



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

PETER BECK,

**SWIFT TRADE INC. (continued as 7722656 Canada Inc.), BIREMIS, CORP.,
OPAL STONE FINANCIAL SERVICES S.A., BARKA CO. LIMITED,
TRIEME CORPORATION and a limited partnership referred to as "ANGUILLA LP"**

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

1. Staff of the Ontario Securities Commission ("**Staff**") make the following allegations with respect to Peter Beck ("**Beck**"); Swift Trade Inc. (continued as 7722656 Canada Inc.) ("**Swift Trade**"); Biremis, Corp. ("**Biremis**"); Opal Stone Financial Services S.A. ("**Opal Stone**"); Barka Co. Limited ("**Barka**"); Trieme Corporation ("**Trieme**"); and a limited partnership referred to as "Anguilla LP" (collectively, the "**Swift Trade Group**" or "**Group**").

I. Overview of Allegations

2. Beck is the directing mind of the Swift Trade Group which operates a high-volume, multi-national, securities day-trading business with a culture of regulatory non-compliance. Beck and his family incorporated or otherwise constituted each of the members of the Group, and organized their business operations using a complex, repeatedly changing structure. The organization of the Group's business operations inhibits transparency and impedes regulatory oversight of the Group's trading activities. The Group has operated with a deficient system of controls and supervision, and in breach of the requirement to be

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registered under Ontario securities law. Members of the Group have also failed to comply with other obligations applicable to them as registrants under Ontario securities law.

3. The Swift Trade Group has, according to Swift Trade, rapidly expanded the size of its day-trading operations. Beck started his day-trading operations in 1998, from a single office in Toronto. In 2008, the Group traded approximately 22 billion shares on global markets, using 4,500 (unregistered) individuals as its traders, operating from 190 offices around the world (including Canada, China, Europe, India, Israel, Kazakhstan, Nicaragua, Panama, and Russia). The Group directs its trading activities through technology located in Toronto. Key personnel in Toronto facilitate and support trading activities of the Group.
4. The lack of transparency in the Swift Trade Group's trading operations was exemplified in Swift Trade's interactions with Staff in connection with a compliance review by Staff (the "**Compliance Review**") and a review (the "**Consultant's Review**") by a consultant retained by Staff (the "**Consultant**"). Swift Trade failed to produce, or facilitate the production of, complete and accurate records pertaining to the trading operations of the Group, in response to repeated requests by Staff, and by the Consultant, even though it had been given lengthy periods of time to do so.
 - (i) The Compliance Review occurred in and around March, 2009 and related to compliance by Swift Trade, in 2008, with Ontario securities law. During the Compliance Review, Staff identified a number of significant deficiencies related to Swift Trade's compliance, many of which had the effect of obscuring Staff's regulatory oversight of Swift Trade's securities trading operations. These deficiencies included: instances where Swift Trade's records of fund transfers conflicted with Swift Trade's contractual arrangements for the flow of funds between members of the Swift Trade Group; failures by Swift Trade to reconcile its accounting records with the records of third-parties; and business transactions of Swift Trade that were incorrectly recorded.

(ii) The Consultant's Review was initiated in response to deficiencies identified in the Compliance Review and the lack of transparency in the Swift Trade Group's operations. The purpose of the Consultant's Review was to obtain a comprehensive understanding of the Group's business operations and affairs. The nature and scope of the Consultant's Review was specified in terms and conditions (the "**ST Terms and Conditions**") that were imposed on Swift Trade's registration by Staff, on December 21, 2009, for an aggregate period of 12 months. Pursuant to the ST Terms and Conditions, the Consultant repeatedly requested certain critical information about the Group's operations (detailed below) – but this information was not produced.

5. In December 2010, Swift Trade participated in a series of corporate actions that resulted in its dissolution one week prior to the expiry of the ST Terms and Conditions. It did so without giving Staff advance notice – and without completing the production of information requested by the Consultant pursuant to the ST Terms and Conditions.

6. The results of the Compliance Review, the Consultant's Review and the investigation conducted by Staff have disclosed that Beck and other members of the Swift Trade Group operate with a culture of non-compliance, in breach of Ontario securities law and contrary to the public interest as follows:

(i) Since at least 2008, and up to its dissolution, Swift Trade failed to establish, maintain and enforce policies and procedures necessary to establish a system of adequate controls and supervision to provide reasonable assurance that it complies with Ontario securities law, and to manage its risks in accordance with prudent business practices. The following deficiencies were specifically noted:

(a) In 2008, Swift Trade was deficient in the management of its financial affairs in that it failed to record its business transactions and financial affairs completely and accurately.

