

# 2012 BCSECCOM 143

## Temporary Order and Notice of Hearing

### **Yan Zhu (also known as Rachel Zhu) Guan Qiang Zhang and Bossteam E-Commerce Inc.**

(collectively, the Respondents)

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

- ¶ 1 The Commission will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (Act), based on the following facts:

#### **Background**

1. Bossteam E-Commerce Inc. (Bossteam) is a federal corporation with its registered office in Burnaby, British Columbia. It has never been registered in any capacity or filed a prospectus under the Act.
2. Yan Zhu (Zhu) is a resident of Burnaby, British Columbia. She is the sole director of Bossteam. She is registered with the Mutual Fund Dealers Association of Canada as a dealing representative, and with the Insurance Council of British Columbia as a Life Insurance Agent.
3. Guan Qiang Zhang (Zhang) is a resident of Burnaby, British Columbia.

#### **Ponzi Scheme**

4. In December 2011, an anonymous complainant alleged that Bossteam was operating a Ponzi scheme through its website youadworld.com (Website). The complainant alleged that, for an initial investment of \$2,000, Bossteam offered a 10% return over three months.
5. In January 2012, a second anonymous complainant alleged that Bossteam was operating a Ponzi scheme through its Website. This complainant alleged that Bossteam offered a 120% return over three to four months.
6. Bossteam offered two types of securities to residents of British Columbia through its Website (Bossteam Investments). To be eligible to purchase either of these securities, an investor first had to purchase a membership for \$2000 or \$5000.
  - (a) The first security was a profit sharing agreement that provided a share of Bossteam's profits to investors who clicked on a certain number of Internet advertisements.

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- (b) The second security was a share of Bossteam offered by the Website through an “Initial Private Share Offering.” Bossteam offered 8 million shares, with dividends on these shares paid quarterly. The Website stated that Bossteam had issued 400,200 shares. The Website also provided an internal trading platform where investors could trade their shares.
- 7. The Website is registered to Zhu and her husband.
- 8. In October and November 2011, Bossteam opened two bank accounts at a Burnaby branch of a Canadian chartered bank, and named Zhu and Zhang as the authorized signatories for the accounts. One account was a Canadian dollar account and the other was a U.S. dollar account, and both began with zero balances.
- 9. From October 2011 to January 24, 2012, the accounts received numerous deposits in the form of cheques and inter-bank transfers in amounts ranging from \$2000 to \$5000.
- 10. By January 24, 2012:
  - (a) a total of \$688,746.15 had been deposited into the Canadian dollar account, most of which appear to have been deposits of Bossteam membership fees;
  - (b) a total of USD\$590,527.26 had been deposited into the U.S. dollar account;
  - (c) a total of \$405,477.74 had been withdrawn from the Canadian dollar account; and
  - (d) the withdrawals from the Canadian dollar account included \$212,954, most of which appear to have been payments to Bossteam members.
- 11. A website targeted at Hong Kong residents offers an investment in “YouAd Credits” that is substantially the same as that offered by the Website. The Hong Kong website is registered to Zhu and her husband (Hong Kong Website).
- 12. When interviewed by Commission investigators:
  - (a) Zhu and Zhang claimed that Bossteam had not sold any shares;

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- (b) Zhu and Zhang claimed the reference in the Website to the sale of shares of Bossteam was incorrect and that the Website had been hacked in December 2011;
- (c) Zhu lied about her involvement with the Hong Kong Website; and
- (d) Zhu falsely claimed she had told her mutual fund dealer employer about her outside business activities with Bossteam.

13. When interviewed by Commission investigators, Zhu's husband stated that:

- (a) Bossteam has no real source of income other than funds received from investors; and
- (b) funds paid to investors came from the investment monies of other investors.

14. The Bossteam Investments offer a rate of return that is economically impossible and is a Ponzi scheme.

### **Misconduct**

15. By promoting and selling the Bossteam Investments to residents of British Columbia, the Respondents appear to have contravened:

- (a) section 61 of the Act; and
- (b) section 57 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.

### **Temporary Order and Temporary Order Hearing**

¶ 3 The Executive Director, under section 161(2) of the Act, considering the length of time to hold a hearing under section 161(1) of the Act could be prejudicial to the public interest, considers it to be in the public interest to order that (the Temporary Order):

- (c) under section 161(1)(a) of the Act, the Respondents comply with or cease contravening the Act;
- (d) under section 161(1)(b) of the Act, all persons cease trading in the Bossteam Investments; and

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- (e) under section 161(1)(d)(iii) of the Act, Zhu and Zhang cease all investor relations activities on behalf of Bossteam.

for a period expiring on May 15, 2012.

- ¶ 4 A hearing will be held at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia on May 15, 2012, at 10:00 am, at which the Executive Director will ask the Commission to extend the Temporary Order until a decision is rendered.
- ¶ 5 The Respondents may be represented by counsel at the hearing and may make representations and lead evidence. The Respondents are requested to advise the Commission of their intention to attend by contacting the Secretary to the Commission at PO Box 10142, Pacific Centre, 12th Floor, 701 West Georgia Street, Vancouver, BC, V7Y 1L2, phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 6 If the Respondents or their counsel do not appear at the hearing, the Executive Director may apply to the Commission to make all or part of the Temporary Orders permanent, and the Commission may make other determinations contrary to the Respondents' interests in their absence.
- ¶ 7 April 30, 2012.  
"Lang Evans"
- ¶ 8 Lang Evans  
Acting Executive Director