

Re Jiwa & Hoffar

IN THE MATTER OF:

**Dealer Member Rule of the Investment Industry Regulatory
Organization of Canada (IIROC)**

and

The By-Laws of the Investment Dealers Association of Canada

and

Al-Nashir Jiwa & Matthew Douglas Hoffar

2012 IIROC 9

Investment Industry Regulatory Organization of Canada
Hearing Panel (Pacific District Council)

Hearing: November 30, 2011 at Vancouver, BC
Decision: February 20, 2012
(29 paras.)

Hearing Panel:

Stephen D. Gill (Chair), Brian Field, L. Karen Henderson

Appearances:

Charles Corlett, for IIROC

Dana H. Prince, for the Respondents

REASONS FOR DECISION

¶ 1 Pursuant to the IIROC By-laws and Rules, this Hearing Panel was convened to consider two Settlement Agreements made between IIROC staff and the Respondent Al-Nashir Jiwa (“Jiwa”), and the Respondent Matthew Douglas Hoffar (“Hoffar”), on or about November 21 - 22, 2011. As the Settlement Agreements arise from the same facts, the Panel dealt with them in one hearing. Copies of the respective Settlement Agreements are attached to this Decision.

¶ 2 The Panel heard submissions by counsel for each of the parties in support of the Settlement Agreements, and reviewed the cited authorities. After due consideration, for the Reasons that follow, the Hearing Panel accepted the Settlement Agreements of both Mr. Jiwa and Mr. Hoffar.

¶ 3 The Settlement Agreements set out the background and facts, and the roles played by Mr. Jiwa and Mr. Hoffar. The Settlement Agreements also contain the contraventions admitted by the Respondents, and the agreed terms of the settlement. Staff and the Respondents jointly recommend the Hearing Panel accept the Settlement Agreements.

CONTRAVENTION

¶ 4 The Respondent, Jiwa, and the Respondent, Hoffar, both admit to the following contraventions of IIROC Rules, Guidelines, and IDA By-laws:

During the period February, 2007 to September, 2007, the Respondents failed to adequately

perform their role as gatekeeper to the capital markets by failing to make sufficient and reasonable or diligent inquiries in relation to client trading activity in certain Over-the-Counter Bulletin Board (“OTCBB”) securities contrary to IDA Regulation 1300.1(a)(now Dealer Member Rule 1300.1(a)), and IDA By-Law 29.1 (now Dealer Member Rule 29.1). (Settlement Agreements, para. 7).

OVERVIEW OF FACTS

¶ 5 During the relevant period, February, 2007 to September, 2007, Mr. Jiwa, and his assistant, Mr. Hoffar, executed trades in the securities of three OTCBB companies. The three companies shared common characteristics, such as a single individual who administered off-shore accounts for which Jiwa was the registered representative, had business dealings or relationship with the companies, and the companies were (unknown to Jiwa and Hoffar) the subject of suspect promotions by a common source, primarily an investment newsletter called “The Natural Contrarian”. Further, the off-shore accounts administered by DC sold through Jiwa and, unknown to Jiwa and Hoffar, through other accounts, large volumes of shares in the three companies for substantial proceeds. The trading in the shares of the three companies was in certain respects suspicious, potentially manipulative, and had some of the hallmarks of “pump and dump” schemes. Full particulars are set out in the Settlement Agreements.

¶ 6 Jiwa and Hoffar admit that they ought to have known the trading in the three OTCBB companies was sufficiently suspicious, potentially manipulative, or possibly for an improper purpose; that it required them to make more diligent inquiries, and to exercise a higher level of gatekeeper responsibility than they did during the relevant period (Settlement Agreements, para. 14).

¶ 7 Jiwa has been a registered representative at the Vancouver Head Office of Haywood Securities since 1987. Hoffar was employed at Haywood Securities from April, 2005 to August, 2008; initially as an Investment Representative, and from August, 2006 as a Registered Representative. Hoffar was at all times Jiwa’s dedicated assistant, primarily responsible for executing trades for Jiwa’s clients (Settlement Agreements, paras. 15 and 16).

¶ 8 As can be seen from the facts admitted in the Settlement Agreements, the OTCBB companies were recommended to Jiwa by one of three individuals; however Jiwa did not question the source or basis for the recommendation, undertook insufficient due diligence, and made little or no inquiries with respect to any of the three companies except for the disclosed position of their insiders or affiliates (Settlement Agreements, para. 25).

¶ 9 As is more fully set out in the Settlement Agreements, the gross commission on the clients trades in these OTCBB securities were as follows: Sun Cal Energy Inc. \$42,417.80 (Settlement Agreements, para. 39); Fox Petroleum Inc. \$100,786.48 (Settlement Agreements, para. 56); PetroSouth Energy Corp. \$21,122.39 (Settlement Agreements, para. 77).

THE LAW

¶ 10 The Panel acknowledges its role under Rule 20.36 in considering the facts and circumstances set forth in the Settlement Agreements, and is cognizant of the fact that Settlement Agreements reflect a negotiation between well informed parties represented by counsel. We accept the importance of the settlement process, and the significance of a negotiated settlement. As was said in *Re: Milewski* (1999) I.D.A.C.D. No. 17:

“Although a settlement agreement must be accepted by a District Council before it can become effective, the standards for acceptance are not identical to those applied by a District Council in making a penalty determination after a contested hearing. In a contested hearing, the District Council attempts to determine the correct penalty. A District Council considering a settlement agreement will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness. Put another way, the District Council will reflect the public interest benefits of

the settlement process in its consideration of specific settlements.” (page 11)

¶ 11 We also acknowledge that in *Re: Clark* (1999) I.D.A.C.D. No. 40 (December 14, 1999), the Panel in considering a settlement agreement stated:

“It was submitted by staff and accepted by the panel that its role under by-law 20.26 is not the same as its role under by-law 20.10 following a hearing. In considering a settlement under by-law 20.26 the panel should not simply substitute its discretion for that of staff when negotiating a settlement. **The panel must be cognizant of the importance of the settlement process and should not interfere lightly in a negotiated settlement.** In our view, as a result, panels must also be careful in using previous settlements as precedent. The settlement process is one of negotiation and compromise and the penalty imposed following a settlement will often be less onerous than one imposed following a hearing where similar findings are made. (page 3) (*emph. added*)

¶ 12 The issue for this Panel is whether the settlements are within a reasonable range.

¶ 13 It is important to recognize that the securities industry is a business of trust and confidence. Registered Representatives must above all conduct themselves with trustworthiness and integrity, and act in an honest and fair manner in all their dealings with the public, their clients, and the securities industry as a whole. Rule 1300.1(a) states: “Each Dealer Member shall use due diligence to learn and remain informed of the essential facts relative to every customer and to every order or account accepted.” Rule 1300.1(o) provides: “Each member shall use due diligence to ensure that the acceptance of any order for any account is within the bounds of good business practice.”

¶ 14 In *Re: Ng*, August 24, 2007 (IDA) the Panel stated:

“ It is now well accepted that the duty to “know your client” also imposes upon a registrant the responsibility to act as a gatekeeper for the public interest. The relationship between “know your client” and the registrant’s obligations as a gatekeeper has recently been explained by the Alberta Securities Commission in *Re: Stewart*, 2005 ABASC 91, beginning at paragraph 50:

[50] The role of a registrant in our system of securities is a key one. It combines privileged access to the capital market with important responsibilities.

[51] In the absence of applicable exemptions, all securities trading must be conducted through a registrant. Registrants interact directly with investors, and it is from investors that registrants receive compensation in the form of commissions.