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- (b) Swift Trade failed to perform adequate monitoring of client trading activities for possible abusive or deceptive trading.
 - (c) Swift Trade failed to maintain or produce, upon request, complete and accurate financial records, including records which were necessary for Staff and the Consultant to complete their respective reviews.
 - (d) Swift Trade failed to implement adequate supervisory controls over the activities of its successive Directors of Finance, its designated compliance officer and its Chief Compliance Officer.
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- (ii) Since at least 2007, members of the Swift Trade Group have been engaging in extensive day-trading activities in breach of the dealer registration requirement (the “**Dealer Registration Requirement**”) contained in section 25 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “**Act**”)¹.
 - (iii) Since September 28, 2009, certain members of the Swift Trade Group have repeatedly extended credit or provided margin to their clients, contrary to section 13.12 of National Instrument 31-103 *Registration Requirements and Exemptions* (“**NI 31-103**”).

II. The Respondents

7. What follows is a description of each of the members comprising the Swift Trade Group:

¹ Effective September 28, 2009, subsection 25(1) of the Act prohibits a person or company from engaging in the business of trading in securities unless the person or company is registered in accordance with Ontario securities law. Before that, subsection 25(1) of the Act prohibited a person or company from trading in a security unless the person or company was registered.

Peter Beck

8. From December, 2009 up until Swift Trade's dissolution in December, 2010, Beck was registered under the Act as the ultimate designated person (the "**UDP**") and dealing representative for Swift Trade.² Before that, Beck had been registered under the Act as the trading officer for Swift Trade since September, 2002, and he was also the designated compliance officer of Swift Trade from November 2004 to August 2006. Beck resides in Ontario.
9. Since 1998, Beck has been registered with the Financial Industry Regulatory Authority ("**FINRA**") or its predecessor, the National Association of Securities Dealers ("**NASD**"). Beck has been registered as a General Securities Representative and General Securities Principal of Biremis since 2004.
10. Beck has been the subject of two regulatory proceedings in the U.S. The first proceeding related to the involvement of Beck and an affiliate of Swift Trade (Swift Trade Securities USA Inc.) in certain "wash trading" activity. The second proceeding related to Beck's failure to investigate the employment history of an individual who was employed as the Controller for Biremis and who was subsequently convicted for crimes committed in Ontario. This individual also served as the Director of Finance for Swift Trade in 2008 (the "**2008 Director of Finance**").

Swift Trade Inc.

11. Swift Trade was a corporation incorporated under the laws of Ontario in 2002. Swift Trade was registered under the Act as an "exempt market dealer" (an "**EMD**") from September 28, 2009 until its dissolution in December, 2010. Before that, Swift Trade had been registered under the Act as a "limited market dealer" ("**LMD**") since September 18, 2002.

² The registration category of UDP came into effect on September 28, 2009 with the coming into force of NI 31-103. Swift Trade was first registered under its previous name, "Biremis Corporation", but subsequently changed its name to "Swift Trade Inc."

12. In December 2010, Swift Trade dissolved. Immediately prior to its dissolution, Swift Trade participated in a series of corporate actions which resulted in its continuation as 7722656 Canada Inc. On December 13, 2010, 7722656 Canada Inc. dissolved itself.
13. Until its dissolution, Swift Trade facilitated extensive day-trading operations from its office in Toronto (the “**ST Toronto Office**”).³ Since at least March, 2007, Swift Trade has had only two clients, Barka and Trieme (collectively “**ST Related Clients**”), neither of whom was at arm’s-length with Swift Trade. Swift Trade is a subsidiary of a holding company, BRMS Holdings Inc. (“**BRMS**”). Beck is the Director and majority shareholder of BRMS. Beck was also the President and Director of Swift Trade.

Biremis, Corp.

