



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  
NOSHAD DOWLATI**

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

Staff of the Ontario Securities Commission (“Staff”) allege:

**I. OVERVIEW**

1. Noshad Dowlati (“Dowlati”) is subject to an order made by the British Columbia Securities Commission (“BCSC”) dated June 18, 2015 (the “BCSC Order”) that imposes sanctions, conditions, restrictions or requirements upon him.
2. In its findings on liability and sanctions dated June 18, 2015 (the “Findings”), a panel of the BCSC (the “BCSC Panel”) found that Dowlati traded in securities and acted as an adviser without being registered to do so, and perpetrated a fraud on an investor.
3. Staff are seeking an inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”).
4. The conduct for which Dowlati was sanctioned took place between the fall of 2011 and December 2012 (the “Material Time”).

5. As of the date of the Findings, Dowlati was a resident of British Columbia and had never been registered under the British Columbia *Securities Act*, RSBC 1996, c. 418 (the “BC Act”).
6. During the Material Time, Dowlati operated a blog with others called The Morning Reports, which offered commentaries on market conditions and stock picks. In the fall of 2011, Dowlati was approached by an investor who had hired Dowlati as a tutor and followed Dowlati’s blog. Based on the investor’s discussions with Dowlati and his review of Dowlati’s blog, the investor concluded that Dowlati had “financial savvy.” The investor provided Dowlati with \$10,000 to invest on his behalf, on the agreement that Dowlati’s trading authority would cease if the value of the investments fell below \$8,000, and that Dowlati would receive a 7% commission on any gains in excess of the original investment.
7. Dowlati spent \$1,000 of the \$10,000 the investor gave him on personal expenses such as credit card payments, retail purchases and restaurant meals, and lost the remaining \$9,000 by early January 2012 through trading losses. Dowlati did not inform the investor of the losses, and, in fact, told the investor the value of his investments was up by \$500.
8. Believing that he was making money, the investor gave Dowlati a further \$5,000 in late January 2012 to invest, which Dowlati then also lost in the markets.

## **II. THE BCSC PROCEEDINGS**

### **The BCSC Findings**

9. In its Findings, the BCSC Panel found the following:
  - a. Dowlati perpetrated a fraud, contrary to section 57(b) of the BC Act;
  - b. Dowlati traded in securities without registration, and where no exemptions were available to him, contrary to section 34(a) of the BC Act; and
  - c. Dowlati acted as an adviser without registration, and where no exemptions were available to him, contrary to section 34(b) of the BC Act.

## **The BCSC Order**

10. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon Dowlati:
- a. under section 161(1)(b)(ii) of the BC Act, Dowlati be permanently prohibited from trading in, or purchasing securities or exchange contracts;
  - b. under section 161(1)(d)(i) of the BC Act, Dowlati resign any position he holds as a director or officer of any issuer or registrant;
  - c. under section 161(1)(d)(ii) of the BC Act, Dowlati is permanently prohibited from becoming or acting as a director or officer of any issuer or registrant;
  - d. under section 161(1)(d)(iii) of the BC Act, Dowlati is permanently prohibited from becoming or acting as a registrant;
  - e. under section 161(1)(d)(iv) of the BC Act, Dowlati is permanently prohibited from acting in a management or consultative capacity in connection with activities in the securities market;
  - f. under section 161(1)(d)(v) of the BC Act, Dowlati is permanently prohibited from engaging in investor relations activities;
  - g. under section 161(1)(g) of the BC Act, Dowlati pay to the BCSC \$14,050; and
  - h. under section 162 of the BC Act, Dowlati pay to the BCSC an administrative penalty of \$30,000.

## **III. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION**

11. Dowlati is subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon him.
12. Pursuant to paragraph 4 of subsection 127(10) of the Act, an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in

any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.

13. Staff allege that it is in the public interest to make an order against Dowlati.
14. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.
15. Staff request that this application be heard by way of a written hearing pursuant to Rules 2.6 and 11 of the *Ontario Securities Commission Rules of Procedure*.

**DATED** at Toronto, this 14<sup>th</sup> day of December, 2015.