

ALBERTA SECURITIES COMMISSION

DECISION

Citation: Re Hunter, 2025 ABASC 139

Date: 20251008

**Glenn Donald Hunter, Kyle William Watters, HW & Associates Inc. and
HW TradeFX LLC**

Panel:

Kari Horn, K.C.
Tom Cotter
Andrea Whyte, K.C.

Representation:

Richard Van Dorp
Jennifer Galarneau
for Commission Staff

Matthew Epp
for Glenn Donald Hunter and HW &
Associates Inc.

Andrew Wilson, K.C.
for Kyle William Watters and HW TradeFX
LLC

Submissions Completed:

May 5, 2025

Decision:

October 8, 2025

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	BACKGROUND	1
	A. Respondents	1
	B. Summary of Respondents' Activities	2
	C. Details of Respondents' Activities	2
	1. CFDs	2
	2. Nature of the Respondents' Forex Trading	3
	3. Amount Raised from Investors	5
	4. Commissions	6
	5. Trading Losses	8
	6. Communications Between Respondents and Securities Regulators	9
III.	ALLEGATIONS AND PARTIES' POSITIONS.....	11
	A. Allegations and Admissions	11
	B. Parties' Positions	11
	1. Staff.....	11
	2. Hunter and HW	11
	3. Watters and TradeFX.....	12
IV.	PRELIMINARY MATTERS.....	12
	A. Standard of Proof	12
	B. Respondents' Admissions	12
V.	ANALYSIS.....	13
	A. Legal Principles	13
	1. Registration Requirement	13
	2. Trading in Securities or Derivatives	13
	3. Business of Trading	13
	B. Illegal Dealing – Section 75(1)(a) of the Act.....	15
	1. Trading in Securities or Derivatives	15
	(a) Parties' Positions	15
	(b) Discussion and Determination	15
	(i) Investors' Agreements	15
	(ii) CFDs	16
	(iii) Trading.....	16
	2. Business of Trading	16
	(a) Parties' Positions	16
	(b) Discussion	17
	(c) Determination	17
	3. Lack of Registration.....	17
	4. Determination on Illegal Dealing.....	18
	C. Authorizing, Permitting, or Acquiescing.....	18
	1. Parties' Positions	18
	2. Legal Principles	18
	3. Discussion and Determination	18
	D. Benefits to Respondents.....	18
VI.	CONCLUSION.....	19

I. INTRODUCTION

[1] Staff (**Staff**) of the Alberta Securities Commission (the **ASC**) alleged in an April 26, 2024 notice of hearing (the **NOH**) that Glenn Donald Hunter (**Hunter**), Kyle William Watters (**Watters**), HW & Associates Inc. (**HW**), and HW TradeFX LLC (**TradeFX**, and, collectively with Hunter, Watters, and HW, the **Respondents**) breached s. 75(1)(a) of the *Securities Act* (Alberta) (the **Act**) by acting as dealers for foreign exchange (**Forex**) trading without being registered under Alberta securities laws and that Hunter and Watters authorized, permitted, or acquiesced in HW's and TradeFX's breaches of s. 75(1)(a).

[2] The Respondents and Staff agreed to a statement of admissions dated April 10, 2025 (the **Statement**) and a set of exhibits (the **Agreed Exhibits**). As a result, we held an abbreviated merits hearing on May 5, 2025 (the **Merits Hearing**). Staff provided written submissions on April 24, 2025. Hunter and HW provided written submissions on May 2, 2025. Watters and TradeFX declined the opportunity to provide written submissions. At the Merits Hearing, all parties made oral submissions.

[3] We admitted 16 Agreed Exhibits, including the Statement, during the Merits Hearing. We generally accepted the agreed facts as set out in the Statement, as modified and augmented by our review of the documentary evidence.

[4] All of the Respondents were represented by counsel at the time of the Statement and the Merits Hearing. We typically refer to the Respondents collectively because they generally took the same position on the allegations and issues. We refer to them separately when appropriate.