14. Biremis is a corporation incorporated under the laws of Massachusetts in 2004. It does not maintain a functioning office in the U.S. Instead, Biremis operates out of the ST Toronto Office.⁴ Biremis is registered with the U.S. Securities and Exchange Commission as a “broker-dealer” and is a licensed member of FINRA. Biremis day-trades large volumes of securities for its only client, Opal Stone, on Canadian marketplaces (the “**Canadian Marketplaces**”), and on marketplaces located outside of Canada (the “**International Marketplaces**”), which are predominantly located in the U.S. Swift Trade was a client of Biremis up until May, 2009. Biremis was an affiliate of Swift Trade prior to Swift Trade’s dissolution. Biremis is a subsidiary of BRMS. Beck is the President and Director of Biremis. Beck and other senior officers of Biremis, including the current Controller and the current Chief Compliance Officer of Biremis, all reside in Ontario and maintain offices at the ST Toronto Office.

³ Swift Trade uses equipment located at the ST Toronto Office and elsewhere in Toronto. Swift Trade retained the services of two Ontario companies that also operate out of the ST Toronto Office: an affiliate, Orbixa Management Services Inc. (“Orbixa”), and BlueChive Processing Corporation (“BlueChive”). Orbixa is a subsidiary of BRMS Holdings Inc. Beck is the Director and the majority shareholder of BRMS Holdings Inc. Although his mother-in-law is its President and owner, Beck controls BlueChive.

⁴ Biremis used and continues to use equipment located at the ST Toronto Office and elsewhere in Toronto. Biremis retained and continues to retain the services of Orbixa, which operates out of the ST Toronto Office.

15. From 2008 to 2010, inclusive, Biremis has been the subject of four regulatory proceedings in the U.S. where it settled allegations made by FINRA. One of the proceedings related to the failure to investigate the employment history of its Controller as referred to in paragraph 10 above. The other three matters related to deficiencies in Biremis' transmission of certain electronic trade related data that it was required to send to FINRA.

Opal Stone Financial Services S.A.

16. Opal Stone is a corporation incorporated under the laws of Uruguay in 2007. It facilitates securities day-trading by clients who trade from locations in Ontario, across Canada and in countries around the world. Opal Stone is not registered under the Act or with any securities regulatory authority. Although it has an office located in Costa Rica, it retains the services of three non-arm's length administrative services companies that operate out of the ST Toronto Office (and also other locations): Orbixa, Omira Corporation S.A. (an affiliate of Biremis, incorporated in Costa Rica) and BlueChive. Swift Trade was a client of Opal Stone from May, 2009 up until its dissolution in December, 2010. Beck's father settled a private family trust which wholly owns Opal Stone. In or around 2007, Beck was the President of Opal Stone.

Barka Co. Limited

17. Barka is a corporation incorporated under the laws of Cyprus in 2004. Beck established Barka for his father. Barka was a non-arm's length client of Swift Trade. The sole purpose of Barka is to engage in the business of securities day-trading. In 2009, Barka retained 355 (unregistered) individual traders to trade on its behalf from 18 trading offices located in Ontario and across Canada. Beck's wife was the sole beneficial shareholder of Barka upon its incorporation. Since then, beneficial ownership of Barka has been held, at different times, by Beck's father, a trust that had no beneficiaries, and the estate of Beck's father.

Trieme Corporation

18. Trieme is a corporation incorporated under the laws of Ontario in 2005. Trieme was incorporated for the sole purpose of trading securities on its own behalf. It was a non-arm's length client of Swift Trade. Trieme has operated at least two trading offices and retained at least 24 individual (unregistered) traders to trade on its behalf. Trieme ceased all trading activities on November 30, 2010. Beck is the Director and sole shareholder of Trieme.

Anguilla LP

19. Anguilla LP is a limited partnership organized under the laws of Anguilla.⁵ Barka is a limited partner. Anguilla LP has retained the individual traders in Ontario who previously traded on behalf of Barka and Trieme, to trade on its behalf.

III. Breaches of Ontario Securities Law and Conduct Contrary to the Public Interest

20. The Swift Trade Group's culture of non-compliance exposes parties with whom it trades, and the capital markets in which it trades, to potential harm. In this regard, the results of the Compliance Review, the Consultant's Review and Staff's investigation have disclosed that, since at least 2008, members of the Swift Trade Group have operated contrary to Ontario securities law.

A. Financial Management Deficiencies

21. Since at least 2008, and up to its dissolution, Swift Trade failed to establish, maintain and enforce policies and procedures necessary to establish a system of adequate controls and supervision to provide reasonable assurance that it complies with Ontario securities law, and also to manage its risks in accordance with prudent business practices. In failing to

⁵ The General Counsel for members of the Swift Trade Group has referred to this entity as "Anguilla LP".

establish, maintain and enforce such system of controls and supervision, Swift Trade breached Ontario securities law and acted contrary to the public interest.

