

REPLY TO:
Zaid Sayeed
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By Regular Mail

February 12, 2025

Dear Mr. Sidhu:

Kuldeep Sidhu
Reciprocal Order Application
Our File No: 55288

I am writing this letter on behalf of the Executive Director of the British Columbia Securities Commission (the Executive Director).

This letter notifies you and the British Columbia Securities Commission (the Commission) that the Executive Director is applying for orders against you under sections 161(6)(a) and 161(1) of the *Securities Act*, RSBC 1996, c. 418 (the Act). The Executive Director is not seeking a financial penalty.

The Executive Director is making this application based on your criminal conviction for conspiracy to commit securities fraud.

BACKGROUND
Criminal Conviction

1. On September 27, 2018, before the U.S. District Court for the Southern District of California – San Diego (US Court), you tendered a plea of guilty to conspiracy to commit securities fraud.¹ On March 6, 2019, the US Court entered an order accepting your guilty plea.²
2. On August 30, 2021, the US Court sentenced you to the following:
 - A custodial sentence of time served, being 342 days;
 - A supervised release of 3 years; and
 - A penalty assessment of US\$100;³No fine was ordered.
3. On January 9, 2023, the US Court ordered you and your other co-defendants, jointly and severally, to pay restitution in the amount of \$67,184.91 at the rate of US\$250 per month.⁴

Summary of Findings

4. Beginning no later than October 2017 until on or about January 2018, within the Southern District of California and elsewhere, you, your co-defendants, and others conspired to and did commit securities fraud concerning an illegal “pump-and-dump” scheme (Scheme) involving Arias Intel, Corp. (Arias) and its stock.⁵

¹ Court Dockets

² Order Accepting Guilty Plea, entered March 6, 2019 (Order)

³ Judgment, filed September 9, 2021

⁴ Amended Judgment, filed January 20, 2023

⁵ Indictment, filed June 29, 2018 (Indictment); Plea Agreement, entered September 28, 2018 (Guilty Plea); Order

5. To effect the Scheme, after discussions with your co-conspirators, you agreed to and did⁶:
 - Identify parties who would promote Arias and its stock to artificially impact its price⁷;
 - Make your offshore brokerage account available to hold Arias stock to facilitate the Scheme, through either yourself or your co-conspirator, hold Arias stock in brokerage accounts you or your co-conspirator controlled, including offshore accounts, and instruct your offshore brokerage firm to allow a co-conspirator to trade Arias stock in your account⁸;
 - Sell, through either yourself or through a co-conspirator, Arias stock at agreed-upon prices after the Scheme had artificially impacted its price⁹;
 - Obtain a percentage of the proceeds of the Scheme in exchange for your participation¹⁰; and
 - Divide your proceeds amongst co-conspirators¹¹.
6. To effect the Scheme, you and your co-conspirators also agreed to and did¹²:
 - Transfer large blocks of Arias shares amongst each other¹³;
 - Hold Arias stock in brokerage accounts you or your co-conspirator controlled, including offshore accounts¹⁴;
 - Engage in manipulative trading to artificially impact the price of Arias stock¹⁵;
 - Artificially impact the price of Arias stock and lure investors to purchase it by arranging for promotions through a stock promotion website and high-pressure call rooms charging exorbitant commissions¹⁶; and
 - Coordinate press-releases with the promotional efforts described above¹⁷.
7. In furtherance of the Scheme, you and/or your co-conspirators also obtained and used information about who held blocks of free-trading Arias stock in order to determine how to exercise control over the market for Arias, and negotiated with holders of Arias securities and debt so those holders would not interfere with the Scheme.¹⁸
8. The reasonably foreseeable gain attributable to your role in the conspiracy was approximately US\$275,000. You obtained at least US\$67,184.91 as a result of your conduct.¹⁹
9. In your guilty plea, you agreed that your “relevant conduct” included the “extent of [your] participation in other pump-and-dump schemes” involving at least five other corporations.²⁰

⁶ Guilty Plea, pp. 3-6, paras 2-5

⁷ Guilty Plea, p. 3, para. 2(a)

⁸ Guilty Plea, p. 3, para. 2(b), p. 4, para. 4(b), p. 5, para. 5(e)