[5] For the reasons set out below, based on the evidence (including the Respondents' admissions), we conclude that the Respondents breached s. 75(1)(a) of the Act. This proceeding now moves to a second phase to determine what, if any, sanction and cost-recovery orders would be appropriate.

II. BACKGROUND

A. Respondents

[6] Hunter lives in Grande Prairie, Alberta, and worked at a car dealership there between February 2021 and February 2023 (the **Relevant Period**).

[7] Watters lives in Kelowna, British Columbia (**BC**). He was a painter during the Relevant Period and had his own painting business.

[8] HW, a BC company, was incorporated on October 19, 2021. Hunter and Watters are apparently the only directors and the only bank signatories for HW's two bank accounts (the **HW Bank Accounts**). In some communications to investors, the Respondents used a logo and marketing slogan for HW: "We work so you don't have to."

[9] TradeFX was incorporated on April 29, 2022 in St. Vincent and the Grenadines. The parties stated that Hunter is its "manager and member" (equivalent to a director and shareholder in Canada). According to its operating agreement, only Hunter, as the manager, could be a signatory for TradeFX's "bank or other accounts". Watters referred to himself in some correspondence as TradeFX's president. TradeFX's articles listed its business activities as "Forex Trading/Brokerage" and "provid[ing] brokerage, training and managed account services in foreign

exchange/currencies, commodities, indexes, [contracts for difference (**CFDs**)] and leverage[d] financial instruments". TradeFX's August 5, 2022 Trading Agent Information Form with Tradeview Ltd. (**Tradeview**), signed by Watters, listed Watters and Hunter as key employees, with Watters responsible for "charts, Trades" and Hunter responsible for "Admin work". It also stated that TradeFX managed 278 client accounts, none of which were "Self-directed".

[10] Hunter and Watters admitted to being the guiding minds of HW and TradeFX: "what Hunter and Watters did, knew or reasonably ought to have known, can be ascribed to [HW and] TradeFX, and Hunter and Watters authorized, permitted or acquiesced in all of [HW's and] TradeFX's conduct".

[11] None of the Respondents has ever been registered as a "dealer" or in any other capacity under Alberta securities laws (or the securities laws of any other jurisdiction). They also admitted that no relevant registration exemptions applied to them.

B. Summary of Respondents' Activities

[12] The Respondents acknowledged that, during the Relevant Period, they raised approximately \$20 million from about 200 investors in Alberta, BC, and Saskatchewan. The Respondents used that money for Forex trading in CFDs, as described below. The Statement described the two different systems the Respondents used for raising and investing funds: the **Initial System** (from February 2021 to approximately November 2022); and the **New System** (from approximately April 2022 to February 2023). Early trading under the Initial System was done with Tradeview through the Respondents' bank accounts. Later trading under the New System was done through investors' trading accounts with Tradeview (the **Investor Accounts**). Tradeview is a Cayman Islands-based online trading platform. Although some investors apparently received a total of approximately \$1.8 million back from the Respondents, the majority of the \$20 million was lost by the end of the Relevant Period.

[13] The evidence of agreements for commission payments under the Initial System was unclear, and no commissions were proved to have been paid. Under the New System, the Respondents were to be paid a percentage of the profits by the investors on whose behalf they were trading, and some commission transfers to the Respondents were in evidence and were admitted by them.

[14] The Respondents have been subject since May 4, 2023 to an interim order banning them from trading in or purchasing securities or derivatives (with certain exceptions), denying them the use of exemptions in Alberta securities laws, and prohibiting them from acting as registrants. That interim order was extended on May 1, 2024 and remains in effect.

C. Details of Respondents' Activities

1. CFDs

[15] As mentioned, the Respondents used investor funds for Forex trading in CFDs. In *Re VRK Forex & Investments Inc.*, 2022 ONSC 1, a panel of the Ontario Securities Commission (the **OSC**) described CFDs (at paras. 16-17 and 20):

A CFD is a financial instrument that allows investors to obtain leveraged exposure to assets such as equities, commodities, or currencies, without the need for ownership and physical delivery of the

underlying asset. CFDs are offered to investors through online trading platforms operated by CFD providers and are generally traded "over the counter" (*i.e.*, not on an exchange).

