



Ontario
Securities
Commission

Commission des
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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.**

**SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION AND
ZHEN (STEVEN) PANG and OASIS WORLD TRADING INC.**

PART I - INTRODUCTION

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”), it is in the public interest for the Commission to approve this settlement agreement between Staff of the Commission (“Staff”) and Zhen (Steven) Pang (“Pang”) and Oasis World Trading Inc. (“Oasis”) (“the “Respondents”) (the “Settlement Agreement”), and to make certain orders in respect of the Respondents.

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing against the Respondents in accordance with the terms and conditions set out below. The Respondents consent to the making of an order against them in the form attached as Schedule “A” on the basis of the facts set out below.

PART III – AGREED FACTS

3. For the purposes of this Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, the Respondents agree with the facts as set out in Part III of this Settlement Agreement.

A. Overview

4. 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.

5. 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, thereby breaching section 126.1(1)(a) of the Act.

6. While 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

7. Oasis was incorporated under the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44, 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.

8. Pang was an Ontario resident during the Material Time. He founded Oasis in November 2012. He was the sole officer and director of Oasis during the Material Time. He has never been registered with the Commission in any capacity.

9. 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

10. 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.

11. 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.

12. All of Oasis’ traders are located in China. There are approximately 40 branch offices in China. There is no requirement at Oasis for traders to actually work from the branch office. A trader can work from anywhere as long as he or she has an internet connection.

13. All trading done by Oasis traders is routed through JitneyTrade to Canadian marketplaces. Traders at Oasis use a proprietary and customized trading platform developed and sourced by a third party.

14. 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.

15. 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 (\$50-\$200 is the daily net loss limit for new traders). Overnight positions are prohibited for traders; all positions must be flattened by the end of the trading day.

16. 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 office 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

17. 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.

18. 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.

19. 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 improved 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;
- (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.

20. As a result of this trading pattern, trades were executed at artificial prices because the fill of the order described in paragraph 19(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.

21. This process was usually repeated multiple times on the same day.

22. A sampling of the month of April 2014, showed that there were at least 357 incidents of intraday spoofing by certain 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 tended 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.

23. While Pang did not know that certain Oasis traders were engaged in manipulative trading, he 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 to check for possible manipulative trading.

24. 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. Conduct Breaching the Securities Act and Contrary to the Public Interest

25. The Respondents admit to the following breaches:

- (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 section 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 section 126.1(1)(a) of the Act.

PART IV – THE POSITION OF THE RESPONDENTS

26. The Respondents request that the settlement hearing panel consider the following mitigating circumstances:

- (a) Prior to the approval of the Settlement Agreement, all of the traders who were responsible for the manipulative trading were terminated and their names and home addresses were provided to Staff;

- (b) Since Staff first identified the trading conduct in issue, and prior to entering into the Settlement Agreement with Staff, the Respondents have taken measures to improve Oasis' compliance platform in an effort to restrict the opportunity for traders at Oasis to engage in manipulative trading in the future;
- (c) Pursuant to the terms of their settlement with Staff, the Respondents have retained an independent consultant ("the Monitor"), who was approved in advance by Staff, to design a new compliance structure that will be implemented by Oasis. The new compliance structure will be tested by the Monitor within six months following the approval of this settlement and the Monitor will provide a report to Staff within those six months following the approval of this settlement. The Monitor will provide a final report to Staff within one year following the approval of the settlement;
- (d) Oasis is a small company and the size of the monetary penalty is proportionately severe compared to Oasis' revenues;
- (e) Neither of the Respondents was a registrant and Oasis' trading was being conducted through JitneyTrade, which is a registrant, in the expectation that JitneyTrade would identify and advise Oasis about any questionable trading;
- (f) The Respondents acknowledge and accept responsibility for their conduct and omissions;
- (g) The Respondents cooperated fully with Staff; and
- (h) The Respondents have not been the subject of any prior Commission proceedings or orders.

PART IV - TERMS OF SETTLEMENT

27. The Respondents agree to the terms of settlement listed below.
28. The Commission will make an order that:
- (a) The Settlement Agreement is approved;
 - (b) Pursuant to paragraph 6 of subsection 127(1) of the Act, the Respondents are reprimanded;
 - (c) Pursuant to paragraph 8 of subsection 127(1) and subsection 127(2) of the Act, Pang shall be prohibited from acting as a director or officer of Oasis, and shall not be involved in any way with proprietary trading at Oasis, for one year from the date of the order;
 - (d) Pursuant to paragraph 8 of subsection 127(1) of the Act, Pang shall be prohibited from becoming or acting as a director or officer of any issuer that is in the business of trading on any recognized Canadian exchange for one year from the date of the order;
 - (e) Pursuant to paragraph 9 of subsection 127(1) of the Act, Oasis shall pay an administrative penalty of \$225,000 to the Commission, which is designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;
 - (f) Pursuant to section 127.1 of the Act, Oasis shall pay the costs of the Commission's investigation in the amount of \$75,000;
 - (g) With regard to the payments referred to in subparagraphs 28(e) and 28(f) (the "Required Payments"), Oasis shall pay \$150,000 by way of certified cheque upon the date of the order and then \$20,000 per month, beginning within one week of the submission of the Monitor's first report to Staff, and at one month intervals (or the closest business day) thereafter until the Required Payments are made in full;

- (h) If Oasis fails to make any of the payments required by subparagraph 28(g) above, the remaining unpaid balance becomes due and owing immediately; and
- (i) Pursuant to section 127(2) of the Act, Oasis shall:
 - (i) within six months of the date of the order, cause the Monitor to assess Oasis's new compliance structure and provide a report to Staff; and
 - (ii) within one year of the date of the order, cause the Monitor to conduct a further assessment and provide a final report to Staff.