⁹ Guilty Plea, p. 4, para. 4(f)

¹⁰ Guilty Plea, p. 3, para. 2(c)

¹¹ Guilty Plea, p. 5, para. 4(g)

¹² Guilty Plea, pp. 4-6, paras 4-5

¹³ Guilty Plea, p. 4, para. 4(a)

¹⁴ Guilty Plea, p. 4, para. 4(b)

¹⁵ Guilty Plea, p. 4, para. 4(c)

¹⁶ Guilty Plea, p. 4, para. 4(d), p. 5, para 5(f)

¹⁷ Guilty Plea, p. 4, para. 4(c)

¹⁸ Guilty Plea, p. 5, paras 5(c) and (d)

¹⁹ Transcript, Restitution Hearing, dated January 9, 2023 (Transcript, 2023 Restitution Hearing), p. 6, In 12-18

²⁰ Guilty Plea, p. 6, para. 7

10. After your conviction, you were deported to Canada²¹. You now live in Abbotsford, British Columbia²² in a property you own. You are currently the officer of a British Columbia company.²³

THIS APPLICATION

11. With this letter, the Executive Director is applying to the Commission for orders against you under section 161 of the Act. I have enclosed a copy of section 161 of the Act for your reference²⁴.
12. It is apparent from the findings of the US Court that your misconduct falls within the scope of section 161(6)(a) of the Act as you have “been convicted in Canada or elsewhere of an offence (i) arising from a transaction, business, or course of conduct relating to securities or derivatives, or (ii) under the laws of the jurisdiction respecting trading in securities or derivatives.” Accordingly, the Commission may issue orders against you under section 161(1) of the Act.
13. Orders under section 161(1) of the Act are protective, preventative and intended to be exercised to prevent future harm.²⁵
14. In making orders under section 161(1) of the Act, the Commission must consider what is in the public interest in the context of its mandate to regulate trading in securities. In *Re Eron Mortgage Corporation*²⁶ (*Re Eron*), and in subsequent decisions, the Commission identified factors to consider when making orders under section 161(1).
15. The following factors from *Re Eron* are relevant in this proceeding:
- (a) the seriousness of the respondent’s conduct,
 - (b) the harm suffered by investors as a result of the respondent’s conduct,
 - (c) the extent to which the respondent was enriched;
 - (d) factors that mitigate the respondent’s conduct;
 - (e) the risk to investors and the capital markets posed by the respondent’s continued participation in the capital markets of British Columbia,
 - (f) the respondent’s fitness to be a registrant or to bear the responsibilities associated with being a director, officer or adviser to issuers,
 - (g) the need to demonstrate the consequences of inappropriate conduct to those who enjoy the benefits of access to the capital markets,
 - (h) the need to deter those who participate in the capital markets from engaging in inappropriate conduct, and
 - (i) orders made by the Commission in similar circumstances in the past.²⁷

Application of the Factors

Seriousness of the Conduct

16. The US Court accepted and entered your plea of guilty to conspiracy to commit securities fraud. The Scheme involved conduct relating to a security, and you knew that your conduct would result in or contribute to a misleading appearance of trading activity in and an artificial price for Arias shares and the deprivation of misled shareholders. Had your conduct taken place in Canada, it

²¹ Transcript, Restitution Hearing, dated September 19, 2022 (Transcript, 2022 Restitution Hearing), p. 3, In 16-18

²² LTSA, Title Search

²³ BC Company Summary and Incorporation Application, Platinum Cedar Sales Ltd.

²⁴ [Securities Act](#), RSBC 1996, c. 418, s. 161

²⁵ [Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario \(Securities Commission\)](#), [2001] 2 SCR 132, 2001 SCC 37 (CanLII), paras 36, 39, and 56.

²⁶ [Re Eron Mortgage Corporation](#), [2000] 7 BCSC Weekly Summary 22

²⁷ [Re Eron Mortgage Corporation](#), [2000] 7 BCSC Weekly Summary 22

would have contravened subsections 57(a) and (b) of the Act, as they were written at the time of the misconduct, which prohibit market manipulation and the perpetration of fraud, respectively.

