuant to paragraph 9 of subsection 127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with subsection 3.4(2)(b)(i) or (ii) of the Act;
4. trading by the Respondent in any securities cease for a period of 5 years, pursuant to paragraph 2 of subsection 127(1) of the Act;

5. the acquisition by the Respondent of any securities be prohibited for a period of 5 years, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
 6. any exemptions contained in Ontario securities law do not apply to the Respondent for a period of 5 years, pursuant to paragraph 3 of subsection 127(1) of the Act;
 7. the Respondent be prohibited from becoming or acting as a director or officer of any issuer for a period of 5 years commencing on the date of the Commission's order approving this Settlement Agreement, pursuant to paragraph 8 of subsection 127(1) of the Act; and
 8. the Respondent pay costs in the amount of \$25,000, pursuant to section 127.1 of the Act.
-