



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

**IN THE MATTER OF BUNTING & WADDINGTON INC., ARVIND SANMUGAM
and JULIE WINGET**

**AMENDED STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (the "Commission") make the following allegations:

I. OVERVIEW

1. This proceeding involves unregistered trading in securities and unregistered advising with respect to investing in, buying or selling securities by the respondents between approximately February 2006 and June 2010 (the "Material Period").
2. Arvind Sanmugam ("Sanmugam") and Bunting & Waddington Inc. ("Bunting & Waddington") engaged in fraudulent conduct by making misrepresentations to investors in order to induce them to engage the services of Bunting & Waddington and Sanmugam.

II. THE RESPONDENTS

3. Bunting & Waddington was incorporated in November 2001 pursuant to the *Business Corporations Act*, R.S.O. 1990, c. B.16., and conducted business in several locations in the Toronto area.
4. Sanmugam was at all times the directing mind and *de facto* director of Bunting & Waddington. He is an Ontario resident.

5. Julie Winget (“Winget”) is an Ontario resident, Sanmugam’s common law wife, and was the sole registered director of Bunting & Waddington during the Material Period.
6. None of Bunting & Waddington, Sanmugam, and Winget has ever been registered with the Commission in any capacity.

III. THE ACTIVITY

a. Bunting & Waddington and Sanmugam

7. Bunting & Waddington held itself out as providing “market commentary” to its clients, who are investors located in Ontario and elsewhere (the “Investors”). Market commentary includes advice on buying and selling specific securities at particular prices on a specific date.
8. Sanmugam directed the Investors to open “trading accounts with margins and options” at an online discount brokerage service (the “Investor Accounts”). Sanmugam exercised control over the Investor Accounts in two ways:
 - (a) Investors would provide the passwords to their trading accounts to Sanmugam and he would execute trades in those accounts; or
 - (b) Sanmugam would direct Investors to execute specific trades within their accounts.
9. Bunting & Waddington and Sanmugam represented to some or all of the Investors that they could expect to earn a monthly return of \$8,000 on a total investment of \$100,000. Provided this 8% return was achieved in any given month, investors would pay Bunting & Waddington a monthly retainer of \$3,500.
10. Sanmugam and Bunting & Waddington exercised control over more than \$4,000,000 of Investors’ funds in respect of trading and advising activities directed by Sanmugam.
11. Bunting & Waddington and Sanmugam made the following misrepresentations to some or all of the Investors:
 - (a) Sanmugam was a successful trader;

- (b) he had over 75 advisors working for him at Bunting & Waddington;
 - (c) Bunting & Waddington's market commentators were highly experienced, and each had a proven track record of generating high rates of return; and
 - (d) Investors would always retain full control over their invested funds.
12. These representations were misleading in the following ways:
- (a) through his trading and advising activities, Sanmugam lost over \$3,600,000 of Investor funds between February 2006 and June 2010 alone;
 - (b) there is no evidence of Sanmugam having any advisors working for him at Bunting & Waddington or at all;
 - (c) Sanmugam was the only market commentator at Bunting & Waddington; and
 - (d) there is no evidence of Sanmugam having a proven track record of generating high rates of return.
13. Sanmugam persisted in trading Investors' funds, notwithstanding repeated complaints from many of his Investors. He refused to communicate directly with some Investors when they tried to contact him.
- b. Winget**
14. Winget incorporated Bunting & Waddington in November 2001, and is identified on the Ministry of Government Services' Corporation Profile Report as its sole director.
15. In furtherance of the trading and advising activities described above, Winget opened the bank accounts for Bunting & Waddington, and was the sole signatory over those accounts. She caused Bunting & Waddington business expenses to be paid.
16. During the Material Period, Winget received a net amount of over \$500,000 in transfers into her personal bank account from Bunting & Waddington directly and/or from Bunting & Waddington via Sanmugam.

IV. SUPERIOR COURT OF JUSTICE PROCEEDINGS

a. Sanmugam's Conviction for Fraud

17. By indictment dated February 28, 2012 (the "Indictment") and sworn by a Crown Attorney pursuant to the *Criminal Code*, R.S.C., 1985, c. C-46, as amended (the "Criminal Code"), Sanmugam was charged with eight counts of contravening the Criminal Code.
18. Counts 5, 6 and 7 of the Indictment charged Sanmugam with 3 counts of fraud over \$5,000.00. contrary to section 380(1)(a) of the Criminal Code.
19. On September 5, 2012, Sanmugam pleaded guilty to and was convicted of three counts of fraud over \$5,000.00, being counts 5, 6 and 7 of the Indictment.
20. On November 9, 2012, Justice Ducharme of the Superior Court of Justice sentenced Sanmugam to a total of 5 years of imprisonment, and awarded a total of \$1,109,405.00 in restitution to the investors named in counts 5, 6 and 7 of the Indictment.

b. Facts Admitted by Sanmugam

21. Sanmugam admitted the following facts in respect of his fraud convictions:
 - (a) "Mr. Sanmugam was not licensed to trade securities or to offer advice in the trading of securities in any capacity in the Province of Ontario or anywhere else in Canada;"
 - (b) "Bunting and Waddington was never properly registered with the Ontario Securities Commission or with any of the other provincial securities commissions in Canada;"
 - (c) "he held himself out as a licensed and educated market commentator and venture capitalist;"
 - (d) Bunting and Waddington was "his securities company;"

- (e) "he had staffed his firm with many securities traders and he was adept at making money for his clients;" and
- (f) "he targeted people who had no financial knowledge and who were not sophisticated in financial matters."

(i) Count 5

- (g) Sanmugam told the elderly widow from Vancouver, British Columbia referenced in count 5 of the Indictment that "he was a professional investor and that if she would entrust her money with him, he would ensure that she would eventually have all her bills, credit cards and lines of credit paid off;"
- (h) He told her that "he would have to review her finances and tell her how much she should invest with him. He also warned her to keep their plans secret so that she would not be talked out of these plans by anyone. Over a period of time and under Mr. Sanmugam's direction, [she] transferred a total of \$662,000.00 to Mr. Sanmugam. She liquidated her securities portfolios that her deceased husband had left her and she mortgaged other properties. She conveyed to Mr. Sanmugam all of her assets in secret;"
- (i) "A production order obtained by the police show the amounts entering Mr. Sanmugam's account and they are then disbursed to other accounts that he controlled for the purposes of trading or for the purposes of supporting his other business ventures;" and
- (j) "Over time [she] began to hear less and less from Mr. Sanmugam ... [and eventually it was] discovered that she had lost her life savings" to Sanmugam.

(ii) Count 6

- (k) Sanmugam told the retired octogenarian investors from Ontario referenced in count 6 of the Indictment that "if they supplied him with a minimum of

\$100,000.00 they could expect to make \$8,000.00 in profit each month. Their monthly fee for having Mr. Sanmugam look after their finances was \$3,500.00. [They] mortgaged their house and they gave Mr. Sanmugam a total of \$118,700.00 to invest at the beginning of September 2007. Over the course of time [their] investment portfolio ... made no money and the investment statements they received indicated that they were trading heavily in margin. [They] mistakenly believed that the margin amount, which was in the hundreds of thousands of dollars was pure profit, so they obligingly paid Mr. Sanmugam his \$3,500.00 each month”;

- (l) In November of 2008, the [investors referenced in count 6] began to get margin calls from TD Waterhouse Discount Brokerage... They were not sure what the margin calls were but they became alarmed and tried to get in touch with Mr. Sanmugam. Mr. Sanmugam would not personally return their phone calls and he instructed his assistant. ... to reassure them that everything would be fine;” and
- (m) By September of 2010 "there was no money left in their account. They had to sell their house to pay off their mortgage and they now live in rental accommodation."

(iii) Count 7

- (n) The Toronto, Ontario investor referenced in count 7 of the Indictment met Sanmugam in October of 2008. Sanmugam “held himself out as a venture capitalist and owner of the securities investment firm, Bunting & Waddington;”
- (o) “Sanmugam told her that he usually generated \$150,000.00 a month from trading for his clients;”
- (p) “In March of 2009, Sanmugam convinced [her] to invest with him and, at his urging, she opened an online trading portfolio with TD Waterhouse Brokerage. In order to provide capital for the investment, [she] and her mother mortgaged their home... They then gave Mr. Sanmugam \$328,705.00 to invest”.

- (q) “Mr. Sanmugam continually told [her] that her portfolio was profitable and that he was investing in a reliable blue-chip investment portfolio. However, in reality, he was trading on margin, similar to his trading style for [the investors referenced in count 6]. [She] did not understand trading on margin and thought the sums in her margin account were profits instead of debt;” and
- (r) “Sanmugam would often move sums of money from the discount brokerage account into [her] chequing account or her mother's account and tell them that these sums were profits that they would withdraw and spend in whatever way they wished. Sanmugam was able to do this because he had the password to [her] account.”

V. BREACHES OF ONTARIO SECURITIES LAW

22. During the Material Period, each of Bunting & Waddington, Sanmugam and Winget traded and engaged in or held themselves out as engaging in the business of trading in securities without being registered to do so and without an exemption from the dealer registration requirement, contrary to subsection 25(1)(a) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") as that section existed at the time the conduct at issue commenced in February 2006, and contrary to subsection 25(1) of the Act as subsequently amended on September 28, 2009.
23. During the Material Period, Bunting & Waddington and Sanmugam advised and engaged in or held themselves out as engaging in the business of advising with respect to investing in, buying or selling securities without being registered to do so and without an exemption from the adviser registration requirement, contrary to subsection 25(1)(c) of the Act as that section existed at the time the conduct at issue commenced in February 2006, and contrary to subsection 25(3) of the Act as subsequently amended on September 28, 2009.
24. Bunting & Waddington and Sanmugam directly or indirectly engaged or participated in an act, practice or course of conduct relating to securities that he or it knew or reasonably

ought to have known, perpetrated a fraud on investors, contrary to subsection 126.1(b) of the Act.

25. Winget as director of Bunting & Waddington authorized, permitted or acquiesced in the corporate respondent's non-compliance with Ontario securities law and accordingly, failed to comply with Ontario securities law pursuant to section 129.2 of the Act.
26. On September 5, 2012, Sanmugam was convicted of a criminal offence arising from a transaction, business or course of conduct related to securities, which are circumstances which permit an order to be made pursuant to clause 1 of subsection 127(10) of the Act.
27. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, this 30th day of May, 2013