

2006 BCSECCOM 188

Notice of Hearing

Brian David Anderson

Section 161 of the *Securities Act*, RSBC 1996, c. 418

- ¶ 1 The Commission will hold a hearing at which the Executive Director will tender evidence, make submissions and apply for orders against Brian David Anderson (Anderson) under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418.
- ¶ 2 The Executive Director alleges that the following conduct and activity was contrary to the public interest:

Background

1. Anderson is a resident of British Columbia and has never been a registrant under the Act.

The Frontier Assets Scheme

2. Between January 2000 and November 2004, Anderson carried on business under the name Frontier Assets, which did not exist as a separate legal entity.
3. Anderson represented to the public that investors could invest money with Frontier Assets, which in turn would then invest it to provide investors with substantial monthly returns and the return of their principal (the Frontier Assets Scheme).
4. Investors were introduced to the Frontier Assets Scheme by individuals acting on behalf of Anderson, whom he called Asset Consultants.
5. At all times Anderson controlled and directed the Frontier Assets Scheme.
6. British Columbia residents and other investors paid approximately \$7 million to Anderson as part of the Frontier Assets Scheme, with the investments of British Columbia residents amounting to over \$530,000. Some payments were made to some of the investors, purportedly as interest on their loans. However, their principal was never returned.

The Alpha Program Scheme

7. Between January 2000 and November 2004, Anderson created and operated an investment program he called the Alpha Program.

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8. Anderson represented to the public that under the Alpha Program a person could invest in a seat on a new commodity exchange (the Alpha Program Scheme).
9. Anderson called these seats “desks” and claimed that they were to be part of an entity called a “flat electronic data interchange” (FEDI). Anderson claimed that Islamic principles prohibited transactions that involve usury and that FEDI provided a new commodity trading exchange that was acceptable under Islam. Anderson also claimed that ten wealthy royal Arab families had created FEDI and had put \$50 billion in gold in escrow to fund FEDI.

Misconduct

The Frontier Assets Scheme

10. As part of the Frontier Assets Scheme, Anderson told investors that:
 - (a) there was no risk to their investment;
 - (b) Frontier Assets was a division of Alpha Frontier, Ltd. which was an international business corporation incorporated in Dominica;
 - (c) Frontier Assets was appointed as a program manager to a major international business corporation;
 - (d) all loans to Frontier Assets were fully secured and guaranteed by an international foundation;
 - (e) their money was being invested in:
 - (i) private placement investment programs;
 - (ii) real estate developments;
 - (iii) manufacturing plants;
 - (iv) commodities including sugar, flour, corn and wheat;
 - (v) foreign exchange currency trading; and
 - (vi) buying and selling “specialized bank paper”.
11. None of these statements were true.
12. The Frontier Assets Scheme was incapable of generating any value. Anderson never invested the investors’ funds. Instead, Anderson used them to pay other investors, himself and the Asset Consultants.

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The Alpha Program Scheme

13. As part of the Alpha Program Scheme Anderson told investors that:

- (a) FEDI would be operational by April 15, 2001;
- (b) the principal invested by each investor would be returned by July 1, 2001;
- (c) after their principal was returned, each investor would receive a monthly return of 100% on their investment and within two years after their principal was returned they each would receive a monthly return of 200% on their investment;
- (d) there was no risk to their investment and that in the event of a failure of any kind, the investors' principal would be returned within three banking days;
- (e) he had conducted due diligence of FEDI; and
- (f) a desk at FEDI was like a seat on the New York Stock Exchange or the Chicago Mercantile Commodity Exchange.

14. None of these statements were true.

15. Anderson re-directed and used at least \$725,000 provided by the Alpha Program Scheme investors for purposes other than those represented to the investors.

16. In connection with the Frontier Assets Scheme and the Alpha Program Scheme, Anderson:

- (a) traded in securities without being registered under the Act, contrary to section 34(1) of the Act;
- (b) distributed securities without having filed a prospectus, contrary to section 61 of the Act;
- (c) made statements that he knew, or ought to have known, were misrepresentations, contrary to section 50(1)(d) of the Act; and
- (d) participated in a series of transactions that he knew, or ought reasonably to have known, perpetrated a fraud, contrary to sections 57(b) and 57.1(b) of the Act.

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- ¶ 3 At the Hearing, the Respondent may be represented by counsel, make submissions and tender evidence. The Respondent is requested to advise the Commission of his intention to attend the Hearing by informing the Commission Secretary at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2 phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 4 The Respondent or his counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Wednesday, April 12, 2006, at 10:00 am if they wish to be heard before the Commission sets a date for the Hearing.
- ¶ 5 If the Respondent or his counsel does not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondent may be made in their absence.
- ¶ 6 March 21, 2006
- Brenda Leong
- ¶ 7 Brenda M. Leong
Executive Director