[52] Registrants in turn protect investors, and help to sustain the integrity of the capital market. Securities salespersons are meant to know and understand the capital market, securities laws, their client and the client’s investment objectives and financial circumstances. They must then apply this knowledge and understanding to ensure that every purchase or sale of a security that they participate in for a client is in accordance with the law, suitable for the client and, in the absence of valid discretionary authority, specifically authorized by the client.

[53] All of this is designed to protect the particular client, directly. It also serves a broader purpose. A salesperson who fulfils these obligations to the particular client will be in a position to spot suspicious or unusual circumstances that could have an effect on the integrity of trading and the capital market. The salesperson can then alert the client (or the employer firm, regulators, or all three) to potential improprieties, inadvertent or otherwise, and decline to participate in or facilitate improper activity. In this way, the registered salesperson is a gatekeeper for the broader public interest.”

(Pages 35-36).

PENALTY

- ¶ 15 With respect to Mr. Jiwa, the following are the agreed terms of settlement:
- (a) A fine of \$140,379.00, which includes disgorgement of commissions earned by Jiwa from the conduct described in the settlement in the amount of \$90,379.00; and
 - (b) A suspension from approval in any registered capacity with IIROC for a period of three (3) months; and
 - (c) Pay costs to IIROC in the sum of \$10,000.00.

- ¶ 16 With respect to Mr. Hoffar, the following are the agreed terms of settlement:
- (a) A fine of \$50,000.00; and
 - (b) A prohibition on seeking re-registration approval with any Dealer Member of IIROC for a period of three (3) months from the effective date of the settlement agreement; and
 - (c) Pay costs to IIROC in the sum of \$10,000.00.

DECISION

- ¶ 17 The Hearing Panel accepts the Settlement Agreements in respect of Mr. Jiwa and Mr. Hoffar.

ANALYSIS

¶ 18 Pursuant to the Rules (R: 20.36) a hearing panel upon conclusion of the settlement hearing may either accept the settlement agreement, or reject the settlement agreement. The Rules themselves do not give guidance with respect to the criteria for accepting or rejecting.

¶ 19 The Rules (R: 20.33) provide a variety of penalties that may be imposed upon an approved person ranging from a reprimand, a fine not exceeding \$1,000,000 per contravention, a suspension of approval, a permanent bar "...or any other fit remedy or penalty".

¶ 20 We were also referred to an excerpt from the Dealer Member Disciplinary Sanction Guidelines – General Principles, which sets forth recommended principles and rules to provide a framework for assessing the gravity of a particular breach of the Dealer Member Rules. Counsel in their submissions reviewed the General Principles, with emphasis on protection of the integrity of the securities market, and the prevention of the repetition of conduct of the type under consideration. Further, under "Disciplinary Sanctions as Deterrence" it states:

"Registrants and Dealer Member firms have significant responsibilities that they must meet if investors are to be protected and market integrity maintained. Registrants who choose to act in ways that threaten the integrity of the capital markets must have the expectation that they will be held accountable through enforcement action by regulators. Sanctions should be based on the circumstances of particular misconduct by a respondent with an aim at general deterrence.

General deterrence will follow from an appropriate decision and deter others from engaging in similar misconduct and improve overall business standards in the securities industry. This can be achieved if the sanction strikes an appropriate balance by addressing a registrants specific conduct, but also being in line with industry expectations. ..." (page 8)

¶ 21 With respect to deterrence, as was said in *Re: Mills*, the responsibility of a hearing panel in a penalty hearing is to determine a penalty appropriate to the conduct and Respondent before it, reflecting that its primary purpose is prevention rather than punishment. This should be borne in mind in considering the reasonable range.

¶ 22 The Panel was also referred to an excerpt from the Dealer Member Disciplinary Sanction Guidelines – Failure to Know Your Client – Dealer Member Rule 1300.1(a) and (b) where the recommended sanctions are:

- (i) Fine; minimum of \$10,000.00;
- (ii) Rewrite of CPH;

- (iii) Period of close and/or strict supervision;
- (iv) Period of suspension (in most egregious cases).

¶ 23 The Panel were also referred to and reviewed the decisions in *Re: Collias and Young*, (2010) IIROC No. 30; *Re: Higgs*, (2010) IIROC No. 3; and *Re: Reynolds and Chang* (2009) IIROC No. 50.

¶ 24 The Settlement Agreements set out the following mitigating factors:

- (i) Jiwa and Hoffar have no prior disciplinary history;
- (ii) Jiwa and Hoffar have cooperated fully throughout the investigation of this matter;
- (iii) Jiwa and Hoffar admitted and took responsibility for their failure to adequately discharge their gatekeeper responsibilities to the capital markets;
- (iv) There were no client complaints against Jiwa or Hoffar and none of their clients suffered any financial loss. Neither did Haywood Securities.
- (v) Jiwa has agreed to disgorge the commissions he earned on the trading described above;
- (vi) The trading described above represented a small portion of Jiwa's overall book of business during the Relevant Period.
- (vii) Prior to the Relevant Period, Jiwa and Hoffar did not have a history of trading OTCBB securities. Since the Relevant Period, Jiwa and Hoffar have not engaged in any trading in OTCBB securities.
- (viii) Based on IIROC's investigation of Jiwa's book of business during the course of its investigation and Haywood's own internal review, neither found any basis to conclude that Jiwa or Hoffar did not meet the applicable regulatory standards required of them except for their trading of OTCBB securities during the Relevant Period.

(Settlement Agreements, paras. 81-88)

¶ 25 In our view, the sanctions that have been agreed to in respect of Mr. Jiwa, and Mr. Hoffar, reflect the range of penalties that have been imposed in a number of cases dealing with circumstances which in some respects are analogous to this case.

¶ 26 During submissions, we were informed that the settlements were arrived at after long negotiations, and both Respondents were represented by experienced counsel. In our view there are significant mitigating factors which had to be considered, particularly in the case of Mr. Hoffar.

¶ 27 Having fully considered the facts and circumstances set forth in the Settlement Agreements, the authorities cited, and with the benefit of submissions of counsel, we find that the Settlement Agreements in respect of Mr. Jiwa and Mr. Hoffar are within the reasonable range and are appropriate.

¶ 28 Accordingly, for these reasons, we have accepted the Settlement Agreements of Mr. Jiwa and Mr. Hoffar. We thank counsel for their able assistance.

¶ 29 These Reasons may be signed in counterpart.

Dated this 20th day of February, 2012.

Stephen D. Gill, Chair

Brian Field, Member

L. Karen Henderson, Member

SETTLEMENT AGREEMENT (Jiwa)

I. INTRODUCTION

1. IIROC Enforcement Staff and the Respondent, Al-Nashir Jiwa, consent and agree to the settlement of this matter by way of this settlement agreement (“the Settlement Agreement”).
2. The Enforcement Department of IIROC has conducted an investigation (“the Investigation”) into the conduct of the Respondent.
3. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada and Market Regulation Services Inc. Pursuant to the Administrative and Regulatory Services Agreement between the IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for the IDA to carry out its regulatory functions.
4. The Respondent consents to be subject to the jurisdiction of IIROC.
5. The Investigation discloses matters for which the Respondent may be disciplined by a hearing panel appointed pursuant to IIROC Transition Rule No.1, Schedule C.1, Part C (“the Hearing Panel”).