CFDs have no standard term to expiry or contract size. CFDs allow investors to take long or short positions and are effectively renewed at the close of each day if desired.

...

Generally, CFDs are traded on a leveraged basis, which amplifies both the potential for profit and the risk of loss for investors. The [platforms in the *VRK* case] were no exception. They permitted investors to engage in highly leveraged trading in their online accounts,

2. Nature of the Respondents' Forex Trading

[16] Hunter and Watters initially started a Forex trading business as partners, then later incorporated HW and TradeFX. All of their Forex trading was apparently done through Tradeview. Watters was responsible for the trading; Hunter was responsible for the administrative work. They hired employee **KB** by March 2022 to assist with administrative work. They agreed that both of them "were authorized to communicate with investors, solicit funds, deal with third parties, and after March 2022, they both provided instructions to [KB]".

[17] There were oral agreements between the Respondents and each investor, not written agreements. According to the Statement, the agreements were reflected in email communications, account statements, and (after April 2022) documents the Respondents asked investors to complete and send to Tradeview in connection with the New System.

[18] The Respondents agreed that, during the Relevant Period, "they made the following oral representations to investors to induce them to invest":

- "Watters was skilled at Forex trading";
- "they could generate high returns for investors from Forex trading with investor funds";
- "in exchange, they would take a percentage of profits generated from trading with investor funds (while it varied somewhat, they typically represented to investors [under the New System] that they would take 35% of profits as compensation)"; and
- "they offered referral fees of \$500 for each new client [and] existing client referred to the Respondents" during part of the Relevant Period.

[19] The Respondents acknowledged that their trading in CFDs "involved speculating on currency pair exchange rates":

The CFDs involved entering an order (a buy or sell) for a certain quantity of currency denominated in another currency. The contract would remain open for a period of time. When the contract closed, the Respondents' trading account was credited (profit) or debited (loss) the price difference between order entry and contract close.

The Respondents had a margin account and used leverage of 1:400 offered by Tradeview for their Forex trading in order to amplify price movements, and potential profits and losses. [footnote omitted]

[20] In other words, the Forex trading accounts would profit if the currency exchange rates on which the Respondents were basing their buying and selling went in the direction the Respondents thought they would, but lose if the rates went in the other direction. Because the Respondents were using 1:400 leverage, they stood to make substantial profits if they were correct. However, if they were incorrect, they – and the investors on whose behalf they were trading – would suffer substantial losses.

[21] The Respondents admitted that the Initial System used six different bank accounts between February 2021 and November 2022 "to collect funds from investors, return funds to investors, and send funds to Tradeview". Four of these were in the name of Watters or his painting business. Two were the HW Bank Accounts, opened in November 2021 and July 2022, respectively. According to the Statement, the nature of HW's business was listed for the first-opened HW Bank Account as "Financial Intermediary Industries – Investment dealers". Investors received account statements from the Respondents for their investments under the Initial System, some of which were in evidence.

[22] The Respondents agreed in the Statement that:

Investor funds were commingled along with income from Watters' painting business. Most investor funds deposited into these accounts were transferred to Tradeview from the accounts. Some investor funds deposited into these accounts were used to repay other investors, pay expenses related to the Forex trading business and to pay Watters' personal expenses and expenses related to his painting business. None of the funds were transferred to Hunter or used to pay his personal or other expenses.

[23] The Respondents began moving to the New System in April 2022, apparently overlapping with the Initial System until November 2022. Communications to investors included phrases such as: "[HW is] now an Approved Independent Broker of Tradeview Forex"; "we have grown into the largest FOREX company in Canada and are working with multiple financial institutions to deliver our FOREX expertise to clients"; and "[w]e are now internationally certified [for Forex trading]". Under the New System, each investor opened an Investor Account with Tradeview and granted the Respondents the authority to trade CFDs in that account under a power of attorney (**Power of Attorney**).