17. Fraud is the most serious misconduct under the Act owing to the deceit that will have been perpetrated upon investors and a finding of fraud requires that the respondent had the requisite mental intent (*or mens rea*) with respect to his or her misconduct.²⁸
18. Market manipulations share two significant similarities with fraudulent misconduct. Like fraud, they require a finding of intent on the part of the respondent and some element of deceit (i.e. creating a misleading appearance of trading activity in, or an artificial price for, a security). As a consequence, Commission panels have consistently found that market manipulation is one of the most serious misconducts contemplated by the Act.²⁹
19. You conspired to implement a complex scheme to defraud investors. The Scheme involved the timed sale of shares, high pressure call rooms, careful coordination of press releases and promotional events, hiring third parties to assist with the fraud, and other means to defraud innocent investors and avoid regulatory oversight. Your deliberate conduct was amongst the most serious contemplated in the Act.

Harm suffered by investors

20. In cases where the misconduct involves illegal distribution, fraud, market manipulation, illegal insider trading, or other market misconduct, panels have consistently held that harm to investors can be inferred in the absence of evidence.³⁰
21. Here the Amended Judgment states a specific quantum of investor losses (US\$67,184.91) which was used to calculate restitution.³¹ It is unknown whether this amount represents all investors who suffered harm as a result of your conduct, and it can be inferred that you and your co-conspirators caused substantial harm to any investors who were trading Arias shares based on false information.³²
22. Additionally, market manipulation causes direct harm to markets. *Per Poonian (Re)*:

Market manipulation compromises the integrity of the entire market. Its impact extends beyond the victims who lost money to the investing public as a whole. In *De Gouveia, Re*, 2013 ABASC 249 the Alberta Securities Commission concluded that manipulative trading “undermines the integrity of the capital market. It is unfair to investors, and jeopardizes the confidence in the capital market on which legitimate investor interest and capital formation depend”.³³
23. Therefore, your conduct also resulted in harm to the capital markets and, as a result of this, to the public. As capital markets are increasingly integrated across North America, it can be inferred that your conduct caused a loss of confidence in capital markets which also harmed British Columbia markets.

²⁸ [Re Bai](#), 2018 BCSECCOM 156, para. 9.

²⁹ [Re Hable](#), 2017, BCSECCOM 340, para. 8

³⁰ [Nuttall \(Re\)](#), 2012 BCSECCOM 97, para. 17

³¹ Amended Judgment, filed January 20, 2023, p. 7-8

³² [Re Hable](#), 2017, BCSECCOM 340, para. 13

³³ [Poonian \(Re\)](#), 2015 BCSECCOM 96, para. 15

Enrichment

24. You benefitted from your misconduct, wrongfully obtaining at least US\$67,184.91 from the investors you defrauded. The rate of your restitution payments was set at US\$250 per month. While the Executive Director has no evidence of what portion of that order you have paid to date, at the rate set it will take over two decades for you to satisfy the order.

Aggravating/Mitigating Factors

25. The Commission has previously held that admitting liability pre-hearing is a significant mitigating factor as it allows the Commission and investors to avoid potentially lengthy hearings to determine liability.³⁴
26. You pled guilty in the criminal proceedings and accepted responsibility for your conduct. This is a mitigating factor.³⁵

Risk to investors and the capital markets

27. Market manipulation and fraud, by their very nature, involve deceit. In light of your deceitful conduct, your participation in British Columbia's capital markets would pose a significant ongoing risk to investors and to the integrity of the capital markets of British Columbia.

Participation in our capital markets and fitness to be a registrant or a director or officer

28. Participants who engage in the securities industry do so voluntarily and for their own profit. In exchange for the privilege of participating, individuals and companies must comply with securities laws. Compliance is paramount, ensuring the protection of the public and the integrity of the capital markets.
29. You have shown flagrant disregard for securities laws, and your misconduct was knowing and repeated. As you pose a significant ongoing risk to investors and the capital markets of British Columbia, your participation in our markets in any capacity would raise grave concerns for the protection of the investing public.
30. You are ill-suited to act as a registrant, director, officer, or promoter, or to act as an advisor to any private or public issuers going forward.