II. JOINT SETTLEMENT RECOMMENDATION

6. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement.
7. The Respondent admits to the following contraventions of IIROC Rules, Guidelines, IDA By-Laws, Regulations or Policies:

During the period February 2007 to September 2007, the Respondent failed to adequately perform his role as a gatekeeper to the capital markets, by failing to make sufficiently reasonable or diligent inquiries in relation to client trading activity in certain Over-the-Counter Bulletin Board securities contrary to IDA Regulation 1300.1(a) (now Dealer Member Rule 1300.1(a)) and IDA By-law 29.1 (now Dealer Member Rule 29.1).

8. Staff and the Respondent agree to the following terms of settlement:
 - (i) a fine of \$140,379, which includes disgorgement of commissions earned by Jiwa from the conduct described in Section III of this Settlement Agreement in the amount of \$90,379; and
 - (ii) a suspension from approval in any registered capacity with IIROC for a period of three (3) months.
9. The Respondent agrees to pay costs to IIROC in the sum of \$10,000.

III. STATEMENT OF FACTS

(i) Acknowledgment

10. Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(ii) Factual Background

Overview

11. During the period February 2007 to September 2007 (the “Relevant Period”), Al-Nashir Jiwa (“Jiwa”), and his assistant, Matthew Douglas Hoffar (“Hoffar”), executed trades in the securities of three Over-the-Counter Bulletin Board companies: Sun Cal Energy Inc. (“Sun Cal”), Fox Petroleum Inc. (“Fox Petroleum”), and PetroSouth Energy Corp (“PetroSouth”) (collectively, the “OTCBB Companies”).
12. The OTCBB Companies shared common characteristics:
 - (i) one individual, DC, who administered offshore accounts for which Jiwa was the Registered Representative, had business dealings or relationships with the companies;

- (ii) the companies were (unknown to Jiwa or Hoffar) the subject of suspect promotions by a common source, primarily an investment newsletter called The Natural Contrarian; and
 - (iii) the offshore accounts administered by DC sold through Jiwa and, unknown to Jiwa and Hoffar, through other accounts, a large volume of shares in the OTCBB Companies for substantial proceeds.
13. The trading in the shares of the OTCBB Companies was in certain respects suspicious or potentially manipulative and had some of the hallmarks of “pump and dump” schemes. In particular:
- (i) there were large orders for the securities that were filled on the day of entry when there was little or no historical trading volume;
 - (ii) the little or no historical trading volume in the securities was followed by substantial increases in trading volume;
 - (iii) there was a run-up in the price of the security followed by a price decline;
 - (iv) the OTCBB Companies were shell companies at the time of the initial purchases by Jiwa’s clients;
 - (v) the OTCBB Companies were, unknown to Jiwa and Hoffar, the subject of suspect promotional reports by an investment newsletter (The Natural Contrarian); and
 - (vi) the DC accounts held by Jiwa sold a large volume of shares for substantial proceeds.
14. Jiwa and Hoffar ought to have known that the trading in the OTCBB Companies was sufficiently suspicious, potentially manipulative or possibly for an improper purpose that it required them to make more diligent inquiries and to exercise a higher level of gatekeeper responsibility than they did during the Relevant Period.

The Respondents

15. Jiwa has been a Registered Representative at the Vancouver head office of Haywood Securities since 1987.
16. Hoffar was employed at Haywood Securities from April 2005 to August 2008, initially as an Investment Representative and from August 2006 as a Registered Representative. Hoffar was at all times Jiwa’s dedicated assistant, primarily responsible for executing trades for Jiwa’s clients.

The DC-administered Accounts: P Trading, T Services and E Investment

17. DC is a resident of Switzerland and an employee of a Geneva-based private bank that is not regulated by any member of the International Organization of Securities Commissions.
18. In September 2006, DC opened an account with Jiwa under the name P Trading Company Inc. (“P Trading”), incorporated in Nevis. In August 2007, after the P Trading account was shut down by Haywood Securities, DC opened another account with Jiwa under the name T Services Inc. (“T Services”), incorporated in the British Virgin Islands.
19. During the Relevant Period, DC also administered accounts at several Vancouver investment dealers under the name E Investment Services NV (“E Investment”), incorporated in Curacao. Jiwa and Hoffar were not aware of this fact.
20. The P Trading, T Services and E Investment accounts shared a common U.S. custodian for the settlement of trades, Brown Brothers Harriman & Co. (“Brown Bros.”). Jiwa and Hoffar were not aware of the E Investment account and accordingly were not aware how or through whom it settled its trades.
21. During the Relevant Period, the P Trading, T Services and E Investment accounts sold shares of the OTCBB Companies for substantial proceeds, the particulars of which were not known to Jiwa and

Hoffar except with respect to the shares sold by them for the P Trading and T Services accounts at Haywood.

Fearn & Gregorian

22. Erica Fearn was the Registered Representative for the E Investment account held at Research Capital Corporation which sold shares of the OTCBB Companies to Jiwa's clients. P Trading also held an account with Fearn at Research Capital. Jiwa and Hoffar were not aware of these facts other than they knew Fearn and knew that she was a Registered Representative at Research Capital Corporation.
23. On March 10, 2010, pursuant to a settlement agreement with IIROC, Fearn admitted to failing to cooperate with an investigation being conducted by Staff with respect to trading activity in certain OTCBB companies, including the OTCBB Companies set out herein. Fearn was permanently banned from registration in any capacity with IIROC for her failure to cooperate.
24. Jiwa was a long-time friend of, and had business dealings with, Fearn's husband, Alfred Gregorian, a former Registered Representative at Research Capital Corporation, who was suspended in April 2006 from trading on Canadian equity marketplaces for five years pursuant to a settlement agreement with Market Regulation Services Inc. Gregorian's brother held accounts with Jiwa that traded in the OTCBB Companies.

Trading by Jiwa's Client Accounts in the OTCBB Companies

25. The OTCBB Companies were recommended to Jiwa by one of Fearn, Gregorian or DC. Jiwa did not question the source or basis for the recommendation, undertook insufficient due diligence, and made little or no inquiries with respect to any of the OTCBB Companies except for the disclosed position of their insiders or affiliates.
26. In addition to the P Trading and T Services accounts, the Jiwa client accounts that traded in the shares of the OTCBB Companies during the Relevant Period included:

Client	Account Details
JFM	Jiwa family member
B.C. Ltd. ("B.C. Ltd.")	B.C. incorporated company for which Hoffar was the sole officer and director.
S Co.	B.C. incorporated company for which Hoffar was the sole officer and director.
HFM	Hoffar family member
AG	Gregorian's brother
K Holdings	B.C. incorporated company. The sole officer and director of K Holdings is AG.
RB	Individual with ties to Fox Petroleum and PetroSouth, and who introduced Jiwa to DC.
Bank #1	Switzerland-based private bank.
Bank #2	Switzerland-based private bank.

Trading in the shares of the OTCBB Companies

Sun Cal Energy Inc.

27. Sun Cal purports to engage in the exploration and development of oil and gas properties and have royalty interests in various properties in Oklahoma, California, Louisiana, Texas, Alabama, and Mississippi; and working interests in Wyoming. The company was incorporated in 2004 under the name Host Ventures Inc. ("Host").
28. According to Sun Cal's 10-Q regulatory filing for the quarter ended September 30, 2006, Sun Cal had total assets of \$2,257.00 and shareholder equity of the same amount. Sun Cal had no revenue at the time. In short, Sun Cal was a shell company with no significant assets.