[24] Various email communications with investors were in evidence, with three examples noted here. An August 2, 2022 email from KB to investor **TM** was a letter from Watters and Hunter stating: "We will continue to act as the money manager placing trades, and applying our trades to your account, following the [new] process", under which Tradeview would process deposits and withdrawals and supply account statements. In a September 28, 2022 email to investor **HA**, Hunter explained the final steps to switch to the New System, which required each investor to open a Tradeview trading account. He stated that this would "clearly define our third-party money manager role which we have been right from the start". An October 6, 2022 email from KB to investor **TM** was another letter from Hunter and Watters explaining that a 40% commission would be applied to the total profit earned in the original account up to the time of the transfer to the investor's new account.

[25] Under the New System:

- The Respondents traded on behalf of investors in the Investor Accounts. The investors could not make trading decisions. The investors could deposit and withdraw funds from their respective Investor Accounts and could check their balances, profits, and losses. The Respondents could not withdraw funds from the Investor Accounts (other than for investing). The Respondents no longer prepared account statements for the investors.
- TradeFX had an account for commissions (the **TradeFX Account**) as well as a Multi Account Manager Account (the **MAM Account**) with Tradeview. According to the Statement, investor funds were traded in the MAM Account. Each of Hunter and Watters had his own trading account (respectively, the **Hunter Trading Account** and the **Watters Trading Account**).
- In the September 28, 2022 email to investor HA, Hunter described the trading process (reproduced verbatim):

... The master account is what the original trades are placed in. This is [Watters'] and my account only. [Watters] and I have given permission to Tradeview in the Cayman Islands (which is the base of operations since 2012) to duplicate the trades exactly and transfer them to your individual account. Lot sizes are adjusted accordingly to each individual account. With software technology developed by Tradeview, this is done in a blink of an eye.

- The Powers of Attorney also authorized the Respondents to receive commissions of 35% of the net profits per month. Those commissions were automatically transferred from the Investor Accounts to the TradeFX Account. Most of those commission payments were then transferred to the Hunter Trading Account and the Watters Trading Account.

3. Amount Raised from Investors

[26] According to the Statement, the Respondents raised approximately \$20 million from investors during the Relevant Period. Some other figures in the Statement suggested the amount was either \$22.82 million or \$18.92 million, but specific evidence was not tendered. As the parties agreed on approximately \$20 million, we accept that in the circumstances.

[27] The Statement also set out specific investments from several Hutterite colonies (the **Hutterite Investments**), as a subset of the total investor deposits. This showed that the Hutterite Investments were \$470,000 under the Initial System and \$13.9 million under the New System. The Statement did not indicate if the \$13.9 million included any of the \$470,000 from the Initial System or if it was intended that we add the two amounts together. We are satisfied that the Hutterite Investments were approximately \$14 million of the approximately \$20 million total amount raised by the Respondents during the Relevant Period. Hunter submitted that Watters was responsible for soliciting the Hutterite Investments. The Statement confirmed that Watters was the primary contact before and after the Hutterite Investments were made. However, the evidence also showed Hunter's involvement, such as signing – as "Vice-President and Co-Founder" of HW – receipts for \$800,000 of Hutterite Investments.

[28] As noted, the Statement also outlined that investors were paid back a total of approximately \$1.8 million (\$1.3 million under the Initial System and \$467,000 under the New System). According to the Statement, approximately \$598,500 of the \$1.3 million repaid under the Initial System was paid to about 48 investors in October 2022 (arranged by Hunter). The evidence did not clearly indicate from what account or accounts the \$598,500 was taken. This amount was solely a repayment of their principal, with no profits or interest paid. Presumably these were investors who decided to withdraw at least that part of their money rather than transfer it to the New System. A list of investors provided by Hunter to Staff showed principal repayments to 18 additional investors (two of whom also received a payment of profit).

[29] The Respondents acknowledged in the Statement that they never had "proper accounting systems, governance practices or policies in place to safeguard investors" and did not "keep accurate or complete records of their clients or their investments". For example, they raised \$5.5 million from investors under the Initial System, repaid \$1.3 million of that, and transferred \$3.9 million to Tradeview (presumably to the various Investor Accounts). That left \$300,000 unaccounted for. Although the Respondents would have paid employee KB and had other expenses, they had no proper records reflecting that.