Deterrence

31. Prohibitions from the capital markets are required for general deterrence. Such sanctions will serve to deter others from committing market manipulation.
32. Furthermore, allowing those found to have committed serious misconduct in foreign jurisdictions to operate in British Columbia's capital markets without lengthy or impactful bans could broadcast that British Columbia is a safe haven for those unable or unwilling to comply with securities regulations and a potential target for further misconduct.
33. With respect to specific deterrence, a permanent ban will hinder you from engaging in similar misconduct here.
34. Through the orders sought, the Executive Director intends to demonstrate the consequences of your conduct, deter you from future misconduct, and create an appropriate general deterrent. Permanent market bans are proportionate to your misconduct and are necessary to ensure that you and others will be deterred from engaging in similar misconduct in the future.

³⁴ [*Re Flexfi Inc.*](#), 2018 BCSECCOM 166, para. 70

³⁵ Guilty Plea

Previous orders

35. We refer to a number of decisions where market manipulation was found for guidance on the appropriate sanction:

Re Dean³⁶

- Dean engaged in a fraudulent scheme with others to manipulate the price and effect illegal sales of a US issuer's shares. The scheme involved the falsification of transaction documents, foreign nominees, and complex measures to conceal illicit activities. The scheme generated approximately \$34M in illicit proceeds and Dean was enriched in the amount of \$120,000. He was an experienced securities lawyer who used specialized skills to enable his securities fraud. The panel issued a reciprocal order imposing permanent bans.

Re Hable³⁷

- Hable, the ostensible director of a company, caused it to issue a false take-over bid of a target issuer, of which he was a senior officer and former director. He also fabricated a document and provided it to the Commission. His scheme caused at least \$157,000 in investor losses and enriched him by the same amount. He used his relationship with the target to make his scheme appear more credible. The panel issued an order imposing permanent bans and requiring an administrative penalty and disgorgement to be paid.

Re Deyrmenjian³⁸

- Craven, the managing director of a corporation, either himself or through the corporation, authorized accounts to be set up to funnel funding for a tout sheet marketing campaign and payments to be made towards that campaign. The corporation knew or ought reasonably to have known that the campaign would result in an artificial price for an issuer's shares and Craven had actual knowledge of the corporation's contravention of section 57(a) of the Act, as it then was, and the ability to influence its actions. The scheme raised approximately USD\$18.1 million from sales of shares which were essentially worthless before and after the misconduct. There was no evidence that Craven was enriched by the misconduct. The SEC had previously obtained judgment against Craven for carrying out a fraudulent "pump and dump" scheme. The panel issued an order imposing permanent bans against Craven and an administrative penalty.

36. The methods used to manipulate the markets in *Dean*, *Hable*, and *Deyrmenjian* were different but, in all three cases, permanent bans were deemed appropriate. Respondents who engage in schemes of market manipulation almost invariably attract permanent bans.
37. In this case, you deliberately created a scheme of market manipulation with your collaborators, and prior cases suggest that nothing less than permanent market bans will be sufficient to protect the public interest.

The Davis Consideration

38. In the Court of Appeal decision of *Davis v. British Columbia (Securities Commission)*³⁹, the Court identified that it is incumbent upon a tribunal to consider a respondent's individual circumstances when determining whether measures short of permanent prohibitions would protect the investing public where a person's livelihood is at stake.

³⁶ [Re Dean](#), 2023 BCSECCOM 141

³⁷ [Re Hable](#), 2017 BCSECCOM 340

³⁸ [Re Deyrmenjian](#), 2019 BCSECCOM 93

³⁹ [Davis v. British Columbia \(Securities Commission\)](#), 2018 BCCA 149

39. The Executive Director is unaware of any individual circumstances that would support orders short of permanent market prohibitions in your case.

