

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

IN THE MATTER OF:

**THE DEALER MEMBER RULES OF THE
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

AND

**THE BY-LAWS OF THE
INVESTMENT DEALERS ASSOCIATION OF CANADA**

AND

SAMUEL RYAN SCOTEN

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Enforcement Staff (Staff) of the Investment Industry Regulatory Organization of Canada (IIROC) and the Respondent, Samuel Ryan Scoten (Scoten), consent and agree to the settlement of this matter by way of this settlement agreement (the Settlement Agreement).
2. Staff has conducted an investigation (the Investigation) into the conduct of Scoten.
3. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada (the IDA) and Market Regulation Services Inc. Pursuant to the Administrative and Regulatory Services Agreement between the IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for the IDA to carry out its regulatory functions.
4. Scoten consents to be subject to the jurisdiction of IIROC.
5. The Investigation discloses matters for which Scoten may be disciplined by a hearing panel appointed pursuant to IIROC Transitional Rule No.1, Schedule C.1, Part C (the Hearing Panel).

II. JOINT SETTLEMENT RECOMMENDATION

6. Staff and Scoten jointly recommend that the Hearing Panel accept this Settlement Agreement.

7. Scoten admits to the following contraventions of IIROC Rules, Guidelines, IDA By-Laws, Regulations or Policies:
 - a) Between 2007 and 2009, Scoten solicited and facilitated the purchase of previously issued shares of Asian Coast Development (Canada) Ltd. (ACDL) by some of his clients, without the knowledge or consent of his employer, contrary to Dealer Member Rule 29.1 (prior to June 1, 2008, IDA By-law 29.1).
 - b) Between 2008 and 2010, Scoten received compensation for his facilitation of his clients' purchase of previously issued ACDL shares, without his employer's knowledge or consent, contrary to Dealer Member Rule 29.1 (prior to June 1, 2008, IDA By-law 29.1).
 - c) In April 2010, Scoten placed discretionary trades for client accounts even though they had not been designated as being discretionary accounts by his employer, contrary to Dealer Member Rules 1300.4 and 1300.5.
 - d) In June 2011, Scoten informed Staff that he had not received any compensation for the purchase of previously issued ACDL shares by some of his clients and that he only placed discretionary trades on behalf of two accounts on April 1, 2010, which he knew or ought to have known was false, contrary to IIROC Dealer Member Rule 29.1.
8. Staff and Scoten agree to the following terms of settlement:
 - a) a three year prohibition from approval in any capacity;
 - b) that he successfully complete the *Conduct and Practices Handbook Course* prior to being eligible for approval in any capacity;
 - c) upon re-approval a one year period of strict supervision; and
 - d) payment of a \$50,000 fine to IIROC.
9. Scoten agrees to pay IIROC a portion of IIROC's investigative and prosecution costs in the sum of \$5,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

10. Staff and Scoten agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Factual Background

Overview

11. Scoten solicited and facilitated the off-book purchases by some of his clients of previously issued shares of ACDL, a non-reporting issuer, without the knowledge or consent of his employer. In June 2011, Scoten informed Staff that he did not receive any compensation for finding buyers for the shares. In July 2011, Scoten informed Staff that he received approximately 29,557 ACDL shares as compensation for finding buyers for the shares.
12. Further, in June 2011 Scoten informed Staff that he only placed discretionary trades on behalf of two client accounts in April 2010. In September 2011 Scoten informed Staff that he had placed discretionary trades on behalf of additional client accounts in April 2010.

Regulatory History

13. Scoten first began working in the securities industry in or around March 1999.
14. From December 2004 to November 2007, Scoten worked as a registered representative at a Surrey, BC branch office of CIBC World Markets Inc. (CIBC).
15. Between November 2007 and April 2010, Scoten worked at a Surrey, BC branch office of TD Waterhouse Canada Inc. (TD). Since that time, he has not worked as an approved person.
16. Scoten has no prior disciplinary history.

Soliciting and Facilitating Off-Book Transactions

17. In August 2009, TD came across emails from Scoten which indicated that he was involved with the sale of ACDL shares to his clients. ACDL is a non-reporting issuer which, among other things, is purportedly developing a resort in Vietnam.
18. TD then asked Scoten to provide an explanation of his involvement with ACDL.
19. By way of an August 10, 2009 email to TD, Scoten, among other things, indicated the following:
 - a) In the summer of 2007, ACDL received the “first of its kind gaming license for Vietnam”. As a result, Scoten, members of his family, and approximately 15 of his clients decided to purchase ACDL shares at cost of \$14 USD per share. In total his clients purchased 50,282 ACDL shares.
 - b) In spring 2009, three additional clients purchased 8,500 ACDL shares at \$10 USD per share.