22. Swift Trade's conduct was contrary to the requirements of Ontario securities law and in particular, sections 1.2, 1.3 and 3.1 of the then applicable OSC Rule 31-505 *Conditions of Registration* ("**OSC Rule 31-505**"). Since September 28, 2009, requirements for registered firms to establish, maintain and enforce adequate policies and procedures that establish a system of controls and supervision have been set out in section 11.1 of NI 31-103. Swift Trade's conduct was also contrary to the public interest.
23. In 2008, Swift Trade failed to properly record its business transactions and financial affairs completely and accurately and thereby inhibited regulatory oversight. These failures included:
 - (i) Failure to reconcile its accounting records with those of third-party service providers. In particular, the 2008 Director of Finance failed to reconcile:
 - (a) Its records of settlement amounts for trades executed by it for its ST Related Clients with its own bank statements;
 - (b) Records of amounts actually paid to the individual traders, and their trade location managers, for ST Related Clients with internal records showing amounts owed to such traders and their managers;
 - (c) Its records of ST Related Client security deposits with the actual amounts shown in its bank statements;
 - (d) Bank balances recorded in its general ledger with the actual balances shown in its bank statements.
 - (ii) Incorrect accounting entries. In particular: investments totalling approximately \$550,000 actually belonging to Swift Trade's parent company, BRMS, were recorded in Swift Trade's accounting records as belonging to Swift Trade.

24. Until its dissolution, Swift Trade had a high rate of turn-over in its finance personnel. In the six years prior to its dissolution, Swift Trade had four different Directors of Finance.
25. In 2009 and 2010, Swift Trade's policies and procedures and supervisory controls remained deficient. In those two years, Swift Trade had two successive Directors of Finance. Neither of these Directors of Finance was able to provide complete or satisfactory responses when questioned about the Swift Trade Group's structure and operations by Staff and the Consultant during the Compliance Review and the Consultant's Review.
26. With respect to the matters referred to in paragraphs 23 to 25 above, Swift Trade and Beck also failed to adequately supervise Swift Trade's Directors of Finance.
27. Beck also failed to adequately supervise Swift Trade's process for hiring the 2008 Director of Finance, who had resigned from his previous employment where his conduct had been under investigation by his employer. This individual was subsequently convicted in Ontario of two counts of breach of public trust and one count of theft. At the same time, Beck also hired this individual to act as the Controller for Biremis, without adequately investigating his employment history.
28. Beck's failure to investigate this individual's employment history before hiring him as Biremis' Controller was the subject of FINRA's proceedings against Beck in late 2010. FINRA alleged that Biremis, acting through Beck, failed to establish, maintain and enforce a supervisory system and/or written supervisory procedures that were reasonably designed to investigate the background of prospective employees, follow-up on any red flags and achieve compliance with its registration and reporting obligations.

B. Failure to Perform Adequate Trade Reviews

29. In 2008, Swift Trade failed to perform adequate reviews of trading by ST Related Clients for possible instances of manipulative or deceptive trading activities, contrary to the requirements of Ontario securities law, and in particular, the then applicable OSC Rule 31-505 – sections 1.2, 1.3 and 3.1 of the Rule – and contrary to the public interest. In particular:

- (i) In 2008, Swift Trade’s compliance personnel were inadequately staffed to monitor trade orders involving billions of shares submitted by hundreds of individual traders for execution on Canadian Marketplaces and International Marketplaces. The compliance personnel consisted of only two individuals, each with limited compliance experience. One of these individuals served as the designated compliance officer (the “**2008 CCO**”) of Swift Trade, and also as the Chief Compliance Officer for Biremis.
- (ii) Swift Trade’s 2008 CCO performed inadequate trade reviews for potential illegal trades known as “wash trades”.⁶ She relied upon reports with incorrect time stamps, despite the fact that such time stamps are critical for a wash trade analysis. She also limited her reviews by examining possible illegal trade patterns occurring within one trading day, instead of over multiple trading days.
- (iii) Swift Trade’s compliance personnel maintained unclear and insufficient records of trade review findings, including findings that may have suggested the occurrence of “spoofing”, “layering”⁷ or other questionable trading being executed by Swift Trade on behalf of the hundreds of individual traders trading on behalf of its ST Related Clients.

