



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF  
SBC FINANCIAL GROUP INC. and  
PRABHJOT SINGH BAKSHI**

**STATEMENT OF ALLEGATIONS  
(Subsections 127(1) and 127(10) of the *Securities Act*, RSO 1990 c S.5)**

1. Staff of the Enforcement Branch (**Staff**) of the Ontario Securities Commission (the **Commission**) elect to proceed using the expedited procedure for inter-jurisdictional proceedings as set out in Rule 11(3) of the Commission's *Rules of Procedure*.
- A. ORDER SOUGHT**
2. Staff request that the Commission make the following inter-jurisdictional enforcement order, pursuant to paragraph 4 of subsection 127(10) of the Ontario *Securities Act*, RSO 1990 c S.5 (the **Act**):
  - (a) against SBC Financial Group Inc. (**SBC**) that:
    - i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by SBC cease until September 5, 2028;
    - ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by SBC cease until September 5, 2028;

- iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to SBC until September 5, 2028; and
  - iv. pursuant to paragraph 8.5 of subsection 127(1) of the Act, SBC be prohibited until September 5, 2028 from becoming or acting as a registrant or promoter;
- (b) against Prabhjot Singh Bakshi (**Bakshi**) that:
- until the later of September 5, 2028 and the date that Bakshi pays to the British Columbia Securities Commission (**BCSC**) the amounts set out in paragraphs 87(c) and 87(d) of the BCSC's Order dated September 5, 2018 (the **BCSC Order**):
- i. pursuant to paragraph 2 of subsection 127(1) of the Act, trading in any securities or derivatives by Bakshi cease, except that he may trade for his own account (including one RRSP account) through a registered dealer, if he provides the registered dealer with copies of the BCSC Order and the order of the Commission in this proceeding, if granted;
  - ii. pursuant to paragraph 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Bakshi cease, except that he may purchase securities for his own account (including one RRSP account) through a registered dealer, if he provides the registered dealer with copies of the BCSC Order, and the order of the Commission in this proceeding, if granted;
  - iii. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Bakshi;

- iv. pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Bakshi resign any positions that he holds as a director or officer of any issuer or registrant;
  - v. pursuant to paragraphs 8, 8.2 and 8.4 of subsection 127(1) of the Act, Bakshi be prohibited from becoming or acting as a director or officer of any issuer or registrant; and
  - vi. pursuant to paragraph 8.5 of subsection 127(1) of the Act, Bakshi be prohibited from becoming or acting as a registrant or promoter;
- (c) such other order or orders as the Commission considers appropriate.

## **B. FACTS**

Staff make the following allegations of fact:

- 3. SBC and Bakshi (collectively, the **Respondents**) are subject to the BCSC Order that imposes sanctions, conditions, restrictions or requirements upon them.
- 4. In its findings on liability dated April 16, 2018 (the **Findings**) a panel of the BCSC (the **BCSC Panel**) found that the Respondents engaged in unregistered trading and illegal distribution of securities, contrary to sections 34(a) and 61, respectively, of the British Columbia *Securities Act*, RSBC 1996 c 418 (the **BC Act**).
- 5. The BCSC Panel further found that Bakshi was liable for SBC's contraventions of BC securities law under section 168.2(1) of the BC Act.

### **(i) The BCSC Proceedings**

#### *Background*

- 6. The conduct for which the Respondents were sanctioned occurred between August 2010 and September 2014 (the **Material Time**).

7. During the Material Time, Bakshi was a resident of British Columbia. Bakshi was previously registered in various categories under the BC Act, but was not registered during the Material Time.
8. SBC was incorporated in British Columbia on May 27, 2008. SBC was assigned into bankruptcy on January 23, 2015, and dissolved for failing to file records on November 21, 2016. SBC has never been registered nor filed a prospectus under the BC Act. Bakshi was the sole officer, director and shareholder of SBC.
9. During the Material Time, the Respondents solicited investments in two different products: an interest-bearing loan arrangement between investors and SBC and a land transaction in Hawaii.
10. The Respondents held themselves out through correspondence, and financial and account statements sent to investors, as being in the investment/financial services business. Some investors were told that Bakshi was a successful day trader.
11. The interest-bearing loan arrangements between investors and the Respondents were generally documented by loan documents, including lender questionnaires, letter agreements or promissory notes. The promissory notes offered varying returns of 5-30% and maturity dates ranging from 2 months to 5 years. The most common promissory note term was 3 years.
12. Three investors invested with SBC in relation to a purported Hawaiian real estate transaction. The investors were told that upon rezoning, regulatory approvals and/or other closing conditions being satisfied, they would acquire an interest in land that could either be sold or held for personal use. Ultimately, the Hawaiian land transaction never materialized.

13. While some investors received payments from the Respondents in the form of interest or repayment of their principal funds loaned to SBC, the remainder of the investors' funds were lost when SBC was petitioned into bankruptcy in January 2015. Investors did not receive any distribution of funds from SBC's bankruptcy proceedings.

*BCSC Findings - Conclusions*

14. In its Findings, the BCSC Panel concluded that the Respondents:
- (a) contravened section 34(a) of the BC Act with respect to trading in securities between October 2010 and September 2014 in the amount of \$2,675,238;
  - (b) contravened section 61 of the BC Act with respect to 45 issuances of securities for \$1,535,238; and
  - (c) Bakshi was liable pursuant to section 168.2(1) of the BC Act with respect to SBC's contraventions of section 34(a) and 61 of the BC Act.

**(ii) The BCSC Order**

15. The BCSC Order imposed the following sanctions, conditions, restrictions or requirements upon the Respondents:

Bakshi

- (a) under section 161(1)(d)(i) of the BC Act, Bakshi resign any position he holds as a director or officer of an issuer or registrant;
- (b) Bakshi is prohibited until the later of 10 years from the date of the BCSC Order and the date that he pays the amounts set out in subparagraphs (c) and (d) below:
  - i. under section 161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts, except that he may trade and purchase securities or exchange contracts for his

own account (including one RRSP account) through a registered dealer, if he gives the registered dealer a copy of the BCSC Order;

- ii. under section 161(1)(c) of the BC Act, from relying on any of the exemptions set out in the BC Act, the regulations or a decision;
  - iii. under section 161(1)(d)(ii) of the BC Act, from becoming or acting as a director or officer of any issuer or registrant;
  - iv. under section 161(1)(d)(iii) of the BC Act, from becoming or acting as a registrant or promoter;
  - v. under section 161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and
  - vi. under section 161(1)(d)(v) of the BC Act, from engaging in investor relations activities;
- (c) Bakshi pay to the BCSC \$380,309 pursuant to section 161(1)(g) of the BC Act; and
- (d) Bakshi pay to the BCSC an administrative penalty of \$100,000 under section 162 of the BC Act;

SBC

- (e) SBC is prohibited for 10 years:
- i. under section 161(1)(b)(ii) of the BC Act, from trading in or purchasing any securities or exchange contracts;
  - ii. under section 161(1)(c) of the BC Act, from relying on any of the exemptions set out in the BC Act, the regulations or a decision;

- iii. under section 161(1)(d)(iii) of the BC Act, from becoming or acting as a registrant or promoter;
  - iv. under section 161(1)(d)(iv) of the BC Act, from acting in a management or consultative capacity in connection with activities in the securities market; and
  - v. under section 161(1)(d)(v) of the BC Act, from engaging in investor relations activities;
- (f) SBC pay to the BCSC \$380,309 pursuant to section 161(1)(g) of the BC Act; and
- (g) with respect to the orders under subparagraphs (c) and (f), Bakshi and SBC shall be jointly and severally liable for \$380,309.

**C. JURISDICTION OF THE ONTARIO SECURITIES COMMISSION**

16. The Respondents are subject to an order of the BCSC imposing sanctions, conditions, restrictions or requirements upon them.
17. Pursuant to paragraph 4 of subsection 127(10) of the Act, an order made by a securities regulatory authority, derivatives regulatory authority or financial regulatory authority, in any jurisdiction, that imposes sanctions, conditions, restrictions or requirements on a person or company may form the basis for an order in the public interest made under subsection 127(1) of the Act.
18. Staff allege that it is in the public interest to make an order against the Respondents.

19. Staff reserve the right to amend these allegations and to make such further and other allegations as Staff deem fit and the Commission may permit.

**DATED** at Toronto this 14<sup>th</sup> day of November, 2018.

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