- c) ACDL had offered Scoten 15,000 options for ACDL shares at \$20 USD per option in return for his input on the company. He had not yet received the options because ACDL's Board of Directors had not yet approved them.
 - d) ACDL was planning an initial public offering in Hong Kong in 2010.
20. In furtherance of its investigation, Staff obtained and reviewed ACDL's Central Securities Register as at February 7, 2009 (the Register). In addition to the clients named in Scoten's August 10, 2009 email to TD, Staff identified an additional 11 clients of Scoten who had purchased ACDL shares.
21. On June 22, 2011, Scoten was interviewed by Staff. Scoten, among other things, indicated the following:
- a) Scoten confirmed that the 11 individuals that Staff had identified through the Register had been his clients and that he had introduced them to ACDL.
 - b) Scoten's clients bought their ACDL shares from an existing shareholder.
 - c) Scoten thought the ACDL shares were transferable and he was not aware of the need to obtain a resale exemption.
 - d) For the most part, Scoten gave his clients forms to sign, took their cheques, and then delivered the completed forms and cheques to ACDL. He also picked up share certificates from ACDL to deliver to his clients.
 - e) Scoten also recommended ACDL to a number of friends and family members who were not his clients.
 - f) Scoten purchased approximately 28,200 ACDL shares which were transferred into his daughter's name as follows:
 - 12,000 shares at \$14 USD;
 - 10,000 shares at \$10 USD;
 - 5,200 shares at \$10 USD; and
 - 1,000 shares at \$10 USD.
 - g) Scoten paid for these shares by bank draft.
 - h) Scoten did not receive any compensation for finding clients to purchase ACDL shares.
 - i) Scoten did not tell his supervisors at either CIBC or TD that he was recommending ACDL stock to his clients.
22. As detailed in Schedule "A", in total Scoten initiated and facilitated the purchase of

76,413 previously issued ACDL shares by 26 of his clients from two shareholders, Michael Steele (Steele) and Live Palace Inc., a company controlled by Shlomo Arviv (Arviv). The total imputed price of the shares was \$966,682 USD.

Receipt of Compensation

- 23. During Scoten's June 22, 2011 IIROC interview, Staff asked him to produce documentary evidence that he had paid for the ACDL shares which were transferred into his or his daughter's name.
- 24. By way of a July 7, 2011 email, Staff again asked Scoten to provide evidence that he had paid for the ACDL shares which were transferred into his or his daughter's name.
- 25. By way of a July 8, 2011 email, Scoten replied that he no longer possessed any of the relevant banking records and that he could not recall which bank he had used.
- 26. By way of a July 11, 2011 email, Staff again requested that Scoten provide evidence that he had paid for the ACDL shares which were transferred into his or his daughter's name.
- 27. By way of a July 27, 2011 letter, Scoten advised that he had not paid for any of the ACDL shares which were transferred into his or his daughter's name. Scoten further advised that in total he had received 1,000 ACDL shares from Steele and 28,557 ACDL shares from Arviv as follows:

Date	Recipient	# of Shares
March 2008	Scoten's Daughter	6,000
April 2008	Scoten's Daughter	4,857
April 2009	Scoten's Daughter	2,500
October 2009	Scoten's Daughter	10,000
October 2009	Scoten	1,000
January 2010	Scoten's Daughter	5,200

- 28. On September 1, 2011, Scoten was again interviewed by Staff. During this interview, Scoten indicated, among other things, the following:
 - a) He received in excess of 28,000 shares of ACDL from Arviv as compensation for finding buyers who purchased shares that Arviv owned. He entered into his compensation arrangement with Arviv prior to any of his clients purchasing any ACDL shares.
 - b) Scoten received 1,000 shares of ACDL from Steele as compensation for finding buyers who purchased shares that Steele owned. He entered into his compensation arrangement with Steele prior to any of his clients purchasing any ACDL shares from Steele.
 - c) He told some clients, but not all, that he was receiving compensation from the

vendors.

Discretionary Trading

29. On April 1, 2010, 45 of Scoten's client accounts sold a total of 63,760 shares of Suncor Energy Inc. (Suncor) for gross proceeds of approximately \$2,190,466. Gross commissions for the sales totaled approximately \$12,720. All of the Suncor sell orders were entered between 8:10 am (PT) and 9:05 am (PT).
30. Later that same morning, between 9:48 am (PT) and 10:45 am (PT), 43 of Scoten's client accounts purchased a total of 54,720 shares of Encana Corporation (Encana) at a pre-commission cost of approximately \$1,755,495. The gross commission for the purchase of the Suncor shares was approximately \$11,620.
31. 41 of the 45 client accounts which sold Suncor shares used the proceeds to purchase Encana shares
32. During his June 22, 2011 IIROC interview, Scoten, among other things, indicated that:
 - a) On the morning of April 1, 2010, he only placed discretionary trades for two client accounts. In both cases, the trades involved selling Suncor shares and using the proceeds to purchase Encana shares. Scoten claimed to have received approval for these trades from the spouse of each client.
 - b) For all the remaining accounts, he contacted the account holder to obtain their consent to sell their Suncor shares and/or to buy Encana shares. He then had his assistant enter the order(s) and he would contact another client.
33. By way of an August 30, 2011 email, Staff provided Scoten with a spreadsheet that, among other things, indicated that all of the Suncor sell orders were entered and then approximately 43 minutes later the first of the Encana buy orders was entered.
34. During his September 1, 2011 IIROC interview, Scoten:
 - a) admitted to placing additional discretionary trades for his client accounts on the morning of April 1, 2010.
 - b) indicated that he could not recall how many trades were discretionary, nor could he identify which accounts the discretionary trades took place in; and
 - c) indicated that he may have talked to three-quarters of the clients on whose behalf he placed trades that morning.