ORDERS SOUGHT

40. Although there is no limitation on the Commission from imposing a capital market sanction that is similar or different to the sanctions ordered by the US Court in the above-referenced proceedings, the Commission needs to consider what sanctions are available under the Act, what is reasonable based on the evidence known to it, and what is in the public interest.
41. In seeking orders under 161(1) of the Act, the Executive Director has taken the following factors into consideration when applying for orders in this proceeding:
- (a) the circumstances of your misconduct including the Settlement Agreement;
 - (b) the factors from *Eron* and *Davis*;
 - (c) the sanctions ordered in previous cases cited above; and
 - (d) the public interest.
42. Based on the factors above, the Executive Director is seeking the following orders pursuant to section 161(1) of the Act:
- (a) under section 161(1)(d)(i), you resign any position you hold as a director or officer of an issuer or registrant;
 - (b) you are permanently prohibited:
 - (i) under section 161(1)(b)(ii), from trading in or purchasing any securities or derivatives, except that, if you give a registered dealer a copy of this decision, you may trade in or purchase securities through a registered dealer in:
 - (A) RRSPs, RRIFs, or tax-free savings accounts (as defined in the *Income Tax Act* (Canada)) or locked-in retirement accounts for your own benefit;
 - (ii) under section 161(1)(c), from relying on any of the exemptions set out in this Act, the regulations or a decision;
 - (iii) under section 161(1)(d)(ii), from becoming or acting as a director or officer of any issuer or registrant;
 - (iv) under section 161(1)(d)(iii), from becoming or acting as a registrant or promoter;
 - (v) under section 161(1)(d)(iv), from advising or otherwise acting in a management or consultative capacity in connection with activities in the securities or derivatives markets;
 - (vi) under section 161(1)(d)(v), from engaging in promotional activities by or on behalf of
 - (A) an issuer, security holder or party to a derivative, or
 - (B) another person that is reasonably expected to benefit from the promotional activity; and

- (vii) under section 161(1)(vi) from engaging in promotional activities on the person's own behalf in respect of circumstances that would reasonably be expected to benefit the person.

43. The Executive Director is not seeking any monetary sanctions against you.

SUPPORTING MATERIALS

44. In making this application, the Executive Director relies on the following, copies of which are enclosed:

- (a) Court Dockets
- (b) Indictment
- (c) Guilty Plea
- (d) Order Accepting Guilty Plea
- (e) Judgment
- (f) Transcript, 2023 Restitution Hearing
- (g) Transcript, 2022 Restitution Hearing
- (h) Amended Judgment
- (i) Title Search, LTSA
- (j) BC Company Summary and Incorporation Application, Platinum Cedar Sales Ltd.
- (k) Securities Act, RSBC 1996, c. 418, s. 161
- (l) Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission), [2001] 2 SCR 132, 2001 SCC 37 (CanLII)
- (m) Re Eron Mortgage Corporation, [2000] 7 BCSC Weekly Summary 22
- (n) Re Bai, 2018 BCSECCOM 156
- (o) Re Hable, 2017, BCSECCOM 340
- (p) Nuttall (Re), 2012 BCSECCOM 97
- (q) Poonian (Re), 2015 BCSECCOM 96
- (r) Re Flexfi Inc., 2018 BCSECCOM 166
- (s) Re Davis, 2016 BCSECCOM 375
- (t) Re Dean, 2023 BCSECCOM 141
- (u) Re Deyrmenjian, 2019 BCSECCOM 93
- (v) Davis v. British Columbia (Securities Commission), 2018 BCCA 149

YOUR RESPONSE

45. You are entitled to respond to this application. To do so, you must deliver any response in writing, together with any supporting materials, to the Commission Hearing Office by **Monday, March 24, 2025**.

46. The contact information for the Commission Hearing Office is:

Hearing Office
British Columbia Securities Commission
PO Box 10142, Pacific Centre
12th Floor, 701 West Georgia Street
Vancouver, BC V7Y 1L2
E-mail: hearingoffice@bcsc.bc.ca
Telephone: 604-899-6500

47. If you do not respond within the time set out above, the Commission will decide this application and may make orders against you without further notice.

48. The Commission will send you a copy of its decision.

49. **If you have any questions regarding this application, please contact Mr. Zaid A. Sayeed, at 604-899-6842, or zsayeed@bcsc.bc.ca**

Yours truly,

DocuSigned by:

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2/12/2025 | 2:03 PM PST

Douglas B. Muir
Director, Enforcement
ZS/crc
Enclosures
cc: Hearing Office (by email to hearingoffice@bcsc.bc.ca)