



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
ZHEN (STEVEN) PANG and OASIS WORLD TRADING INC.**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

A. Overview

1. This is a case of market manipulation. Oasis World Trading Inc. (“Oasis”) is in the business of proprietary day trading in Canadian equities. It has approximately 40 branch offices with approximately 200 traders, all of whom are located in China.
2. During a thirteen month period spanning November 2013 to December 2014 (the “Material Time”), certain traders at Oasis engaged in at least 460 instances of manipulative trading on Canadian securities markets. The orders entered by these traders created a false or misleading appearance of market activity which allowed them to trade at artificial prices and as such, constitute a breach a subsection 126.1(1)(a) of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the “Act”).
3. While Zhen (Steven) Pang (“Pang”) did not know that certain Oasis traders were engaged in manipulative trading, he ought to have known. Pang, as a director and officer of Oasis, failed to adequately monitor trading activities at Oasis and ensure there was an adequate compliance structure in place to identify and prevent possible manipulative trading, thereby indirectly engaging or participating in an act, practice or course of conduct

relating to securities that he ought reasonably to have known resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for a security, contrary to section 126.1(1)(a) of the Act.

B. The Respondents

4. Oasis was incorporated under the *Canada Business Corporations Act* on November 23, 2012 as Inspire World Trading Inc. The company changed its name to Oasis on April 11, 2013. Oasis' head office is located in Hamilton, Ontario. Oasis has never been registered with the Commission in any capacity.
5. Pang was an Ontario resident during the Material Time. He founded Oasis in November 2012. During the Material Time, he was the sole officer and director of Oasis. He has never been registered with the Commission in any capacity.
6. Pang traded as a proprietary day trader of U.S. equities for more than five years for a firm. He was also an office manager responsible for overseeing other traders during that period. During the Material Time, Pang was familiar with the Universal Market Integrity Rules ("UMIR") and securities laws with respect to market manipulation.

C. Overview of Trading By Oasis

7. Oasis enters orders and trades on Canadian marketplaces as a direct electronic access ("DEA") client of JitneyTrade Inc. ("JitneyTrade"). JitneyTrade is registered as an Investment Dealer in all provinces and territories of Canada. Oasis began trading using its DEA account at JitneyTrade in April 2013.
8. JitneyTrade is an agency-based discount broker that specializes in providing DEA for active traders. The main source of revenue for JitneyTrade is commissions from trading by its clients.
9. All trading done by Oasis traders is routed through JitneyTrade to the Canadian marketplaces. Traders at Oasis use a proprietary and customized trading platform developed and sourced by a third party.

10. During the Material Time, all of Oasis' order and trade activity at JitneyTrade was placed under one user id and as such, it could not be determined outside of Oasis which trader at Oasis was responsible for any specific order/trade.
11. Oasis traders use the firm's capital to trade. Their compensation and continued trading are based entirely on profits they generate from trading. There are controls in the Oasis trading platform to lock out traders once they lose beyond a nominal dollar limit per day. Overnight positions are prohibited for traders; all positions must be flattened by the end of the trading day.
12. During the Material Time, Pang determined and allocated the traders' buying power, established loss limits and dictated the profit distribution for managers and traders. He was in charge of the training and oversight of all of Oasis' traders. The branch managers in China were responsible for hiring their own traders at their own expense, subject to final approval by Pang. Pang was also responsible for terminating Oasis traders.

D. Market Manipulation By Certain Oasis Traders

13. During the Material Time, certain Oasis traders engaged in at least 460 incidents of market manipulation, including, but not limited to practices known as intraday spoofing, involving at least 24 different securities.

Intraday Spoofing

14. 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. If that order is 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. Either before or immediately after

switching sides to trade, the trader cancels the open, non-bona fide orders and the quote returns to the pre-spoofing level.

15. More specifically, certain Oasis traders engaged in intraday spoofing on certain days in the Material Time by executing the following pattern in quick succession:
 - a. posting orders that improve the National Best Bid (“NBB”) or National Best Offer (“NBO”) in increments at a time, waiting for another market participant to react and then repeating until the NBB or NBO reached a price at which the Oasis trader would like to trade or until the counterparty stopped following;
 - b. after inducing or baiting other market participants to increase or decrease the price of their bids or offers, the Oasis trader then entered an active order on the other side of the market to trade at the better price; and
 - c. the Oasis trader then cancelled the baiting orders shortly before or after the trades; and
 - d. as a result of the cancellation by the Oasis trader, the quote returned to the pre-spoofing level.
16. As a result of this trading pattern, trades were executed at artificial prices because the fill of the order described in paragraph 15(b) above took place at a higher price (or lower) than the NBB/NBO before the non bona fide orders were entered by the trader. These orders were intended to deceive and did deceive certain counterparties into buying (or selling) stocks from (or to) the trader at prices that had been artificially raised (or lowered) by the trader.
17. This process was usually repeated multiple times on the same day.
18. A sampling of the month of April 2014 showed that there were at least 357 incidents of intraday spoofing by Oasis traders. The 357 incidents represented 0.14% (fourteen one hundredths of a percent) of Oasis’ total number of trades for that month and 0.04% (four one hundredths of a percent) of the total volume traded by Oasis that month. Although the 460 incidents of intraday spoofing may not have been a large percentage of Oasis’

overall trading, they represented a very high proportion of the orders placed in the market in relation to the securities in question, which tend to be thinly traded. The trades involving intraday spoofing resulted in or contributed to a false or misleading impression, as to the supply of, or demand for, shares listed on the various Canadian marketplaces and allowed these traders to trade at artificial prices.

Lack of Oversight By Pang

19. While Pang did not know that certain Oasis traders were engaged in manipulative trading, Pang ought to have known. While Pang worked with JitneyTrade to identify and sanction traders whose conduct was identified by JitneyTrade as raising red flags, Oasis, and in particular, Pang should have taken greater steps to monitor for and ensure that manipulative trading was not taking place. Pang failed to adequately monitor trading activities at Oasis and failed to ensure there were adequate procedures in place to monitor trading activities and check for possible manipulative trading.
20. As founder, officer and director of Oasis, Pang was ultimately responsible for Oasis' compliance with Ontario securities legislation. Pang's conduct fell short of the standard expected of an officer and director participating in the Ontario capital markets.

E. Breaches of Ontario Securities Law

21. The foregoing conduct engaged in by the Respondents constituted breaches of Ontario securities law. In particular:
 - a. During the Material Time, Oasis directly or indirectly, engaged or participated in an act, practice or course of conduct relating to securities that it knew or ought reasonably to have known resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for a security, contrary to subsection 126.1(1)(a) of the Act; and
 - b. During the Material Time, Pang as a director and officer of Oasis, failed to adequately monitor trading activities at Oasis and ensure there was an adequate compliance structure in place to identify and prevent possible manipulative

trading, thereby indirectly engaging or participating in an act, practice or course of conduct relating to securities that he ought reasonably to have known resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for a security, contrary to subsection 126.1(1)(a) of the Act.

22. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

Dated at Toronto this 10th day of December, 2015.