4. Commissions

[30] The Respondents denied in the Statement that they took any commissions under the Initial System. The Statement did not mention a 40% commission being charged on the profit earned under the Initial System, although that was referred to in some emails in evidence. It was possible that some of the \$300,000 unaccounted for from the Initial System had been taken as commissions by one or more of the Respondents, but there was no evidence of that (and Staff's submission that the amount "was retained by the Respondents" was not supported by the evidence tendered). Based on the Statement and the lack of other evidence, we cannot find that the Respondents received any commissions under the Initial System.

[31] The Statement showed that a total of approximately \$1.77 million in commissions was paid into the TradeFX Account "from client accounts" on three days:

- September 13, 2022: \$1,713,239.73;
- October 4, 2022: \$7,271.78; and
- November 2, 2022: \$49,187.73.

[32] The Statement also noted that other amounts were deposited to the TradeFX Account, but highlighted the commissions as the largest deposits. That was not accurate, based on the statement in evidence for the TradeFX Account (the **TradeFX Account Statement**). That showed a few large deposits not mentioned in the Statement by the parties (for example, \$90,000 on October 25, 2022 and \$294,000 on November 9, 2022). Nothing turned on this, but these omissions highlighted another confusing aspect of the Statement. The TradeFX Account Statement also showed a deposit to the TradeFX Account on September 13, 2022 of \$12,562.19 from the Watters Trading Account – that may reflect an amount related to Watters' own trading, not trading on behalf of investors.

[33] The Statement set out a total of \$1.785 million in disbursements from the TradeFX Account to six different destinations on September 16, October 18, and November 2, 2022, after the above-noted commission payments into the TradeFX Account (the two transfers identified in the Statement as being on November 2 were recorded in the relevant document as being on November 3 and 4). Relying on that portion of the Statement, Staff asserted that "approximately \$1.8 million in commissions [was] paid to the Respondents" under the New System. (There were other disbursements shown on the TradeFX Account Statement which were not summarized or mentioned in the Statement or by the parties in their respective submissions.)

[34] However, the TradeFX Account Statement and the summary chart in the Statement had insufficient information to convince us that all of the \$1.785 million reflected Investor Account commissions transferred to Hunter and Watters:

- We are satisfied that \$600,000 was transferred from the TradeFX Account to the Hunter Trading Account on September 16, 2022.
- We are satisfied that \$1,025,700 was transferred from the TradeFX Account to the Watters Trading Account on September 16, 2022. As mentioned, \$12,562.19 of the money in the TradeFX Account at that time originated from the Watters Trading Account, so we did not consider that amount to be commission funds from trading on behalf of investors. It is, therefore, appropriate to deduct that \$12,562.19, leaving a total of \$1,013,137.81.
- We are not satisfied that a \$100,000 transfer described as a "Withdrawal" on September 16, 2022 was appropriately categorized as a commission disbursement to any of the Respondents.
- We are not satisfied that a \$7,000 transfer on October 18, 2022 attributed to the account of Watters' father was appropriately categorized as a commission disbursement to any of the Respondents.
- We are not satisfied that transfers of \$6,000 and \$47,000 on November 3 and 4, 2022, respectively, attributed to the accounts of two unidentified investors were appropriately categorized as commission disbursements to any of the Respondents.

[35] Although the TradeFX Account Statement showed transfers to the Watters Trading Account of \$25,000 on November 11, 2022 and \$10,294 on November 14, 2022, these were not mentioned in the Statement or referred to by Staff in their submissions as commissions paid to Watters. Therefore, we did not include that \$35,294 as a commission benefit to Watters.

[36] Based on the above, we find that Staff proved that Hunter received \$600,000 from investor commissions, and Watters received \$1,013,137.81 from investor commissions.

[37] According to the Statement, Hunter withdrew \$1,482.56 from the Hunter Trading Account, with most or all of the remainder in that account apparently lost through trades. However, the statement in evidence for the Hunter Trading Account showed that \$432.56 of that was withdrawn

on June 5, 2023, which was after the Relevant Period. Only the December 2, 2022 amount of \$1,050 was withdrawn within the Relevant Period. We find that Hunter withdrew \$1,050 from the Hunter Trading Account during the Relevant Period and that most or all of the balance was apparently lost through the Respondents' trading.