IV. TERMS OF SETTLEMENT

34. This settlement is agreed upon in accordance with IIROC Dealer Member Rules 20.35 to 20.40, inclusive and Rule 15 of the Dealer Member *Rules of Practice and Procedure*.
35. The Settlement Agreement is subject to acceptance by the Hearing Panel.
36. The Settlement Agreement shall become effective and binding upon Scoten and Staff as of the date of its acceptance by the Hearing Panel.
37. The Settlement Agreement will be presented to the Hearing Panel at a hearing (the Settlement Hearing) for approval. Following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement.
38. If the Hearing Panel accepts the Settlement Agreement, Scoten waives his right under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal.
39. If the Hearing Panel rejects the Settlement Agreement, Staff and Scoten may enter into another settlement agreement; or Staff may proceed to a disciplinary hearing in relation to the matters disclosed in the Investigation.
40. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.
41. Staff and Scoten agree that if the Hearing Panel accepts the Settlement Agreement, they, or anyone on their behalf, will not make any public statements inconsistent with the Settlement Agreement.
42. Unless otherwise stated, any monetary penalties and costs imposed upon Scoten are payable immediately upon the effective date of the Settlement Agreement.
43. Unless otherwise stated, any suspensions, bars, expulsions, restrictions or other terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

Schedule "A"
Scoten Clients Who Purchased ACDL Shares

Date Share Certificate Issued	Buyer/Scoten Client	Seller	# of Shares	Reported Price
2008				
March 6	TB	Live Palace Inc.	1,785	\$14 USD
March 6	J & JBr	Live Palace Inc.	3,571	\$14 USD
March 6	MD	Live Palace Inc.	1,785	\$14 USD
March 6	A & CF	Live Palace Inc.	1,785	\$14 USD
March 6	J & SH	Live Palace Inc.	5,000	\$14 USD
March 6	T & HM	Live Palace Inc.	3,571	\$14 USD
March 6	G & MM	Live Palace Inc.	2,000	\$14 USD
March 6	LM	Live Palace Inc.	1,785	\$14 USD
March 6	F & CR	Live Palace Inc.	2,142	\$14 USD
March 6	K & CS	Live Palace Inc.	5,000	\$14 USD
March 6	AS	Live Palace Inc.	1,785	\$14 USD
March 6	GT	Live Palace Inc.	4,143	\$14 USD
March 6	R & KW	Live Palace Inc.	2,000	\$14 USD
March 6	R & DW	Live Palace Inc.	5,000	\$14 USD
March 6	CW	Live Palace Inc.	1,000	\$14 USD
March 10	CY	Live Palace Inc.	3,571	\$14 USD
April 2	BC	Live Palace Inc.	2,000	\$14 USD
April 2	A & CF	Live Palace Inc.	215	\$14 USD
April 2	T & JH	Live Palace Inc.	500	\$14 USD
April 2	K & CS	Live Palace Inc.	2,000	\$14 USD
2009				
May 14	CY	Live Palace Inc.	2,500	\$10 USD
June 22	RN	Michael Steele	5,000	\$10 USD
September 2	T & HM	Live Palace Inc.	3,000	\$10 USD
September 2	BS	Live Palace Inc.	2,000	\$10 USD
September 2	DJ	Live Palace Inc.	1,000	\$10 USD
September 2	MK	Live Palace Inc.	1,000	\$10 USD
September 2	GK	Live Palace Inc.	5,000	\$10 USD
September 2	K & CS	Live Palace Inc.	2,775	\$10 USD
October 2	AL	Michael Steele	1,000	\$10 USD
October 2	RH	Michael Steele	2,500	\$10 USD
Total:			76,413 shares	\$966,682 USD

AGREED TO by the Respondent, Samuel Ryan Scoten at the City of Vancouver in the Province of British Columbia, this 3rd day of October, 2012.

“Simon Kent”
WITNESS

“Samuel Ryan Scoten”
SAMUEL RYAN SCOTEN
RESPONDENT

AGREED TO by Staff at the City of Vancouver in the Province of British Columbia, this 10th day of October, 2012.

“Shannon Mathieson”
WITNESS

“Lorne Herlin”
LORNE HERLIN
Senior Enforcement Counsel
on behalf of Staff of the Investment
Industry Regulatory Organization of
Canada

ACCEPTED at the City of Vancouver in the Province of British Columbia, this 11th day of October, 2012, by the following Hearing Panel:

Per: “R. John Rogers”
Panel Chair

Per: “Michael Johnson”
Panel Member

Per: “L. Karen Henderson”
Panel Member