29. In November 2006, Host effected a reverse merger with Sun Cal Energy Corp.
30. During the period December 2006 to August 2007, the shareholders of Host transferred 31 million shares to Brown Bros. DC guaranteed the certificates for the shares transferred.
31. There were no trades in Sun Cal prior to February 8, 2007.
32. On February 8 and February 9, 2007, Hoffar executed trades for the purchase of 500,000 shares of Sun Cal. The counterparty to the trades was the E Investment account held at Gateway Securities in Vancouver.
33. Two orders, one on February 8 and one on February 9, 2007, were executed through Jiwa's client accumulation inventory account. The share purchases were allocated to 4 client accounts on February 13 and February 28, 2007 as follows:

Client	Shares	Avg. Price/share	Total Cost
RB	440,000	\$1.0576	\$465,344.00
AG	30,000	\$1.0882	\$32,646.00
JFM	20,000	\$1.084	\$21,680.00
S Co.	10,000	\$1.034	\$10,385.00

34. In addition, between February 20 and June 29, 2007, Sun Cal shares were purchased by Hoffar for the following client accounts:

Client	Shares	Avg. Price/share	Total Cost
HFM	6,000	\$1.333	\$8,045.00
S Co.	5,000	\$2.06	\$10,385.00
AG	33,000	\$2.0156	\$66,715.00
B.C. Ltd.	7,170	\$1.8594	\$13,421.90
Bank #1	500	\$2.15	\$1,075.00

35. The Natural Contrarian issued several reports concerning Sun Cal's purported future potential beginning in May 2007 and for several months thereafter.
36. Between March 29 and June 1, 2007, the Jiwa client accounts sold most of the Sun Cal shares that were purchased for the accounts, realizing significant returns:

Client	Profit	Return on Investment
JFM	\$33,093.00	152.64%
AG	\$74,781.00	75.26%
S Co.	\$19,835.00	96.09%
B.C. Ltd.	\$4,239.00	31.58%
HFM	\$8,605.00	105.59%
Bank #1	No sales	
RB	\$160,306.00*	121.50%

*On sale of 125,000 shares. RB transferred 315,000 shares out of account on May 29, 2007 to Bank #2. The account of Bank #2 at Haywood sold 315,000 shares of Sun Cal over the period of June 5 to June 29, 2007 for a profit of \$543,009, a return of 116.69%.

37. In June and July 2007, Sun Cal shares traded in the \$2.52 to \$3.69 range.
38. Between August and September 2007, 1,728,850 shares of Sun Cal were sold through the P Trading and T Services accounts for proceeds of approximately \$4,200,000 USD.
39. The gross commission on the P Trading and T Services trades in Sun Cal was \$42,417.80.
40. Jiwa and Hoffar did not inquire of DC how the T Services and P Trading accounts acquired the Sun Cal shares, nor did they ask DC about any relationship he might have with, or information he might have about, Sun Cal.

41. By the end of September 2007, the shares of Sun Cal were trading at \$1.35.

Fox Petroleum Inc.

42. Fox Petroleum purports to be a development stage company engaged in the identification, acquisition, exploration, and development of oil and gas properties in Alaska, the North Sea, and Texas.

43. According to Fox Petroleum's 10-Q regulatory filing for the quarter ended November 30, 2006, Fox Petroleum had total cash and total assets of \$7,408.00 and total liabilities of \$30,229. In short, Fox Petroleum was a shell company with no significant assets.

44. DC's son was the founder, President, Chief Executive Officer, Secretary and Treasurer of Nova Resources, which, following a name change became Fox Petroleum. DC's son held approximately 30% of the outstanding shares of Nova Resources.

45. During the period December 2006 to August 2007, the shareholders of Nova Resources, other than DC's son, transferred 31.8 million shares to Brown Bros. DC guaranteed the certificates for the shares transferred.

46. On April 17, 2007, Hoffar executed trades for the purchase of 550,000 shares of Fox Petroleum. The counterparty to 549,000 of the purchases was the E Investment account at Research Capital.

47. One order was placed for Jiwa's client accumulation inventory account and the shares were allocated to 5 client accounts on April 30, 2007 as follows:

Client	Shares	Avg. Price/share	Total
R&B	455,000	\$1.0255	\$466,602.50
AG	50,000	\$1.0296	\$51,480.00
JFM	25,000	\$1.0275	\$25,687.50
S Co.	12,000	\$1.0275	\$12,330.00
B.C. Ltd.	8,000	\$1.0289	\$8,231.20

48. In addition, between April 17 and June 26, 2007, Fox Petroleum shares were purchased for the following Jiwa client accounts:

Client	# shares bought	Avg. Price/share	Total
K Holdings	10,000	\$1.08	\$10,890.00
HFM	5,000	\$1.08	\$5,445.00
S Co.	18,000	\$1.316	\$23,010.00
AG	50,000	\$1.2868	\$64,640.00
B.C. Ltd.	5,000	\$1.26	\$6,310.00
Bank #1	240,000	\$1.1595	\$278,802.00

49. Prior to April 17, 2007, Fox Petroleum shares had little to no trading volume.

50. On May 29, 2007, Fox Petroleum completed a reverse merger with Fox LLC, a Nevada incorporated company. Fox LLC vended oil and gas leases in Alaska to Fox Petroleum in exchange for 20,000,000 shares of Fox Petroleum. RB, Jiwa's client identified above in paragraph 20, and DC were "managing members" of Fox LLC.

51. On June 8, 2007, RB was appointed Chairman of the board of directors of Fox Petroleum.

52. Unknown to Jiwa and Hoffar, beginning in June 2007, The Natural Contrarian issued several reports concerning Fox Petroleum's purported future potential.

53. Between July 17 and September 10, 2007 the above-noted client accounts (except for Bank #1) divested all of the Fox Petroleum shares purchased into the accounts. The profit and return on investment made in each of the accounts is as follows:

Client	Profit	Return on Investment
R&B	\$642,302.40	137.65%

JFM	\$39,672.50	154%
AG	\$154,143.00	132.74%
S Co.	\$41,925.00	118.63%
B.C. Ltd.	\$17,383.80	119.55%
K Holdings	\$13,082.50	121.13%
HFM	\$7,090.00	130.21%
Bank #1	\$65,187.00*	124.93

*On sale of 45,000 shares

54. By September 2007, shares of Fox Petroleum were trading in the \$2.26 to \$3.37 range.
55. Between July 10 and September 26, 3,798,000 shares of Fox Petroleum were sold through the P Trading and T Services accounts for proceeds of approximately \$10,000,000 USD.
56. The gross commission on the P Trading and T Services trades in Fox Petroleum was \$100,786.48.
57. By the end of December 31, 2007, the shares of Fox Petroleum were trading at \$1.00.
58. Jiwa and Hoffar did not inquire of DC how the T Services and P Trading accounts acquired the shares of Fox Petroleum, nor did they ask DC about any relationship he might have with, or information he might have about, Fox Petroleum.
59. Jiwa and Hoffar each acknowledge that at some time after the April 17, 2007 purchases they became aware that RB had ties to Fox Petroleum.
60. On July 12, 2007, Jiwa and Hoffar were directed by their compliance department not to place any additional trades in the P Trading account because P Trading had failed to provide timely verification of the account's beneficial owner, DE. DE was an employee at the same Geneva-based private bank that DC was associated with.
61. Jiwa and Hoffar were unable to obtain verification of DE's identification despite their efforts to obtain it.
62. In response to one of Hoffar's requests for verification, DC asked Hoffar to change the P Trading account information to list him as the beneficial owner. Hoffar refused to make the requested change. No further trading took place in the P Trading account.
63. In August 2007, DC opened the T Services account with a declared asset value of \$3,000,000. The account opening documents show that T Services was incorporated on July 9, 2007.

PetroSouth Energy Corp.

64. PetroSouth purports to be an oil and gas exploration and production company.
65. According to PetroSouth's 10-Q regulatory filing for the quarter ended March 31, 2007, PetroSouth had no assets, a shareholder loan of \$25,000 and a deficit of \$26,700. In short, PetroSouth was a shell company with no significant assets.
66. The predecessor of PetroSouth, Mobridge Exploration Inc. ("Mobridge"), had 6,790,000 shares outstanding as of March 2007. The stock split 10 for 1 on May 1, 2007. After the split 20,500,000 of 67,900,000 shares were transferred to Brown Bros. DC guaranteed the certificates for the shares transferred.
67. On February 16, 2007, RB acquired 250,000 shares of Mobridge in a private transaction. On May 1, 2007, the Mobridge shares split 10-1, giving RB 2,500,000 shares.
68. On October 3, 2007, PetroSouth announced a reverse merger with PetroSouth Energy Corp. BVI ("PetroSouth BVI"), a British Virgin Island incorporated company. DC was the sole shareholder of PetroSouth BVI.

69. On July 31, 2007 and August 1, 2007, Hoffar executed trades for 980,000 shares of PetroSouth. The counterparty to the trades was the E Investment account at Research Capital.
70. Two orders, one on July 31 and one on August 1, 2007, were executed through Jiwa's client accumulation inventory account. The shares were allocated to 6 client accounts between August 28 and August 31, 2007 as follows:

Client	Shares	Avg. Price/share	Total
Bank #2	500,000	\$1.0390	\$519,900.00
Bank #1	50,000	\$1.0390	\$52,469.50
B.C. Ltd.	30,000	\$1.0390	\$31,220.00
AG	100,000	\$1.0390	\$104,200.00
JFM	30,000	\$1.0390	\$31,245.00
S Co.	20,000	\$1.0390	\$20,860.00

71. In addition, between August 31, 2007 and January 3, 2008, PetroSouth shares were purchased for the following client accounts:

Client	Shares	Avg. Price/share	Total
S Co.	15,000	\$1.5765	\$23,702.50
AG	70,000	\$1.6325	\$114,652.50
Bank #2	15,000	\$1.8600	\$27,970.00

72. Prior to July 30, 2007, PetroSouth shares had little to no trading volume.
73. On August 14, 2007, PetroSouth was touted by The Natural Contrarian. Jiwa and Hoffar were not aware of this fact.
74. Between September 21, 2007 and February 5, 2008 the above noted client accounts divested many of their previously purchased PetroSouth shares. The profit and return on investment made in each of the accounts is as follows:

Client	Profit	Return on Investment
JFM	13,709.30	43.88%
AG ¹	69,725.00	63.8%
S Co. ²	7947.00	41.6%
B.C. Ltd. ³	11,035.00	54.38%
R&B ⁴	103,231.00	36.82%
Bank S ⁵	4702.00	89.62%

¹On sale of 85,000 shares; ²On sale of 15,000 shares; ³On sale of 19,500 shares; ⁴On sale of 269,600 shares; ⁵On sale of 5000 shares.

75. By September 2007, PetroSouth shares traded in the \$1.09 to \$1.96 range.
76. During August and September 2007, 1,432,650 shares of PetroSouth were sold through the T Services accounts for proceeds of approximately \$2,000,000 USD.
77. The gross commission on the T Services trades in PetroSouth was \$21,122.39.
78. Jiwa and Hoffar did not inquire of DC how the T Services account acquired the PetroSouth shares, nor did Jiwa or Hoffar ask DC about any relationship he might have with, or information he might have about, PetroSouth.

Haywood Securities' Compliance Concerns

79. Beginning in August 2007, Haywood Securities compliance staff began to have concerns about the

trading in the T Services account.

80. On October 19, 2007, the T Services account was blocked from trading because of compliance staff's concerns about the trading and the circumstances surrounding the trading in the DC accounts. Jiwa has not traded further for DC or any DC-related account.

Mitigating Factors

81. Jiwa and Hoffar have no prior disciplinary history.
82. Jiwa and Hoffar have cooperated fully throughout the investigation of this matter.
83. Jiwa and Hoffar admitted and took responsibility for their failure to adequately discharge their gatekeeper responsibilities to the capital markets.
84. There were no client complaints against Jiwa or Hoffar and none of their clients suffered any financial loss. Neither did Haywood Securities.
85. Jiwa has agreed to disgorge the commissions he earned on the trading described above.
86. The trading described above represented a small portion of Jiwa's overall book of business during the Relevant Period.
87. Prior to the Relevant Period, Jiwa and Hoffar did not have a history of trading OTCBB securities. Since the Relevant Period, Jiwa and Hoffar have not engaged in any trading in OTCBB securities.
88. Based on IIROC's investigation of Jiwa's book of business during the course of its investigation and Haywood's own internal review, neither found any basis to conclude that Jiwa or Hoffar did not meet the applicable regulatory standards required of them except for their trading of OTCBB securities during the Relevant Period.

Conclusion

89. Jiwa and Hoffar had a duty as gatekeepers to the capital markets to take adequate steps to ensure that their conduct as registrants did not assist or facilitate conduct by their clients or others which would tend to bring the integrity of the capital markets into disrepute or harm the integrity of, or public confidence in, the capital markets.

IV. Terms of Settlement

90. This settlement is agreed upon in accordance with IIROC Dealer Member Rules 20.35 to 20.40, inclusive and Rule 15 of the Dealer Member Rules of Practice and Procedure.
91. The Settlement Agreement is subject only to acceptance by the Hearing Panel.
92. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.
93. The Settlement Agreement will be presented to the Hearing Panel at a hearing ("the Settlement Hearing") for approval. Following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement.
94. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives his right under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal.
95. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement; or Staff may proceed to a disciplinary hearing in relation to the matters disclosed in the Investigation.
96. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.
97. Staff and the Respondent agree that if the Hearing Panel accepts the Settlement Agreement, they, or

anyone on their behalf, will not make any public statements inconsistent with the Settlement Agreement.

98. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.

99. Unless otherwise stated, any suspensions, bars, expulsions, restrictions or other terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

AGREED TO by the Respondent at the City of Vancouver in the Province of British Columbia, this 21 day of November, 2011.

“Witness signature”

“Respondent’s signature”

WITNESS

RESPONDENT, AL-NASHIR JIWA

AGREED TO by Staff at the City of Vancouver, in the Province of British Columbia, this 22 day of November, 2011.

“Andrew Werbowski”

“Charles Corlett”

WITNESS

CHARLES CORLETT

Enforcement Counsel on behalf of Staff
of the Investment Industry Regulatory
Organization of Canada

SETTLEMENT AGREEMENT (Hoffar)

I. INTRODUCTION

1. IIROC Enforcement Staff and the Respondent, Matthew Douglas Hoffar, consent and agree to the settlement of this matter by way of this settlement agreement (“the Settlement Agreement”).
2. The Enforcement Department of IIROC has conducted an investigation (“the Investigation”) into the conduct of the Respondent.
3. On June 1, 2008, IIROC consolidated the regulatory and enforcement functions of the Investment Dealers Association of Canada and Market Regulation Services Inc. Pursuant to the Administrative and Regulatory Services Agreement between IDA and IIROC, effective June 1, 2008, the IDA has retained IIROC to provide services for the IDA to carry out its regulatory functions.
4. The Respondent consents to be subject to the jurisdiction of IIROC.
5. The Investigation discloses matters for which the Respondent may be disciplined by a hearing panel appointed pursuant to IIROC Transition Rule No.1, Schedule C.1, Part C (“the Hearing Panel”).