[38] According to the Statement, Watters withdrew \$523,431.20 from the Watters Trading Account, again with most or all of the remainder in that account apparently lost through trades. However, the statement in evidence for the Watters Trading Account showed a total of \$524,931.20 in withdrawals. \$524,400 of that was withdrawn during the Relevant Period, with the other \$531.20 withdrawn on June 5, 2023, after the Relevant Period. It appears that a withdrawal of \$1,500 was inadvertently omitted when calculating the amount agreed to by the parties in the Statement. Although the supporting documentation showed a higher amount, we conclude it is appropriate to use the slightly lower amount the parties agreed to in the Statement – we find that Watters withdrew \$523,431.20 and that most or all of the balance was apparently lost through the Respondents' trading.

5. Trading Losses

[39] There was no specific information in the Statement about any trading losses under the Initial System – it referred instead to "mismanaged client investments". We conclude that there was insufficient evidence to establish any trading losses under the Initial System.

[40] According to the Statement, the balance under the New System in the MAM Account, in which the trading was conducted for all investors, reached a peak of approximately \$46 million on September 16, 2022. However, the MAM Account balance dropped to approximately \$10 million later the same day. Although the Respondents continued trading in the MAM Account and had some intermittent gains (the next highest balance shown was approximately \$16 million in November 2022, with another immediate sharp drop), the MAM Account was closed in February 2023 with a balance of approximately \$20,000.

[41] The Respondents acknowledged the following in the Statement:

- They continued to solicit new investments (and receive commissions) after incurring the extreme losses on September 16, 2022, without disclosing those losses to investors.
- Most of the investors lost most or all of their investments.
- "The primary cause of the losses was the Respondents' unsuccessful trading."

[42] A November 29, 2022 email in evidence from Watters and Hunter to a long list of recipients (presumably all investors) apologized for a delay in updates, which they claimed was caused by "many significant international events". They stated that the closing of trades had been delayed by such events, and that closing the "trades prematurely would result in losing the drawdown in your account". They did not mention the losses in the MAM Account or in the individual Investor Accounts. Investor ML replied to Watters and Hunter (and all other recipients) asking questions about "the plan for recovering the currently unrealized losing trades, or drawdown as it is referred to".

6. Communications Between Respondents and Securities Regulators

[43] Hunter was in communication with ASC Staff in January 2022. Hunter and Watters were both involved with communications in June 2022 with staff of the British Columbia Securities Commission (the **BC Commission**).

[44] In a January 11, 2022 email, an ASC Staff member referred to an inquiry from Hunter and a telephone call between the two of them. The topic was registration, but we do not know what question Hunter asked or what details he told the Staff member about the business. The Staff member said in the email that it was "up to the potential registrant to determine if registration is required" and recommended Hunter obtain legal advice. This was approximately three months before the Respondents began shifting to the New System in April 2022.

[45] On June 6, 2022 (during the transition period from the Initial System to the New System), a BC Commission investigator (the **BC Investigator**) emailed a letter to Hunter, copied to Watters, raising concerns about possible unregistered activity by one or both of Hunter and HW through Forex trading on behalf of others. The BC Investigator set out the registration requirement and requested certain information about Hunter's and HW's activities so the BC Investigator could determine if they were complying with the *Securities Act* (British Columbia).

[46] The evidence showed that the BC Investigator and Watters spoke on June 7, 2022. In a June 8, 2022 email to Watters and Hunter, the BC Investigator summarized what Watters said during that conversation:

- In February 2022, Don Hunter called the [BC Commission] and spoke to someone about obtaining registration.
- You and/or [Hunter] spoke to four different Vancouver lawyers to determine whether [HW] could conduct trades for others and [were] given the impression that it would be allowed.
- HW has about 30 BC clients.
- You conduct forex trading on behalf of the 30 clients.
- The 30 clients are your friends and family members.
- You currently live in West Kelowna, BC.
- You plan to charge the 30 clients 1% of growth per month for your services.
- You have not yet taken any profits.
- You have been making trades for the 30 clients since October 2021.
- You have taken various financial courses through [tradeviewforex.com](https://www.tradeviewforex.com).
- HW was incorporated in BC because you and/or [Hunter] believed that HW would be able to obtain registration in BC.
- You and/or [Hunter] then incorporated another entity, by the same name, in Saint Vincent and the Grenadines.

