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Temporary Order and Notice of Hearing

Hypo Alpe-Adria-Bank (Liechtenstein) AG (the Respondent)

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 the Respondent under sections 161 and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

The Respondent

1. Hypo Alpe-Adria Bank (Liechtenstein) AG (Hypo Bank) is a Liechtenstein domiciled bank.
2. Hypo Bank trades through accounts at various investment dealers in British Columbia.

Suspicious activity

3. During the period of April 18, 2007 to May 31, 2007 (the Relevant Period), Gateway Securities Inc. (Gateway) executed trades for the account of Hypo Bank (the Account) in securities predominantly listed on the Over-the-Counter Bulletin Board (OTCBB) and Pink Sheets LLC (Pink Sheets) marketplaces.
4. During the Relevant Period Hypo Bank, through its employees or third parties, traded in the Account for the benefit of clients.
5. On May 16 and 17, 2007, Commission staff received promotional emails (spam) identifying an Over-the-Counter Bulletin Board (OTCBB) issuer (the Issuer) as a security that was “getting ready to make a run for the top!”.
6. On May 16, 2007, the Issuer’s trading volume was 34,250 shares.
7. On May 17, 2007, the Issuer’s trading volume increased to 1,140,000 shares. The Account sold approximately 28% of this volume.
8. During the Relevant Period:
 - (a) 12% of the issuers purchased or sold through the Account were the subject of spam; and

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- (b) 86% of the Account's total market transactions of spammed securities were sales.
9. The high volume of sales of spammed securities from the Account is a potential indicator of selling into a market manipulation, contrary to section 57 of the Act.
 10. Following discussions with Commission staff, Gateway voluntarily agreed to suspend trading in the Account.
 11. Hypo Bank has accounts at other investment dealers in British Columbia (the Other BC Accounts).
 12. Hypo Bank claims that because of Liechtenstein banking laws it is unable to provide to Commission staff, or registrants, the names of the beneficial owners of securities traded through the Account or the Other BC Accounts (the Beneficial Owners).

Public interest

13. Despite having made requests of Gateway, Hypo Bank, and the Liechtenstein authorities, Commission staff have been unable to ascertain the names of the Beneficial Owners.
14. Without knowing who the Beneficial Owners are:
 - (a) Commission staff are unable to effectively investigate whether the Beneficial Owners have engaged in illegal activity; and
 - (b) the investment dealers at which Hypo Bank holds accounts are unable to fulfill their know your client obligations under section 48 of the Securities Rules B.C. Reg. 194/97 and Investment Dealers Association Regulation 1300.1(a).
15. It is in the public interest for Hypo Bank to cease trading in British Columbia until the identities of the Beneficial Owners become known to Commission staff.

Temporary Order

- ¶ 2 The Executive Director considers the length of time to hold a hearing under section 161(1) of the Act could be prejudicial to the public interest and, considering that it would be in the public interest to do so, orders under section 161(2) of the Act (the Temporary Order) that under section 161(1)(b) of the Act,

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the Respondent cease trading in and be prohibited from purchasing any securities or exchange contracts in British Columbia.

- ¶ 3 The Hearing will be held at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on September 11, 2007 at 2:00 pm.
- ¶ 4 The Respondent may be represented by counsel at the Hearing and may make representations and lead evidence. The Respondent is requested to advise the Commission of its intention to attend by contacting the Secretary to the Commission at PO Box 10142, Pacific Centre, 5th Floor, 701 West Georgia Street, Vancouver, BC, V7Y 1L2, phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 5 Determinations may be made in this matter if the Respondents or their counsel do not appear at the Hearing.
- ¶ 6 August 28, 2007

- ¶ 7 Langley E. Evans
Acting Executive Director