II. JOINT SETTLEMENT RECOMMENDATION

6. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement.
7. The Respondent admits to the following contraventions of IIROC Rules, Guidelines, IDA By-Laws, Regulations or Policies:

During the period February 2007 to September 2007, the Respondent failed to adequately perform his role as a gatekeeper to the capital markets, by failing to make sufficiently reasonable or diligent inquiries in relation to client trading activity in certain Over-the-Counter Bulletin Board securities contrary to IDA Regulation 1300.1(a) (now Dealer Member Rule 1300.1(a)) and IDA By-law 29.1 (now Dealer Member Rule 29.1).

8. Staff and the Respondent agree to the following terms of settlement:
 - i. a fine of \$50,000; and

- ii. a prohibition on seeking re-registration approval with any Dealer Member of IIROC for a period of three (3) months from the effective date of this Settlement Agreement.

9. The Respondent agrees to pay costs to IIROC in the sum of \$10,000.

III. STATEMENT OF FACTS

(iii) Acknowledgment

10. Staff and the Respondent agree with the facts set out in this Section III and acknowledge that the terms of the settlement contained in this Settlement Agreement are based upon those specific facts.

(iv) Factual Background

Overview

11. During the period February 2007 to September 2007 (the “Relevant Period”), Al-Nashir Jiwa (“Jiwa”), and his assistant, Matthew Douglas Hoffar (“Hoffar”), executed trades in the securities of three Over-the-Counter Bulletin Board companies: Sun Cal Energy Inc. (“Sun Cal”), Fox Petroleum Inc. (“Fox Petroleum”), and PetroSouth Energy Corp (“PetroSouth”) (collectively, the “OTCBB Companies”).
12. The OTCBB Companies shared common characteristics:
 - (iv) one individual, DC, who administered offshore accounts for which Jiwa was the Registered Representative, had business dealings or relationships with the companies;
 - (v) the companies were (unknown to Jiwa or Hoffar) the subject of suspect promotions by a common source, primarily an investment newsletter called The Natural Contrarian; and
 - (vi) the offshore accounts administered by DC sold through Jiwa and, unknown to Jiwa and Hoffar, through other accounts, a large volume of shares in the OTCBB Companies for substantial proceeds.
13. The trading in the shares of the OTCBB Companies was in certain respects suspicious or potentially manipulative and had some of the hallmarks of “pump and dump” schemes. In particular:
 - (vii) there were large orders for the securities that were filled on the day of entry when there was little or no historical trading volume;
 - (viii) the little or no historical trading volume in the securities was followed by substantial increases in trading volume;
 - (ix) there was a run-up in the price of the security followed by a price decline;
 - (x) the OTCBB Companies were shell companies at the time of the initial purchases by Jiwa’s clients;
 - (xi) the OTCBB Companies were, unknown to Jiwa and Hoffar, the subject of suspect promotional reports by an investment newsletter (The Natural Contrarian); and
 - (xii) the DC accounts held by Jiwa sold a large volume of shares for substantial proceeds.
14. Jiwa and Hoffar ought to have known that the trading in the OTCBB Companies was sufficiently suspicious, potentially manipulative or possibly for an improper purpose that it required them to make more diligent inquiries and to exercise a higher level of gatekeeper responsibility than they did during the Relevant Period.

The Respondents

15. Jiwa has been a Registered Representative at the Vancouver head office of Haywood Securities since 1987.

16. Hoffar was employed at Haywood Securities from April 2005 to August 2008, initially as an Investment Representative and from August 2006 as a Registered Representative. Hoffar was at all times Jiwa’s dedicated assistant, primarily responsible for executing trades for Jiwa’s clients.

The DC-administered Accounts: P Trading, T Services and E Investment

17. DC is a resident of Switzerland and an employee of a Geneva-based private bank that is not regulated by any member of the International Organization of Securities Commissions.
18. In September 2006, DC opened an account with Jiwa under the name P Trading Company Inc. (“P Trading”), incorporated in Nevis. In August 2007, after the P Trading account was shut down by Haywood Securities, DC opened another account with Jiwa under the name T Services Inc. (“T Services”), incorporated in the British Virgin Islands.
19. During the Relevant Period, DC also administered accounts at several Vancouver investment dealers under the name E Investment Services NV (“E Investment”), incorporated in Curacao. Jiwa and Hoffar were not aware of this fact.
20. The P Trading, T Services and E Investment accounts shared a common U.S. custodian for the settlement of trades, Brown Brothers Harriman & Co. (“Brown Bros.”). Jiwa and Hoffar were not aware of the E Investment account and accordingly were not aware how or through whom it settled its trades.
21. During the Relevant Period, the P Trading, T Services and E Investment accounts sold shares of the OTCBB Companies for substantial proceeds, the particulars of which were not known to Jiwa and Hoffar except with respect to the shares sold by them for the P Trading and T Services accounts at Haywood.

Fearn & Gregorian

22. Erica Fearn was the Registered Representative for the E Investment account held at Research Capital Corporation which sold shares of the OTCBB Companies to Jiwa’s clients. P Trading also held an account with Fearn at Research Capital. Jiwa and Hoffar were not aware of these facts other than they knew Fearn and knew that she was a Registered Representative at Research Capital Corporation.
23. On March 10, 2010, pursuant to a settlement agreement with IIROC, Fearn admitted to failing to cooperate with an investigation being conducted by Staff with respect to trading activity in certain OTCBB companies, including the OTCBB Companies set out herein. Fearn was permanently banned from registration in any capacity with IIROC for her failure to cooperate.
24. Jiwa was a long-time friend of, and had business dealings with, Fearn’s husband, Alfred Gregorian, a former Registered Representative at Research Capital Corporation, who was suspended in April 2006 from trading on Canadian equity marketplaces for five years pursuant to a settlement agreement with Market Regulation Services Inc. Gregorian’s brother held accounts with Jiwa that traded in the OTCBB Companies.

Trading by Jiwa’s Client Accounts in the OTCBB Companies

25. The OTCBB Companies were recommended to Jiwa by one of Fearn, Gregorian or DC. Jiwa did not question the source or basis for the recommendation, undertook insufficient due diligence, and made little or no inquiries with respect to any of the OTCBB Companies except for the disclosed position of their insiders or affiliates.
26. In addition to the P Trading and T Services accounts, the Jiwa client accounts that traded in the shares of the OTCBB Companies during the Relevant Period included:

Client	Account Details
JFM	Jiwa family member
B.C. Ltd. (“B.C. Ltd.”)	B.C. incorporated company for which Hoffar was the sole officer and director.

S Co.	B.C. incorporated company for which Hoffar was the sole officer and director.
HFM	Hoffar family member
AG	Gregorian's brother
K Holdings	B.C. incorporated company. The sole officer and director of K Holdings is AG.
RB	Individual with ties to Fox Petroleum and PetroSouth, and who introduced Jiwa to DC.
Bank #1	Switzerland-based private bank.
Bank #2	Switzerland-based private bank.

Trading in the shares of the OTCBB Companies

Sun Cal Energy Inc.

27. Sun Cal purports to engage in the exploration and development of oil and gas properties and have royalty interests in various properties in Oklahoma, California, Louisiana, Texas, Alabama, and Mississippi; and working interests in Wyoming. The company was incorporated in 2004 under the name Host Ventures Inc. ("Host").
28. According to Sun Cal's 10-Q regulatory filing for the quarter ended September 30, 2006, Sun Cal had total assets of \$2,257.00 and shareholder equity of the same amount. Sun Cal had no revenue at the time. In short, Sun Cal was a shell company with no significant assets.
29. In November 2006, Host effected a reverse merger with Sun Cal Energy Corp.
30. During the period December 2006 to August 2007, the shareholders of Host transferred 31 million shares to Brown Bros. DC guaranteed the certificates for the shares transferred.
31. There were no trades in Sun Cal prior to February 8, 2007.
32. On February 8 and February 9, 2007, Hoffar executed trades for the purchase of 500,000 shares of Sun Cal. The counterparty to the trades was the E Investment account held at Gateway Securities in Vancouver.
33. Two orders, one on February 8 and one on February 9, 2007, were executed through Jiwa's client accumulation inventory account. The share purchases were allocated to 4 client accounts on February 13 and February 28, 2007 as follows:

Client	Shares	Avg. Price/share	Total Cost
RB	440,000	\$1.0576	\$465,344.00
AG	30,000	\$1.0882	\$32,646.00
JFM	20,000	\$1.084	\$21,680.00
S Co.	10,000	\$1.034	\$10,385.00

34. In addition, between February 20 and June 29, 2007, Sun Cal shares were purchased by Hoffar for the following client accounts:

Client	Shares	Avg. Price/share	Total Cost
HFM	6,000	\$1.333	\$8,045.00
S Co.	5,000	\$2.06	\$10,385.00
AG	33,000	\$2.0156	\$66,715.00
B.C. Ltd.	7,170	\$1.8594	\$13,421.90
Bank #1	500	\$2.15	\$1,075.00

35. The Natural Contrarian issued several reports concerning Sun Cal's purported future potential beginning in May 2007 and for several months thereafter.

36. Between March 29 and June 1, 2007, the Jiwa client accounts sold most of the Sun Cal shares that were purchased for the accounts, realizing significant returns:

Client	Profit	Return on Investment
JFM	\$33,093.00	152.64%
AG	\$74,781.00	75.26%
S Co.	\$19,835.00	96.09%
B.C. Ltd.	\$4,239.00	31.58%
HFM	\$8,605.00	105.59%
Bank #1	No sales	
RB	\$160,306.00*	121.50%

*On sale of 125,000 shares. RB transferred 315,000 shares out of account on May 29, 2007 to Bank #2. The account of Bank #2 at Haywood sold 315,000 shares of Sun Cal over the period of June 5 to June 29, 2007 for a profit of \$543,009, a return of 116.69%.

37. In June and July 2007, Sun Cal shares traded in the \$2.52 to \$3.69 range.
38. Between August and September 2007, 1,728,850 shares of Sun Cal were sold through the P Trading and T Services accounts for proceeds of approximately \$4,200,000 USD.
39. The gross commission on the P Trading and T Services trades in Sun Cal was \$42,417.80.
40. Jiwa and Hoffar did not inquire of DC how the T Services and P Trading accounts acquired the Sun Cal shares, nor did they ask DC about any relationship he might have with, or information he might have about, Sun Cal.
41. By the end of September 2007, the shares of Sun Cal were trading at \$1.35.

Fox Petroleum Inc.

42. Fox Petroleum purports to be a development stage company engaged in the identification, acquisition, exploration, and development of oil and gas properties in Alaska, the North Sea, and Texas.
43. According to Fox Petroleum's 10-Q regulatory filing for the quarter ended November 30, 2006, Fox Petroleum had total cash and total assets of \$7,408.00 and total liabilities of \$30,229. In short, Fox Petroleum was a shell company with no significant assets.
44. DC's son was the founder, President, Chief Executive Officer, Secretary and Treasurer of Nova Resources, which, following a name change became Fox Petroleum. DC's son held approximately 30% of the outstanding shares of Nova Resources.
45. During the period December 2006 to August 2007, the shareholders of Nova Resources, other than DC's son, transferred 31.8 million shares to Brown Bros. DC guaranteed the certificates for the shares transferred.
46. On April 17, 2007, Hoffar executed trades for the purchase of 550,000 shares of Fox Petroleum. The counterparty to 549,000 of the purchases was the E Investment account at Research Capital.
47. One order was placed for Jiwa's client accumulation inventory account and the shares were allocated to 5 client accounts on April 30, 2007 as follows:

Client	Shares	Avg. Price/share	Total
R&B	455,000	\$1.0255	\$466,602.50
AG	50,000	\$1.0296	\$51,480.00
JFM	25,000	\$1.0275	\$25,687.50
S Co.	12,000	\$1.0275	\$12,330.00
B.C. Ltd.	8,000	\$1.0289	\$8,231.20

48. In addition, between April 17 and June 26, 2007, Fox Petroleum shares were purchased for the following Jiwa client accounts:

Client	# shares bought	Avg. Price/share	Total
K Holdings	10,000	\$1.08	\$10,890.00
HFM	5,000	\$1.08	\$5,445.00
S Co.	18,000	\$1.316	\$23,010.00
AG	50,000	\$1.2868	\$64,640.00
B.C. Ltd.	5,000	\$1.26	\$6,310.00
Bank #1	240,000	\$1.1595	\$278,802.00

49. Prior to April 17, 2007, Fox Petroleum shares had little to no trading volume.
50. On May 29, 2007, Fox Petroleum completed a reverse merger with Fox LLC, a Nevada incorporated company. Fox LLC vended oil and gas leases in Alaska to Fox Petroleum in exchange for 20,000,000 shares of Fox Petroleum. RB, Jiwa's client identified above in paragraph 20, and DC were "managing members" of Fox LLC.
51. On June 8, 2007, RB was appointed Chairman of the board of directors of Fox Petroleum.
52. Unknown to Jiwa and Hoffar, beginning in June 2007, The Natural Contrarian issued several reports concerning Fox Petroleum's purported future potential.
53. Between July 17 and September 10, 2007 the above-noted client accounts (except for Bank #1) divested all of the Fox Petroleum shares purchased into the accounts. The profit and return on investment made in each of the accounts is as follows:

Client	Profit	Return on Investment
R&B	\$642,302.40	137.65%
JFM	\$39,672.50	154%
AG	\$154,143.00	132.74%
S Co.	\$41,925.00	118.63%
B.C. Ltd.	\$17,383.80	119.55%
K Holdings	\$13,082.50	121.13%
HFM	\$7,090.00	130.21%
Bank #1	\$65,187.00*	124.93

*On sale of 45,000 shares

54. By September 2007, shares of Fox Petroleum were trading in the \$2.26 to \$3.37 range.
55. Between July 10 and September 26, 3,798,000 shares of Fox Petroleum were sold through the P Trading and T Services accounts for proceeds of approximately \$10,000,000 USD.
56. The gross commission on the P Trading and T Services trades in Fox Petroleum was \$100,786.48.
57. By the end of December 31, 2007, the shares of Fox Petroleum were trading at \$1.00.
58. Jiwa and Hoffar did not inquire of DC how the T Services and P Trading accounts acquired the shares of Fox Petroleum, nor did they ask DC about any relationship he might have with, or information he might have about, Fox Petroleum.
59. Jiwa and Hoffar each acknowledge that at some time after the April 17, 2007 purchases they became aware that RB had ties to Fox Petroleum.
60. On July 12, 2007, Jiwa and Hoffar were directed by their compliance department not to place any additional trades in the P Trading account because P Trading had failed to provide timely verification of the account's beneficial owner, DE. DE was an employee at the same Geneva-based private bank that DC was associated with.

61. Jiwa and Hoffar were unable to obtain verification of DE's identification despite their efforts to obtain it.
62. In response to one of Hoffar's requests for verification, DC asked Hoffar to change the P Trading account information to list him as the beneficial owner. Hoffar refused to make the requested change. No further trading took place in the P Trading account.
63. In August 2007, DC opened the T Services account with a declared asset value of \$3,000,000. The account opening documents show that T Services was incorporated on July 9, 2007.

PetroSouth Energy Corp.

64. PetroSouth purports to be an oil and gas exploration and production company.
65. According to PetroSouth's 10-Q regulatory filing for the quarter ended March 31, 2007, PetroSouth had no assets, a shareholder loan of \$25,000 and a deficit of \$26,700. In short, PetroSouth was a shell company with no significant assets.
66. The predecessor of PetroSouth, Mobridge Exploration Inc. ("Mobridge"), had 6,790,000 shares outstanding as of March 2007. The stock split 10 for 1 on May 1, 2007. After the split 20,500,000 of 67,900,000 shares were transferred to Brown Bros. DC guaranteed the certificates for the shares transferred.
67. On February 16, 2007, RB acquired 250,000 shares of Mobridge in a private transaction. On May 1, 2007, the Mobridge shares split 10-1, giving RB 2,500,000 shares.
68. On October 3, 2007, PetroSouth announced a reverse merger with PetroSouth Energy Corp. BVI ("PetroSouth BVI"), a British Virgin Island incorporated company. DC was the sole shareholder of PetroSouth BVI.
69. On July 31, 2007 and August 1, 2007, Hoffar executed trades for 980,000 shares of PetroSouth. The counterparty to the trades was the E Investment account at Research Capital.
70. Two orders, one on July 31 and one on August 1, 2007, were executed through Jiwa's client accumulation inventory account. The shares were allocated to 6 client accounts between August 28 and August 31, 2007 as follows:

Client	Shares	Avg. Price/share	Total
Bank #2	500,000	\$1.0390	\$519,900.00
Bank #1	50,000	\$1.0390	\$52,469.50
B.C. Ltd.	30,000	\$1.0390	\$31,220.00
AG	100,000	\$1.0390	\$104,200.00
JFM	30,000	\$1.0390	\$31,245.00
S Co.	20,000	\$1.0390	\$20,860.00

71. In addition, between August 31, 2007 and January 3, 2008, PetroSouth shares were purchased for the following client accounts:

Client	Shares	Avg. Price/share	Total
S Co.	15,000	\$1.5765	\$23,702.50
AG	70,000	\$1.6325	\$114,652.50
Bank #2	15,000	\$1.8600	\$27,970.00

72. Prior to July 30, 2007, PetroSouth shares had little to no trading volume.
73. On August 14, 2007, PetroSouth was touted by The Natural Contrarian. Jiwa and Hoffar were not aware of this fact.
74. Between September 21, 2007 and February 5, 2008 the above noted client accounts divested many of their previously purchased PetroSouth shares. The profit and return on investment made in each of the accounts is as follows:

Client	Profit	Return on Investment
JFM	13,709.30	43.88%
AG ¹	69,725.00	63.8%
S Co. ²	7947.00	41.6%
B.C. Ltd. ³	11,035.00	54.38%
R&B ⁴	103,231.00	36.82%
Bank S ⁵	4702.00	89.62%

¹On sale of 85,000 shares; ²On sale of 15,000 shares; ³On sale of 19,500 shares; ⁴On sale of 269,600 shares; ⁵On sale of 5000 shares.

75. By September 2007, PetroSouth shares traded in the \$1.09 to \$1.96 range.
76. During August and September 2007, 1,432,650 shares of PetroSouth were sold through the T Services accounts for proceeds of approximately \$2,000,000 USD.
77. The gross commission on the T Services trades in PetroSouth was \$21,122.39.
78. Jiwa and Hoffar did not inquire of DC how the T Services account acquired the PetroSouth shares, nor did Jiwa or Hoffar ask DC about any relationship he might have with, or information he might have about, PetroSouth.

Haywood Securities' Compliance Concerns

79. Beginning in August 2007, Haywood Securities compliance staff began to have concerns about the trading in the T Services account.
80. On October 19, 2007, the T Services account was blocked from trading because of compliance staff's concerns about the trading and the circumstances surrounding the trading in the DC accounts. Jiwa has not traded further for DC or any DC-related account.

Mitigating Factors

81. Jiwa and Hoffar have no prior disciplinary history.
82. Jiwa and Hoffar have cooperated fully throughout the investigation of this matter.
83. Jiwa and Hoffar admitted and took responsibility for their failure to adequately discharge their gatekeeper responsibilities to the capital markets.
84. There were no client complaints against Jiwa or Hoffar and none of their clients suffered any financial loss. Neither did Haywood Securities.
85. Jiwa has agreed to disgorge the commissions he earned on the trading described above.
86. The trading described above represented a small portion of Jiwa's overall book of business during the Relevant Period.
87. Prior to the Relevant Period, Jiwa and Hoffar did not have a history of trading OTCBB securities. Since the Relevant Period, Jiwa and Hoffar have not engaged in any trading in OTCBB securities.
88. Based on IIROC's investigation of Jiwa's book of business during the course of its investigation and Haywood's own internal review, neither found any basis to conclude that Jiwa or Hoffar did not meet the applicable regulatory standards required of them except for their trading of OTCBB securities during the Relevant Period.

Conclusion

89. Jiwa and Hoffar had a duty as gatekeepers to the capital markets to take adequate steps to ensure that their conduct as registrants did not assist or facilitate conduct by their clients or others which would tend to bring the integrity of the capital markets into disrepute or harm the integrity of, or public confidence in, the capital markets.

IV. Terms of Settlement

- 90. This settlement is agreed upon in accordance with IIROC Dealer Member Rules 20.35 to 20.40, inclusive and Rule 15 of the Dealer Member Rules of Practice and Procedure.
- 91. The Settlement Agreement is subject only to acceptance by the Hearing Panel.
- 92. The Settlement Agreement shall become effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.
- 93. The Settlement Agreement will be presented to the Hearing Panel at a hearing (“the Settlement Hearing”) for approval. Following the conclusion of the Settlement Hearing, the Hearing Panel may either accept or reject the Settlement Agreement.
- 94. If the Hearing Panel accepts the Settlement Agreement, the Respondent waives his right under IIROC rules and any applicable legislation to a disciplinary hearing, review or appeal.
- 95. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement; or Staff may proceed to a disciplinary hearing in relation to the matters disclosed in the Investigation.
- 96. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel.
- 97. Staff and the Respondent agree that if the Hearing Panel accepts the Settlement Agreement, they, or anyone on their behalf, will not make any public statements inconsistent with the Settlement Agreement.
- 98. Unless otherwise stated, any monetary penalties and costs imposed upon the Respondent are payable immediately upon the effective date of the Settlement Agreement.
- 99. Unless otherwise stated, any suspensions, bars, expulsions, restrictions or other terms of the Settlement Agreement shall commence on the effective date of the Settlement Agreement.

AGREED TO by the Respondent at the City of Vancouver, in the Province of British Columbia, this 22 day of November, 2011.

“Witness signature”

“Respondent’s signature”

WITNESS

RESPONDENT, MATTHEW DOUGLAS HOFFAR

AGREED TO by Staff at the City of Vancouver, in the Province of British Columbia, this 23day of November, 2011.

“Witness signature”

“Charles Corlett”

WITNESS

CHARLES CORLETT

Enforcement Counsel on behalf of
Staff of the Investment Industry
Regulatory Organization of Canada