[47] The BC Investigator also asked for more information. In a June 13, 2022 email from Watters to the BC Investigator (copied to Hunter), Watters stated (reproduced verbatim):

...

Here is our business plan, we haven't put this in place as we are trying to find out all the do's and don'ts with regulations and such.

Our business plan, we have developed a custom Charting process and trading method that is unique. A conservative approach, quantity trades following the trends on specific pairs. We have aligned ourselves as an independent broker program offered by Tradeview Forex. There are no companies in Canada offering this that we know of. Forex in Canada we have found out is not common.

Both Kyle and I developed a style that we were being successful. Friends and family were not being successful at trading on their own and started asking us for help. They still could not replicate what we were seeing or doing. Then our friends approached us to see if we could trade for them, and we would work out some sort of commission. Commission: For handling each individual investment account, we would charge 1(one) percent on the equity balance per month (we have not done this yet). This would cover expenses and a modest profit.

Trading days are five business days a week, twenty-four hours a day. We do this part-time as we both have other careers on the go. We do not trade every day. If we see a day that just does not look good, we step back and do not engage with trades.

Here is the list of friends that have approached us:

[list of 30 names with contact information]

I have attached the business papers for our new company we started in Saint Vincent and the Grenadines.

[Hunter] and myself have been actively trying to be compilate with everything and we went in the direction that we were told was the route to take. If there is a license or something we need here in BC please let us know as this was not conveyed to us.

...

[48] In a July 11, 2022 letter (the **Caution Letter**) from the BC Investigator to Watters (we do not know if it was sent by email nor if it was also sent to Hunter), the BC Investigator stated that she was concluding her review, based on Watters' representations that he does "not trade in, or, on behalf of, anyone else's trading accounts, besides [HW's]". There was also information about registration requirements, a suggestion to contact a lawyer, and a caution that enforcement action could be commenced if the BC Commission received information contradictory to that provided or indicating that Watters and HW had not been truthful.

[49] The Respondents agreed in the Statement that the Respondents had carried out and continued to carry out trading on behalf of others, even after the Caution Letter was sent to Watters and HW. The majority of the investors' money lost by the Respondents was raised after the Caution Letter.

[50] When responding to ASC Staff during their investigation of this matter, Hunter provided a list of 66 investors who had invested \$855,500. When communicating with the BC Investigator, Watters provided a list of 30 investors. The lists had some overlap. According to the Statement,

neither list (alone or combined) was complete, as Staff's investigation showed much larger numbers.

III. ALLEGATIONS AND PARTIES' POSITIONS

A. Allegations and Admissions

[51] Staff alleged that the Respondents breached s. 75(1)(a) of the Act by acting as dealers without registration under Alberta securities laws. The Respondents admitted that allegation and its required elements (as discussed below).

[52] Staff also alleged that Hunter and Watters authorized, permitted, or acquiesced in HW's and TradeFX's breaches of s. 75(1)(a). Hunter and Watters admitted that as well.

B. Parties' Positions

1. Staff

[53] Staff relied on the facts as set out in the Statement and on additional evidence, including trading records, email communications, and investor records. The Respondents effectively agreed with Staff's position by making the admissions in the Statement.

2. Hunter and HW

[54] The submissions of Hunter and HW (which we refer to as Hunter's submissions) focused on two main points: (1) Hunter was not as involved as Watters was in the impugned activity; and (2) the admissions in the Statement went beyond what was relevant to the illegal dealing allegation in the NOH.