PART V - STAFF COMMITMENT

29. If the Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against the Respondents in relation to the facts set out in Part III herein.

30. If the Settlement Agreement is approved by the Commission, and at any subsequent time the Respondents fail to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against the Respondents based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

PART VI - PROCEDURE FOR APPROVAL OF SETTLEMENT

31. Approval of the Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and the Respondents for the scheduling of the hearing to consider the Settlement Agreement.

32. Staff and the Respondents agree that the Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding their conduct, unless the parties agree that further facts should be submitted at the settlement hearing.

33. If the Settlement Agreement is approved by the Commission, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

34. If the Settlement Agreement is approved by the Commission, none of the parties shall make any public statement that is inconsistent with the Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

35. Whether or not the Settlement Agreement is approved by the Commission, the Respondents agree that they will not, in any proceeding, refer to or rely upon the Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

PART VII – DISCLOSURE OF SETTLEMENT AGREEMENT

36. If, for any reason whatsoever, the Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

- (a) The Settlement Agreement and its terms, including all settlement negotiations between Staff and the Respondents leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and the Respondents; and
- (b) Staff and the Respondents shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and the Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

37. The terms of the Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate upon approval of the Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of the Respondents and Staff or as may be required by law.

PART IX - EXECUTION OF SETTLEMENT AGREEMENT

38. This Settlement Agreement may be signed on one or more counterparts which together will constitute a binding agreement.

39. A facsimile copy of any signature will be as effective as an original signature.

Signed in the presence of:

“Suzanne Haskett”

“Zhen (Steven) Pang”

Witness

Zhen (Steven) Pang

“Suzanne Haskett”

(Print Name)

Dated this 11th day of December, 2015

“Suzanne Haskett”

“Zhen (Steven) Pang”

Witness

Oasis World Trading Inc.

Per Zhen (Steven) Pang

“I have authority to bind the corporation.”

“Suzanne Haskett”

(Print Name)

Dated this 11th day of December, 2015

STAFF OF THE ONTARIO SECURITIES COMMISSION

“Karen Manarin”

Per: Tom Atkinson

Director, Enforcement Branch

Dated this 11th day of December, 2015.



Schedule "A"

**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.

**ORDER
(Subsections 127(1) and 127(2) and section 127.1)**

WHEREAS:

1. on December 10, 2015, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") in relation to a Statement of Allegations filed by Staff of the Commission ("Staff") (the "Statement of Allegations") on December 10, 2015, in respect of Zhen (Steven) Pang ("Pang") and Oasis World Trading Inc. ("Oasis") (together, the "Respondents");
2. the Notice of Hearing gave notice that on December 14, 2015, the Commission would hold a hearing to consider whether it is in the public interest to approve a settlement agreement between Staff and the Respondents dated December 10, 2015 (the "Settlement Agreement");
3. Oasis has retained an independent consultant ("the Monitor"), approved by Staff, to design and implement a new compliance structure;
4. the Commission reviewed the Settlement Agreement, the Notice of Hearing and the Statement of Allegations, and heard submissions from counsel for the Respondents and Staff; and

5. the Commission is of the opinion that it is in the public interest to make this order;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;
2. pursuant to paragraph 6 of subsection 127(1) of the Act, the Respondents are reprimanded;
3. pursuant to paragraph 8 of subsection 127(1) and subsection 127(2) of the Act, Pang shall be prohibited from acting as a director or officer of Oasis, and shall not be involved in any way with proprietary trading at Oasis, for one year from the date of this order;
4. pursuant to paragraph 8 of subsection 127(1) of the Act, Pang shall be prohibited from becoming or acting as a director or officer of any issuer that is in the business of trading on any recognized Canadian exchange for one year from the date of this order;
5. pursuant to paragraph 9 of subsection 127(1) of the Act, Oasis shall pay an administrative penalty of \$225,000 to the Commission, which is designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;
6. pursuant to section 127.1 of the Act, Oasis shall pay the costs of the Commission's investigation in the amount of \$75,000;
7. with regard to the payments referred to in paragraphs 5 and 6 (the "Required Payments"), Oasis shall pay \$150,000 by way of certified cheque upon the date of this order and then \$20,000 per month, beginning within one week of the submission of the Monitor's first report to Staff, and at one month intervals (or the closest business day) thereafter until the Required Payments are made in full;
8. if Oasis fails to make any of the payments required by paragraph 7 above, the remaining unpaid balance becomes due and owing immediately; and
9. pursuant to section 127(2) of the Act, Oasis shall:

