



Ontario Commission des
Securities valeurs mobilières
Commission de l'Ontario

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**IN THE MATTER OF
OASIS WORLD TRADING INC.,
ZHEN (STEVEN) PANG, and RIKESH MODI**

STATEMENT OF ALLEGATIONS

(Subsection 127(1) and Section 127.1 of the *Securities Act*, RSO 1990, c S.5)

A. OVERVIEW

1. Oasis World Trading Inc. is an unregistered Ontario company whose hundreds of foreign traders engage in securities day-trading. From 2018 through 2020, Oasis and its traders engaged in extensive and repeated manipulative trading on Canadian and foreign stock markets, repeating a pattern of activity for which Oasis and Steven Pang, its founder and CEO, were sanctioned by the Commission in 2015.

2. Using spoofed orders, Oasis Traders entered orders that created a false and misleading appearance of market activity allowing Oasis to trade at artificial prices. Oasis failed to detect, prevent, or take appropriate action in response to the manipulative trading. Oasis further failed to implement controls to prevent thousands of wash trades—trades that Oasis executed with itself—from creating misleading trading activity on hundreds of publicly traded securities in Canada.

3. Oasis's rampant market manipulation is enabled by its unregistered status and its lack of reasonable controls. Oasis, through profit-sharing agreements with dozens of unregistered, overseas managers who run trading groups ("Trading Group Managers" or "TGMs"), pays compensation in the form of a share of profits to hundreds of unregistered traders engaging in

voluminous and unregistered trading on Canadian and foreign securities exchanges. The TGMs and the unregistered traders are not officers, directors, or employees of Oasis, but are nonetheless trading in Oasis's name and for its account.

4. Oasis and its officers have also failed to create an adequate culture of compliance. Instead, Oasis fostered an environment where Oasis Traders consistently acted in a manner that placed Oasis's and Oasis Traders' economic interests ahead of the integrity of the capital markets. Oasis provided little to no training to its traders and took little to no action when alerted to misconduct. It has a culture of non-compliance and lacks reasonable controls.

5. Market participants are expected to act responsibly. Companies that repeatedly engage in market manipulation undermine the integrity and efficiency of capital markets.

B. FACTS

Staff of the Enforcement Branch of the Ontario Securities Commission ("Enforcement Staff") makes the following allegations of fact:

i. Oasis Background

6. Oasis is a trading firm whose head office was formerly in Hamilton, Ontario and is now in Burlington, Ontario. Oasis has never been registered with the Commission in any capacity.

7. Zhen (Steven) Pang, an Ontario resident, is the founder, CEO, and controlling shareholder of Oasis. Rikesh Modi, an Ontario resident, is the Chief Compliance and Operations Officer and a part owner. Pang and Modi are the directing minds of Oasis. Neither Pang nor Modi are registered with the Commission in any capacity.

8. Oasis grants access to its trading systems and accounts to approximately 600 traders ("Oasis Traders") organized across dozens of trading groups or offices ("Oasis Offices"). The vast majority of Oasis Traders and Oasis Offices are located in China. These traders engage in highly

active day trading on Canadian and foreign securities exchanges. At least 272 Oasis Traders have traded on Canadian securities exchanges since the start of 2018.

9. Each Oasis Office is headed by an Oasis Trader who is designated as the Trading Group Manager and has entered into a profit-sharing shareholder agreement with Oasis. All TGMs and their corresponding offices are located overseas: over 50 in China and two in Latin America. The offices vary in size and location. Some offices comprise only the TGM, while others employ 50 or more traders.

10. Oasis directly employs seven people as part of its Burlington office (the “Head Office”), which includes Pang and Modi. Two of the Head Office employees work remotely from China. The Head Office serves as the operational hub of the organization through which the traders are able to conduct their activities.

11. Oasis TGMs recruit and manage traders at their own discretion with very little oversight by the Head Office. According to Oasis, there is “no employment or consulting relationship” between the Head Office and Oasis Traders. The Head Office does not have any requirements regarding traders’ qualifications except an unverified attestation that the trader has no prior regulatory disciplinary history. The Head Office also does not have access to the traders’ employment agreements or any other contract or arrangement the traders may have with their TGM.

12. Oasis’s website describes itself as “connecting traders with direct market access to the global market exchanges.” It advertises itself as “BUILT BY TRADERS. FOR TRADERS.” Its shareholder agreements with TGMs describes Oasis’s business as “providing access to capital, training materials, Trading Software, administrative and management services for the purpose of engaging in electronic day trading on equity markets worldwide.”

ii. Oasis Trades on Canadian and Foreign Markets

13. Oasis and its traders access Canadian and foreign exchanges through omnibus accounts at brokerage firms in Canada and elsewhere. This means Oasis's securities in any given jurisdiction are held in a single account. Oasis then allocates securities for its TGMs and traders through subaccounts within Oasis's internal systems. Between the start of 2018 and October 2022, Oasis has identified its full list of Oasis Traders to its Canadian broker on only one occasion in February 2022 at the broker's request.

14. Oasis Traders place orders and trade on Canadian and foreign markets through Oasis's omnibus account at brokerage firms. To trade, Oasis Traders log onto Oasis's internal system, which then transmits the order to Oasis's Canadian or foreign broker—an arrangement resembling an omnibus clearing relationship between a dealer and a clearing firm. When a trade occurs, Oasis assigns the transaction to the relevant Oasis Trader in Oasis's own system, but all securities are held within Oasis's brokerage account. Oasis designates each trader with different daily buying power and net loss limits, which are adjusted based on the trader's individual performance and the performance of the trader's associated Oasis Office. In most cases, Oasis Traders are required to close out their positions at the end of each trading day.

15. Oasis Traders trade very frequently. For instance, in December 2020, Oasis Traders cumulatively executed 477,468 trades on Canadian exchanges—an average of 22,736 daily trades across Oasis and 84 daily trades per trader. About half of the hundreds of Oasis Traders are active on Canadian markets. The others trade on foreign markets. Some trade on both.

16. In 2023, Oasis has traded over 3 billion shares on Canadian markets. Each month, Oasis trades, on average, approximately \$1 billion in value on over 100,000 trades per month.

iii. Oasis Financials

17. Oasis derives its revenue from the trading profits of Oasis Traders. The Oasis Head Office allocates most of its profits—varying between 85% to 95%—to the relevant Oasis Office that earned it (minus trading costs and other fees). Oasis thus retains 5-15% of the trading gains. Each TGM then pays that Office’s Oasis Traders out of the Office’s 85-95% share. The Head Office does not receive any information on each individual Oasis Trader’s compensation.

18. During the relevant years, Oasis paid tens of millions of dollars to its TGMs. The TGMs then distributed those sums among Oasis Traders with no input or oversight from the Oasis Head Office.

19. In 2018, 2019, 2020, and 2021, Oasis's gross trading revenues in Canadian and foreign markets, net trading revenue, and profits were approximately as follows (all values CAD):

	2018	2019	2020	2021	Total
Gross Revenue, Canadian Markets	\$19,812,349	\$11,885,440	\$25,094,433	\$27,423,415	\$84,215,637
Gross, Revenue, Foreign Markets	\$5,778,750	\$4,031,938	\$20,395,815	\$22,527,494	\$52,733,997
Net Trading Revenue	\$2,653,815	\$1,748,320	\$5,591,947	\$6,721,896	\$16,715,978
Oasis Profit	\$809,213	\$165,338	\$2,572,472	\$3,395,476	\$6,942,499

iv. Regulatory History

20. Oasis has previously admitted to failing to adequately monitor trading activities and failing to ensure there was an adequate compliance structure in place to identify and prevent possible manipulative trading. In a settlement agreement approved by the Commission in 2015, Oasis

admitted that Oasis engaged in at least 460 instances of manipulative trading on Canadian securities markets between November 2013 and December 2014.

21. As a result, Pang received a one-year ban from acting as a director or officer of Oasis or any issuer that was in the business of trading on Canadian securities markets. Oasis paid an administrative penalty of \$225,000, as well as \$75,000 costs. Oasis also entered into an undertaking to improve its compliance structure within a year.

v. Market Manipulation by Oasis Traders

22. In 2018, 2019, and 2020, Oasis engaged in repeated instances of market manipulation, including, but not limited to practices commonly known as spoofing. Spoofing is an illegal, deceptive and manipulative trading strategy that involves entering an order without an intent to execute that order.

Locked and Crossed Market Spoofing on Foreign Markets

23. During the period January 1, 2018 to December 31, 2018, Oasis engaged in at least 404 instances of manipulative behaviour known as locked and crossed market spoofing (“LCMS”) on foreign securities exchanges.

24. A “locked” market occurs where there are multiple exchanges trading the same security and an order on one exchange is posted at the same price as an opposite order on another exchange without the two orders matching for a trade. A “crossed” market occurs where an order on one exchange is better priced than a posted, opposite order on a different exchange. Locked and crossed market spoofing occurs where orders that locked or crossed the market are entered with no intention that they be executed in order to temporarily manipulate the price of the security and create a locked or crossed market condition. This permits Oasis Traders to take advantage of other

market participants who are misled by the trading interest reflected in the locked or crossed markets.

25. The general pattern of LCMS involved one or more Oasis Traders entering a deceptive bid or offer with no intention to execute that bid or offer on foreign stock exchanges. In the case of a deceptive bid:

- a. Oasis Trader(s) would enter an initial bid on the first exchange at a price equal to or higher than the best offer price of the same security on the second exchange without an intent to execute the bid.
- b. This coincided with one or more Oasis Traders placing an offer on the second exchange before or shortly after entering the initial bid.
- c. Other market participants, upon seeing the initial deceptive bid, reacted with bids priced more aggressively on the second exchange, which would execute against Oasis's resting or newly entered offers at an improved price.
- d. Oasis Traders would then cancel their initial deceptive bid on the first exchange.

26. The reverse occurs in the case of a deceptive offer:

- a. Oasis Trader(s) would place an initial offer on the first exchange priced equal to or lower than the best bid price on the second exchange.
- b. This attracts offers on the second exchange from other market participants.
- c. The placing of Oasis's initial offer coincides with Oasis placing a bid on the second exchange, which executes against the offers from the other market participants at an improved price.
- d. Oasis Traders would then cancel their initial, deceptive offer on the first exchange.

27. In both scenarios, Oasis Traders received improved execution prices on the trades executed on the second exchange because of the illegal manipulation.

Spoofing on Canadian Markets

28. Between January 1, 2018 and December 31, 2020, Oasis engaged in at least 239 instances of manipulative behaviour known as spoofing or quote manipulation. These patterns involved Oasis Traders entering non-*bona fide*, deceptive order(s) to buy or sell a security to move the National Best Bid or National Best Offer price and narrowing the spread. Oasis Traders then received better prices for execution for their resting or newly placed orders on the opposite side of the market due to the manipulated spread. Oasis Traders then cancelled the initial deceptive order shortly after the execution of their resting or newly placed order.

Wash Trades on Canadian Markets

29. During the period from January 1, 2018 to December 31, 2020, Oasis executed approximately 10,511 trades against itself, commonly known as wash trades, on 759 symbols on two Canadian securities exchanges. These wash trades involved approximately 48,347,000 shares valued at approximately \$38 million. The wash trades were concentrated among specific Oasis Offices and Oasis Traders. Four Oasis Offices were responsible for over 70%, or 7,485 of the total wash trades.

30. These wash trades caused a misleading appearance of trading activity on those 759 symbols. None of the approximately 10,511 wash trades were cancelled or suppressed from public trading records, colloquially known as the “tape”. This was because during this period, Oasis improperly applied the self-trade prevention (“STP”) tools offered by the exchanges meant to reduce public wash trades. All 10,511 Oasis wash trades were caused by mismatched and

misapplied STP tools. Oasis was unaware that these STP tools were improperly configured until December 2020.

31. Oasis should have known that its wash trades were not being cancelled or suppressed from the public tape. Oasis received multiple indicators that wash trading was taking place. Oasis's internal compliance detection system flagged thousands of trades where Oasis was on both sides of a trade. Oasis took no action to confirm these wash trades had been cancelled or suppressed. Between 2018 and 2020, the Oasis Head Office made approximately 260 supervision inquiries where an Oasis Trader had been on both sides of a trade or multiple trades. Oasis's Canadian broker also notified Oasis of wash trades taking place. Modi did not view trades between different Oasis Traders as wash trades because Oasis considered them as unintentional crosses resulting in a beneficial change in ownership, even though the trades took place in Oasis's omnibus account.

vi. Inadequate Systems of Controls and Supervision

32. From at least 2018 to the present, Oasis has lacked adequate systems to control or supervise its trading activities conducted by Oasis Traders.

Oasis Training

33. Oasis's onboarding training for new traders contains no instructions or information on a trader's responsibilities beyond short, translated excerpts of the Universal Market Integrity Rules ("UMIR"), which are the rules governing securities-related trading on marketplaces in Canada. Oasis provides its traders with links to the UMIR website and other websites such as homepages of major Canadian stock exchanges. All these websites are in English, but Oasis has no requirement that Oasis Traders, who are almost all located in China, be able to read English.

34. Oasis has no formal or scheduled training for its traders. The Oasis Head Office provides only sporadic, *ad hoc* "trainings" via instant messaging to select TGMs and sometimes a small

number of non-TGM Oasis Traders. These “trainings” predominantly take place in Chinese and are often as short as 100 words in length.

35. Between January 1, 2018 to December 31, 2020, approximately 18 of these *ad hoc* “trainings” took place. Oasis did not test or confirm whether those who received the “trainings” disseminated them to the other Oasis Traders.

Controls on Trader Identification

36. On several occasions during the relevant time, Oasis Traders used Oasis Trader IDs that did not correspond with their personal information to trade.

37. Oasis Trader IDs, which are alphanumeric usernames based on the trader’s name and associated Oasis Office, are assigned buying power and net loss limits by the Oasis Head Office. These limits typically correlate with the associated Oasis Trader’s past success. A long-term Oasis Trader will have higher buying power and net loss limits than a new Oasis Trader. This difference means that, when an Oasis Trader with high buying power and net loss limits leaves Oasis, the Oasis TGM is incentivized to keep the associated Oasis Trader ID active and assign it to a different Oasis Trader.

38. On multiple occasions, Oasis TGMs did so. For instance, around July 2020, an Oasis Office located in China, Office G24, contacted the Oasis Head Office to state that they would close three accounts of Oasis Trader IDs where the “information and Trader did not match” and open new Oasis Trader IDs for those same Oasis Traders “using [the Traders’] own identification”. The TGM requested that these traders’ existing buying power and net loss limits carry over to the new accounts. The Oasis Head Office closed the existing accounts, opened new accounts and transferred the buying power and net loss limits as requested. The TGM then requested that the buying power and net loss limits be further increased for these three new accounts. By the end of

August 2020, the Oasis Head Office had increased the buying power for the three accounts by 38%, 50%, and 60% and the net loss limit for two of the accounts by 23% and 50%.

39. On another occasion, it was an Oasis TGM—viewed by the Oasis Head Office as an office’s main compliance officer—who used an Oasis Trader ID assigned to someone else. A year prior, in August 2019, the TGM for Office G24 informed the Oasis Head Office that he had been trading using two Oasis Trader IDs—one assigned to him and another to his brother. Oasis took no disciplinary action regarding the TGM operating two accounts and viewed this conduct as permissible.