⁶ “Wash trade” is the term commonly used to describe a trade where, following the trade, there is no change in beneficial or economic ownership of the securities traded, resulting in a misleading appearance of trading activity.

⁷ “Spoofing” and “layering” are terms commonly used to describe activities that aim to affect the “bid” and/or “offer” price for a security. Such activities are designed to temporarily manipulate the price of a security in order to deceive other market participants into executing disadvantageous trades.

30. Swift Trade had a high rate of turn-over in compliance personnel. In the six years preceding its dissolution, Swift Trade had six different individuals act as its designated or registered chief compliance officer.⁸
31. During the Compliance Review, the 2008 CCO (who continued in that role during the Compliance Review) could not demonstrate to Staff that she possessed adequate knowledge about the complex structure and operations of the Swift Trade Group or the trade supervision issues noted above.
32. For the period from 2009 to 2010, compliance personnel in Toronto performed certain trade reviews for Swift Trade and Biremis and, in some instances, Opal Stone. Again, these trade reviews were inadequate for the purpose of identifying possible illegal and abusive trading on Canadian Marketplaces. By failing to perform adequate trade reviews, Swift Trade was in breach of the requirements of Ontario securities law, and in particular, the provisions of the then applicable OSC Rule 31-505 (referred to in paragraph 29 above) and/or section 11.1 of NI 31-103.⁹ By failing to perform adequate trade reviews, Swift Trade also acted contrary to the public interest. Similarly, by failing to perform adequate trade reviews, Biremis and Opal Stone also acted contrary to the public interest.
33. In particular, in response to certain complaints received by Staff, Staff identified for Swift Trade patterns of irregular trading activity in relation to 11 securities originating from the Swift Trade Group on Canadian Marketplaces which occurred in the period from January, 2009 to March, 2010. This activity included possible spoofing and layering.

⁸ The registration category of chief compliance officer came into force on September 28, 2009 with the coming into force of NI 31-103. Before that, registered dealers were required to designate a registered partner or officer of the dealer to perform this function.

⁹ Requirements for registered firms to establish and enforce adequate supervisory controls and policies and procedures are set out in Part 11 of NI 31-103, which came into effect on September 28, 2009.

34. The compliance personnel in Toronto had failed to detect these patterns of irregular trading activity in 10 of the 11 securities identified by Staff. In the one instance where the compliance personnel had detected irregular trading, they limited the scope of their enquiries and also failed to adequately record the results of these limited enquiries.
35. Swift Trade was unable, upon the request of Staff, to demonstrate that it performed adequate trade reviews for specific periods in 2009 and 2010.
36. With respect to the matters referred to in paragraphs 29 to 35 above, Swift Trade and Beck also failed to supervise Swift Trade's designated compliance officer and registered compliance officer from 2008 to 2010.
37. By failing to perform adequate trade reviews, Swift Trade, and other members of the Swift Trade Group increase the risk that they also failed to detect and prevent possible abusive and illegal trading activity in the billions of shares that were traded annually, by the thousands of (unregistered) traders, on behalf of their clients. This risk, in turn, undermines the integrity of the capital markets in Ontario and elsewhere.

C. Failure to Maintain or Produce Complete and Accurate Records

38. Swift Trade was unable to produce any of the following records that were requested by Staff in their Compliance Review or by the Consultant in the Consultant's Review (the "**Missing Records**"):
 - (i) Any brokerage statements pertaining to trades on European and Asian Marketplaces, and certain brokerage statements pertaining to trades on Canadian Marketplaces;
 - (ii) Documents supporting or explaining fund transfers from and to bank accounts of the Swift Trade Group and payments to individual traders;

- (iii) Records relating to the performance of accounting reconciliations of trading profits attributable to the individual traders and their trading office managers, who act on behalf of the ST Related Clients and clients of Opal Stone, as detailed above; and
- (iv) Certain financial statements and general ledgers for Swift Trade, Barka, Trieme, Opal Stone, Orbixa and BlueChive.

39. By failing to produce the Missing Records, which it was required to keep under section 19 of the Act, Swift Trade failed to comply with subsection 19(3) of the Act.

40. Under the ST Terms and Conditions, Swift Trade was required to provide and facilitate access to the books, records and documents of the Swift Trade Group and also Orbixa and BlueChive. During the Consultant's Review, the Consultant was limited by Swift Trade's failure to provide the Missing Records that were requested by the Consultant.

