

# 2011 BCSECCOM 354

## Notice of Hearing

### Canada Pacific Consulting Inc. and Michael Robert Shantz

#### 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 Canada Pacific Consulting Inc. and Michael Robert Shantz under sections 161, 162, and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

#### **Background**

1. Canada Pacific Consulting Inc. (CPC) is a British Columbia (BC) company incorporated on March 6, 2009 with a registered office in Richmond, BC. CPC purports to be an independent broker dealer in the business of trading and advising on futures products and other financial instruments.
2. Michael Robert Shantz (Shantz) is a BC resident and the sole director and officer of CPC.
3. Neither Shantz nor CPC are registered in any capacity under the Act.

#### **Unregistered Trading**

4. Shantz and CPC solicited persons residing in Germany and Switzerland to open trading accounts with CPC to purportedly conduct gold futures or foreign exchange (Forex) trading, or both, on their behalf.
5. Between June 2009 and September 2010, eleven investors (the Investors) forwarded \$1.5 million to CPC for this purpose.
6. By soliciting trades without being registered, Shantz and CPC contravened section 34 of the Act.
7. Shantz, as the sole director and officer of CPC and as an agent of CPC, authorized, permitted, or acquiesced in the foregoing breach of the Act, and therefore contravened the same provision under section 168.2 of the Act.

#### **Fraud**

##### *CPC's Business Does Not Exist*

8. The CPC website claims that CPC employs 120 staff members working at its offices in Richmond and Vancouver.

## 2011 BCSECCOM 354

9. CPC does not have an office at the Richmond address and does not have a physical office in Vancouver.
10. The Vancouver office is instead occupied by a company offering packaged and virtual office services (the Virtual Office) which CPC used between April 2009 and December 2010, to maintain the appearance of a business presence in British Columbia.
11. CPC has never had any business presence in British Columbia except through the Virtual Office. None of the Virtual Office staff ever met Shantz or any other CPC representative in person.
12. Shantz instructed Virtual Office staff to list CPC as a tenant in the building's directory and to manage telephone calls from CPC clients such that they would believe CPC had a physical, operating office in Vancouver.
13. The Virtual Office received large envelopes from Germany containing smaller sealed envelopes addressed to prospective and existing German and Swiss investors. Shantz directed Virtual Office staff to mail those smaller envelopes to the German and Swiss addresses in order to deceive prospective investors into believing that CPC conducted business from Vancouver.

### *Misdirection of Investor Funds*

14. Shantz opened an account at a Richmond, BC bank in CPC's name, and designated himself as its sole signatory. Between June 2009 and September 2010, the account received a total of approximately \$1.5 million in Investor funds.
15. Shantz wired approximately \$1.2 million of Investor funds to bank accounts in Spain (the Spanish Beneficiaries). Spanish securities law requires that persons who engage in futures contracts and Forex exchange trading must be registered with the Spanish securities regulator and none of the Spanish Beneficiaries were so registered.
16. Shantz used approximately \$13,000 of Investor funds to make payouts to other investors.
17. Shantz used some of the Investor money for his personal purposes by:
  - (a) making cash withdrawals of approximately \$172,000;
  - (b) depositing \$35,000 into his personal bank account; and
  - (c) spending at least \$2,600 on personal expenses, such as groceries, liquor and the settling of bank charges on his personal account.

## 2011 BCSECCOM 354

18. By engaging in the conduct described above, Shantz and CPC directly or indirectly engaged in or participated in conduct relating to securities or exchange contracts that they knew, or reasonably should have known, perpetrated a fraud, contrary to section 57 of the Act.
19. Shantz, as the sole director and officer of CPC and as an agent of CPC, authorized, permitted, or acquiesced in the foregoing breach of the Act, and therefore contravened the same provision under section 168.2 of the Act.

### **Public Interest**

- ¶ 2 It is in the public interest that the Commission issue orders under sections 161 and 162 of the Act.

### **Hearing Process**

- ¶ 3 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, BC, on **August 10, 2011, at 2:00 pm** if they wish to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondent upon request to the Executive Director.
- ¶ 4 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2, phone: 604-899-6500; email: commsec@bcsc.bc.ca.
- ¶ 5 If the Respondents or their counsel do not appear at the Hearing, the Executive Director may apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.
- ¶ 6 July 26, 2011

Paul Bourque

- ¶ 7 Paul C. Bourque, Q.C.  
Executive Director