



Ontario Commission des
Securities valeurs mobilières
Commission 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
KWOK-ON ALOYSIUS LO**

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

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

The Respondent

1. The Respondent is a resident of Ontario. He has never been registered in any capacity under the *Act*.
2. As detailed below, in the period between May 1, 2006 to September 30, 2006, the Respondent executed trades in a manner that repeatedly invoked the minimum guarantee fill (“MGF”) facility of the TSX for the shares of 8 listed stocks and thereby resulted in trades at artificial prices.
3. In carrying out the trades, the Respondent traded in his own discount brokerage account and in the discount brokerage accounts of two other individuals.

Background – Minimum Guaranteed Fill

4. A market maker is assigned to certain stocks traded on the Toronto Stock Exchange (“TSX”) in order to maintain a fair, orderly and continuous two-sided market for the stocks. The participation of a market maker serves to enhance liquidity of, and reduce volatility in the market for the shares. The market maker commits to trade all orders of a certain size (known as a minimum guaranteed fill or MGF) within a spread goal (the price difference between buy and sell orders). The MGF and spread goal will vary by company, depending on the size of the issuer and trading activity.
5. When there is insufficient stock in the order book to fill an order, the market maker is required to guarantee an automatic and immediate “one price” execution of MGF eligible orders.

The Respondent’s Trading

6. Between May 1, 2006 to September 30, 2006, the Respondent executed sets of trades in quick succession with the following pattern:
 - (a) From one account, he placed an order to purchase a small number of shares at a price slightly below the posted offer;
 - (b) Through another account, he entered an order to sell a larger number of shares at the new bid (which was established in his first order described above); and
 - (c) The account that placed the sell order had its order filled, in part by the first order and in part by the market maker’s account because the MGF facility was invoked.

As a result of this trading pattern, trades were executed at artificial prices because the fill of the order described in (b) above took place at a higher price than the prevailing market (as represented by the posted bid and offer) immediately before the first order was entered by the Respondent.

Registration requirement

6. The two individual account holders authorized the Respondent to select and implement a trading strategy for their accounts and had knowledge of the trading in their accounts by the Respondent. They were not sophisticated investors. To execute trades, the Respondent accessed the two individuals' accounts online, after he requested and received their account numbers and passwords.

Conduct contrary to the Act and the public interest

7. The Respondent knew or ought to have known that the trades described above would or may create artificial prices for the shares of the 8 listed securities.
8. The Respondent ought to have been registered under the *Act* to carry out trading on behalf of the two individual account holders.
9. The Respondent's conduct was, therefore, contrary to s.25 and 126.1(a) of the *Ontario Securities Act*, and the public interest.
10. Such additional allegations as Staff may advise and the Commission may permit.

Dated at Toronto this 2nd day of March, 2009.