41. With respect to the matters referred to in paragraph 38 above, during the corresponding periods from 2008 to 2010, Swift Trade and Beck also failed to supervise Swift Trade's designated compliance officer and chief compliance officer in the performance by these officers of their regulatory obligations.

D. Breach of the Dealer Registration Requirement in Section 25 of the Act

42. Since at least 2008, the Swift Trade Group has engaged, and certain members of the Group continue to engage in, the trading of billions of shares based on trade orders submitted by thousands of (unregistered) individual day-traders located around the world. All trade orders of these individual traders are transmitted and received electronically through servers in Toronto and routed for execution on Canadian Marketplaces and on International Marketplaces.

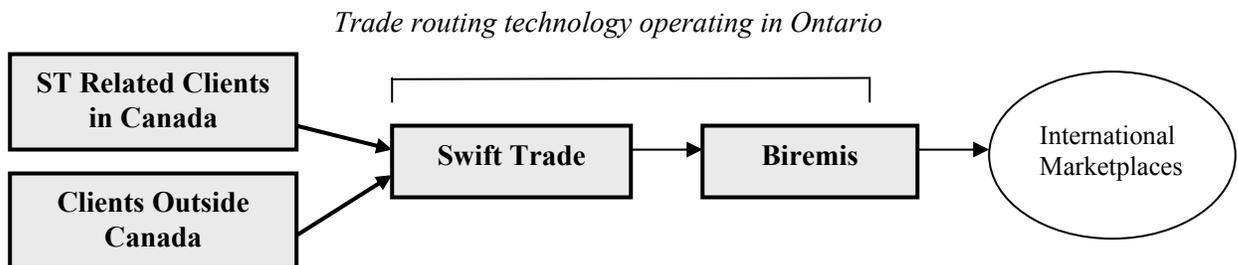
43. The allegations below concern the transmission and execution of sale orders by members of the Swift Trade Group on International Marketplaces, where such sale orders were not transmitted and executed through appropriately registered dealers under the Act. Such trading activity continues to be conducted by certain members of the Group. None of the members of the Group were then – or are now – appropriately registered under the Act to engage in these trading activities.

Changing Trade Flows

44. Members of the Swift Trade Group have entered into agreements setting out the relationships and responsibilities for the transmission and execution of trade orders (the “**Trade Flows**”) on Canadian Marketplaces and on International Marketplaces. Through the technology involved, these Trade Flows happen on a virtually instantaneous basis. The diagrams below depict the Group’s repeatedly changing Trade Flows.

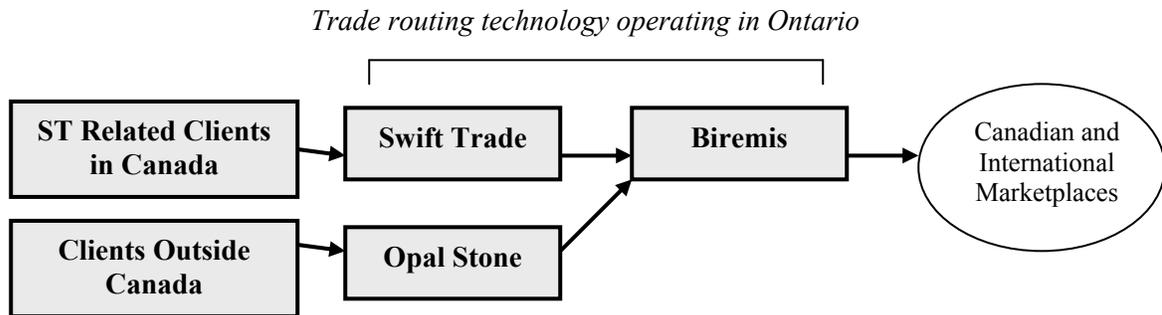
Prior to September, 2007

45. Prior to September, 2007, all trade orders were transmitted by the individual traders for each client to Swift Trade (operating from the ST Toronto Office) and then by Swift Trade to Biremis (also operating from the ST Toronto Office) for execution on International Marketplaces, as follows:



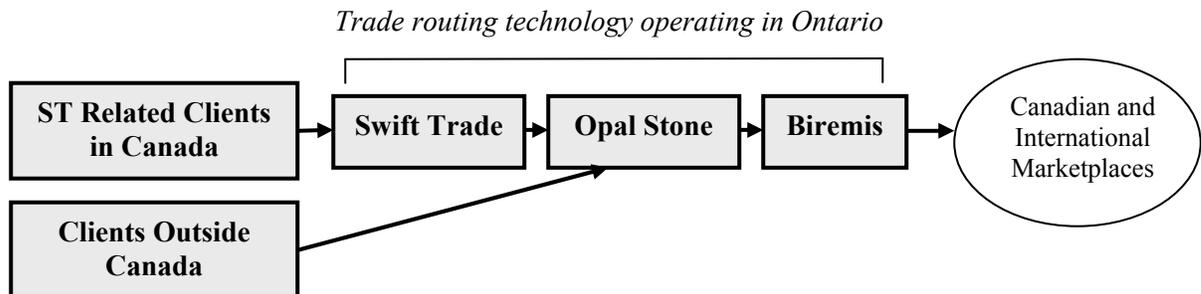
September, 2007 to May, 2009

46. Between September, 2007 and May, 2009, the Trade Flows involved Opal Stone, and included trades that were executed on Canadian Marketplaces, as follows:



May, 2009 to December, 2010

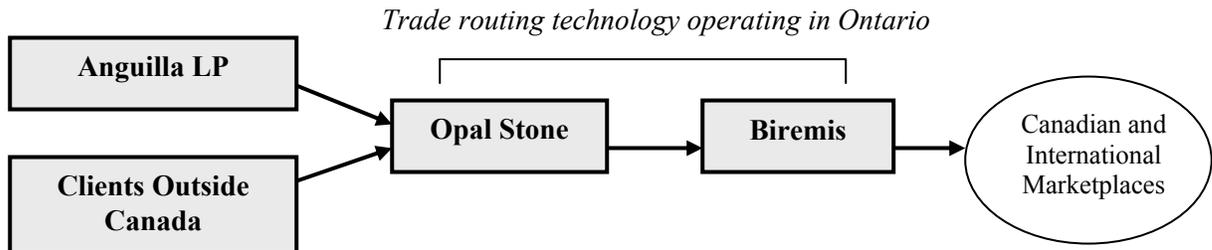
47. Between May, 2009 and December, 2010, the Trade Flows changed again, as follows:



Since December, 2010

48. In or about December, 2010, the ST Related Clients terminated their trading relationship with Swift Trade and entered into direct relationships with Opal Stone.
49. In or about December, 2010, Barka discontinued using individual traders to trade on its behalf and its former traders began trading on behalf of a new limited partnership, Anguilla LP. As noted above, Barka is a limited partner in Anguilla LP. Trieme also ceased its trading activities, and its former traders were retained by Anguilla LP to trade on its behalf.

50. Staff understands that, as of December, 2010, the Trade Flows changed again, as follows:



51. In all of the above Trade Flows, regardless of the location of the traders submitting the trade orders, the trade orders were transmitted by traders to servers located in Ontario used by Biremis. Biremis then routed these trade orders for execution on either Canadian Marketplaces or International Marketplaces. In each case, Biremis attached its electronic identification marker on the trade orders.

Breaches of the Dealer Registration Requirement in Particular

52. The nature of the breaches of the Dealer Registration Requirement by the various members of the Swift Trade Group associated with the various Trade Flows are as follows:

(i) **Biremis**

- (a) Since at least 2007, Biremis has been receiving sale orders from clients, including clients with trading offices located in Ontario, using electronic day-trading systems located in Ontario. Biremis has then been executing these orders on International Marketplaces in circumstances for which it had no exemption from the Dealer Registration Requirement.
- (b) Biremis is not and has never been registered under the Act. By engaging in these trading activities, Biremis is in breach of the Dealer Registration Requirement.

(ii) **Opal Stone**

- (a) Since at least 2007, Opal Stone has been receiving sale orders from its clients, (including, since May, 2009, clients with trading offices located in Ontario), using electronic day-trading systems located in Ontario. Such sale orders have then been processed through Biremis in Ontario for execution over International Marketplaces in circumstances for which Opal Stone has had no exemption from the Dealer Registration Requirement.
- (b) Opal Stone is not and has never been registered under the Act. By engaging in these trading activities, Opal Stone is in breach of the Dealer Registration Requirement.