40. In fact, the Oasis Head Office had been aware of the issue of Oasis Traders using other’s Trader IDs since at least the spring of 2018. In May 2018, Pang messaged all TGMs reminding them that all Oasis Trader accounts “must be opened by traders with their own identity cards.” In March 2019, when a TGM escalated a series of trades to Pang, Pang responded by asking whether it was “the trader himself” trading in the account.

41. Despite the Oasis Head Office being aware of the trader identification issue, it did little to implement controls to prevent it. A new trader is required to submit a photograph of themselves holding their government-issued ID card as part of the Oasis onboarding process. Oasis does not have any other procedures to verify trader identity and Oasis does not perform any formal due diligence on new traders.

42. Nor does Oasis have any restrictions on which or how many computers their traders can install the trading software on. Oasis does not track the logins of each account and allows multiple logins of the same ID into the system simultaneously. The only requirement for logging into the Oasis platform is the UserID and corresponding password.

Trader Supervision

43. Oasis failed to develop and maintain an internal compliance system to supervise its trading activities.
44. In 2018, Oasis failed to detect and investigate the LCMS activity by Oasis Traders on foreign securities exchanges described in paragraphs 23-27 above.
45. In 2018 through 2020, Oasis failed to detect and investigate the spoofing activity by Oasis Traders on Canadian exchanges described in paragraph 28 above.
46. In late 2018, Oasis began implementing a system that attempted to algorithmically detect manipulative trading. By the end of 2020, this system had generated tens of thousands of alerts regarding potentially manipulative trading, with approximately half relating to price manipulation. With minor exceptions, Oasis ignored most of these alerts. For example, Oasis personnel investigated only approximately seven alerts relating to price manipulation.
47. In 2018 through 2020, Oasis failed to detect and investigate the wash trade activity by Oasis Traders on Canadian exchanges described in paragraphs 29-31 above.
48. Oasis also failed to utilize external compliance tools available to it. Since mid-2018, Oasis Head Office personnel, in particular Modi, had access to a compliance portal maintained by its Canadian broker that flagged potentially suspicious transactions. Oasis ignored or failed to review broad categories of flagged transactions, including types of transactions that would have identified potential spoofing or other manipulative behaviour. Sometimes, Oasis neglected the compliance portal for weeks without logging on.

Culture of Compliance

49. Oasis failed to promote a culture of compliance in its trading business. Instead, Oasis permitted Oasis Traders to consistently behave in a manner that placed Oasis's and Oasis Traders'

economic interests ahead of following market rules, thus undermining confidence in the capital markets. This conduct includes and is demonstrated by the facts above and the following.

50. Oasis Head Office personnel responsible for trade compliance were few in number, inadequately trained, and set loose standards in compliance. In addition to Pang and Modi, the Oasis Head Office retained only two other employees for compliance monitoring, and those employees' responsibilities did not include reviewing for price manipulation. One compliance employee regularly exchanged instant messages with Oasis Traders regarding wash trades where the Oasis Trader would provide an explanation and the compliance employee would respond with the cry-laughing emoji 🤔. That same employee did not recognize Oasis compliance documents and could not recall having reviewed UMIR.

51. Disciplinary actions taken by Oasis against Oasis Traders were lax and ineffective, particularly with respect to repeat infractions. As an example, in April 2020, the Oasis Head Office contacted the TGM for Oasis Office G06 regarding two Oasis Traders who had engaged in wash trading. When the Oasis Head Office instructed the TGM to ask the Traders to explain the situation, the TGM refused. The Oasis Head Office suspended the Traders for one day each. Five days later, one of the Traders engaged in wash trading again, resulting in another one-day suspension. In May, that same trader again engaged in self-trading. The TGM for Oasis Office G06 proposed fines, but the Head Office imposed none.

52. Oasis views its TGMs as primarily responsible for supervising, monitoring, and escalating compliance issues. But these same TGMs are, in multiple instances, responsible for non-compliance, including engaging in manipulative transactions. Many TGMs use intermediaries to receive funds from Oasis because the TGMs lack authorization to receive foreign funds.