(iii) **Swift Trade**

- (a) From May, 2009 until its dissolution in December, 2010, Swift Trade was a client of Opal Stone. Swift Trade received and transmitted orders to sell securities from ST Related Clients for execution on International Marketplaces. Swift Trade then processed these orders through Opal Stone and Biremis for execution on International Marketplaces in circumstances for which it had no exemption from the Dealer Registration Requirement.
- (b) By engaging in these trading activities, Swift Trade acted outside the scope of its registration and breached the Dealer Registration Requirement.

(iv) **ST Related Clients: Barka and Trieme**

- (a) From May, 2009 (when Swift Trade became a client of Opal Stone) until just prior to Swift Trade's dissolution in December, 2010, the ST Related Clients transmitted to Swift Trade orders to sell securities which were executed on International Marketplaces. Swift Trade processed these orders through Opal Stone and Biremis

for execution on International Marketplaces in circumstances for which neither the ST Related Clients nor Swift Trade had any available exemption from the Dealer Registration Requirement.

(b) Neither Barka nor Trieme has ever been registered under the Act. By engaging in these trading activities, these ST Related Clients breached the Dealer Registration Requirement.

(v) **Anguilla LP**

(a) Since December, 2010, Anguilla LP has been transmitting orders to sell securities which are eventually executed through Biremis on International Marketplaces. Staff understands that Opal Stone has been processing these orders for execution through Biremis on International Marketplaces in circumstances for which Anguilla LP has no available exemption from the dealer registration requirement in the Act.

(b) Anguilla LP has never been registered under the Act. By engaging in these trading activities, Anguilla LP is in breach of the Dealer Registration Requirement.

E. Prohibited Conduct in Extending Credit or Providing Margin to a Client

53. During the period from September 28, 2009 to November 30, 2010, shortly before Swift Trade's dissolution, Swift Trade, while registered as an EMD, extended credit or provided margin to clients on a frequent and daily basis. Such conduct is contrary to section 13.12 of NI 31-103, which prohibits a registrant from lending money, extending credit or providing margin to a client. This prohibition came into effect on September 28, 2009 and is intended to prevent registrants from exposing themselves to associated solvency risks. These solvency risks may detrimentally impact clients, counterparties and the integrity of the capital markets.

54. It is Staff's position, as detailed above, that Biremis and Opal Stone were required to be registered under the Act and, as such, were subject to the prohibition against extending credit or providing margin to clients contained in section 13.12 of NI 31-103.¹⁰ Since September 28, 2009, Biremis and Opal Stone have extended credit or provided margin to clients in breach of section 13.12 of NI 31-103.
55. For certain trades that were directed in accordance with the Trade Flow depicted in paragraph 47, above, Biremis extended credit to its client, Opal Stone, in breach of section 13.12 of NI 31-103. Opal Stone, in turn, extended credit to its client, Swift Trade, in breach of section 13.12 of NI 31-103. Swift Trade, in turn, extended credit to the ST Related Clients, in breach of section 13.12 of NI 31-103. They did so by allowing their respective clients to engage in trading activities that resulted in exposure to open security positions for each firm. In each case, this exposure was in excess of the value of amounts held on account of each of their respective clients.

F. Beck's Non-Compliance with Ontario Securities Law

56. Beck has not complied with Ontario securities law because:
- (i) as a director or officer of each of Swift Trade, Biremis and Trieme, Beck authorized, permitted or acquiesced in the non-compliance with Ontario securities law by these companies in the circumstances described above, and as such is deemed by section 129.2 of the Act to also have not complied with Ontario securities law; and
 - (ii) as the registered UDP of Swift Trade, in the period from December, 2009 until the dissolution of Swift Trade in December, 2010, Beck failed to adequately supervise

¹⁰ Subsection 1(1) of the Act defines a "registrant" as a person or company registered or required to be registered under the Act. As a result, a person or company required to be registered under the Act is also subject to requirements of Ontario securities law that apply to registrants.

the activities of Swift Trade and each individual acting on its behalf to ensure their compliance with Ontario securities law, contrary to section 5.1 of NI 31-103.

IV. Conclusion

57. By reason of the foregoing, Beck, Swift Trade, Biremis, Opal Stone, Barka, Trieme and Anguilla LP engaged in significant breaches of Ontario securities law and engaged in conduct contrary to the public interest.
58. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED AT TORONTO this 23rd day of March, 2011