C. BREACHES AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

Enforcement Staff alleges the following breaches of Ontario securities law and conduct contrary to the public interest:

i. Breaches of Ontario Securities Laws

53. Oasis engaged in, and held itself out as engaging in, the business of trading in securities without being registered to do so and without an applicable exemption from the registration requirement, contrary to subsection 25(1) of the *Securities Act*, RSO 1990, c S.5, as amended (the “Act”);

54. Each of Oasis, Pang, and Modi, directly or indirectly, engaged or participated in an act, practice or course of conduct relating to securities that it knew or ought reasonably to have known resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for a security, contrary to subsection 126.1(1)(a) of the Act;

55. Oasis failed to establish and maintain systems of control and supervision in accordance with the regulations for controlling its activities and supervising its representatives, contrary to section 32(2) of the Act;

56. Oasis provided access to its direct electronic trading access to non-authorized persons or companies, contrary to subparagraph 4.7(4) of National Instrument 23-103 – *Electronic Trading and Direct Electronic Access to Marketplaces*;

57. Each of Pang and Modi, as officers and directors of Oasis, authorized, permitted, or acquiesced in the non-compliance of Ontario securities laws by Oasis, contrary to section 129.2 of the Act;

ii. Conduct Contrary to the Public Interest

58. In the alternative to the breach described in paragraph 55 above, each of Oasis, Pang and Modi, engaged in conduct contrary to the public interest by failing to establish and maintain adequate systems of control and supervision and therefore, among other things, should not be entitled to participate in Canadian markets or rely on any exemption allowing them to participate.

D. ORDERS SOUGHT

Enforcement Staff requests that the Capital Markets Tribunal (the “Tribunal”) make the following orders:

59. As against Oasis:

- a. that it cease trading in any securities or derivatives permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2 of subsection 127(1) of the Act;
- b. that it be prohibited from acquiring any securities permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
- c. that any exemption contained in Ontario securities law not apply to it permanently or for such period as is specified by the Tribunal, pursuant to paragraph 3 of subsection 127(1) of the Act;
- d. that it be prohibited from becoming or acting as a registrant or promoter permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.5 of subsection 127(1) of the Act;

- e. that it pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
 - f. that it disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
 - g. that it pay costs of the investigation and the hearing, pursuant to section 127.1 of the Act; and
 - h. such other order as the Tribunal considers appropriate in the public interest.
60. As against each of Pang and Modi:
- a. that he cease trading in any securities or derivatives permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2 of subsection 127(1) of the Act;
 - b. that he be prohibited from acquiring any securities permanently or for such period as is specified by the Tribunal, pursuant to paragraph 2.1 of subsection 127(1) of the Act;
 - c. that any exemption contained in Ontario securities law not apply to him permanently or for such period as is specified by the Tribunal, pursuant to paragraph 3 of subsection 127(1) of the Act;
 - d. that he be reprimanded, pursuant to paragraph 6 of subsection 127(1) of the Act;
 - e. that he resign any position he may hold as a director or officer of any issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;

- f. that he be prohibited from becoming or acting as a director or officer of any issuer permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8 of subsection 127(1) of the Act;
- g. that he resign any position he may hold as a director or officer of any registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;
- h. that he be prohibited from becoming or acting as a director or officer of any registrant permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.2 of subsection 127(1) of the Act;
- i. that he be prohibited from becoming or acting as a registrant or promoter permanently or for such period as is specified by the Tribunal, pursuant to paragraph 8.5 of subsection 127(1) of the Act;
- j. that he pay an administrative penalty of not more than \$1 million for each failure to comply with Ontario securities law, pursuant to paragraph 9 of subsection 127(1) of the Act;
- k. that he disgorge to the Commission any amounts obtained as a result of non-compliance with Ontario securities law, pursuant to paragraph 10 of subsection 127(1) of the Act;
- l. that he pay costs of the investigation and the hearing, pursuant to section 127.1 of the Act; and
- m. such other order as the Tribunal considers appropriate in the public interest.

DATED at Toronto, Ontario, this 21st day of December, 2023

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