[55] Hunter provided several examples to support his contention that he was less involved than Watters (as discussed elsewhere, we made findings contrary to some of these points):

- Hunter raised only a fraction of the \$20 million from investors, and many of the investors introduced by Hunter were repaid their principal. Hunter noted the evidence in the Statement that he arranged in October 2022 for approximately 48 investors to be repaid about \$598,500 (a return of principal, with no profit or interest).
- Hunter did not meet with, or directly solicit from, the Hutterite investors, although he was copied on some emails.
- Hunter's role was limited to administration, while Watters did all of the trading which led to investor losses.
- Hunter intended to earn commissions, but "did not realize any commissions from any of the trading" by Watters (original emphasis). Hunter did not withdraw any of the funds from the Hunter Trading Account, and the full amount was lost.
- Hunter denied keeping any of the \$300,000 unaccounted for from the Initial System or any of the commissions Staff proved were paid into the Hunter Trading Account under the New System.

- Hunter did not put any investor funds in his personal bank accounts, commingle investor funds, or pay personal expenses with investor funds.
- The evidence did not show any representations made by Hunter to the BC Commission; only Watters made representations.
- The investor list Hunter provided "may well have been 'incomplete'", but there were several possible explanations for that, such as "the fact that the list contained mostly Alberta investors and this was an investigation being carried out by an Alberta regulator".

[56] The illegal dealing allegation was that all of the Respondents acted as dealers without the necessary registration (with the related allegation that Hunter and Watters authorized, permitted, or acquiesced in the alleged breach by HW and TradeFX). Hunter gave two examples of information in the Statement which went beyond that allegation. First, Hunter pointed to "the suggestion that Mr. Hunter ignored the [BC Commission] or intentionally provided an incomplete investor list to Staff" as not being part of the NOH, as there were no allegations that Hunter was untruthful or obstructed the investigation. Second, Hunter noted that the NOH did not allege any improper use of investor funds. Hunter asked the panel to exercise caution in assessing the relevance and associated inferences of admissions in the Statement which went beyond that allegation, at least during this Merits Hearing.

3. Watters and TradeFX

[57] The submissions of Watters and TradeFX (which we refer to as Watters' submissions) were very limited. Watters agreed with Hunter that the Statement went beyond what was required for the Merits Hearing on the allegations in the NOH, and suggested those matters would be more properly addressed during the sanction phase.

IV. PRELIMINARY MATTERS

A. Standard of Proof

[58] The standard of proof for allegations in an ASC enforcement proceeding is proof on a balance of probabilities – there must be "sufficiently clear, convincing and cogent evidence that the existence or occurrence of any alleged fact required to be proved is more likely than its non-existence or non-occurrence" (see *Re Aitkens*, 2018 ABASC 27 at para. 48, citing *Re Arbour Energy Inc.*, 2012 ABASC 131 at para. 38 and referring to *F.H. v. McDougall*, 2008 SCC 53 at paras. 46 and 49).

[59] The panel in *Aitkens* further stated (at para. 49):

We are also "entitled to draw inferences from the evidence as a whole" (*Arbour* at para. 39), including circumstantial evidence. We are mindful of the comments of the Alberta Court of Appeal in *Walton v. Alberta (Securities Commission)*, 2014 ABCA 273 (at paras. 26- 28) to ensure that inferences are supported by evidence and are not based on speculation.

B. Respondents' Admissions

[60] Although we had the Statement and the parties' submissions, those are the parties' interpretations and applications of the evidence and law and are not binding on the panel.

Accordingly, we needed to assess the admissions in the Statement in the context of all of the evidence before us and in light of the submissions.

V. ANALYSIS

A. Legal Principles

1. Registration Requirement

[61] Section 75(1)(a) of the Act requires a person or company to be registered in accordance with Alberta securities laws before acting as a "dealer".

[62] A "dealer" is defined in s. 1(m) of the Act to mean:

... a person or company engaging in or holding itself out as engaging in the business of

(i) trading in securities or derivatives as principal or agent[.]

[63] Therefore, three elements are required before an ASC panel can find that a person or company breached s. 75(1)(a) of the Act: (1) trading in securities or derivatives; (2) "engaging in or holding itself out as engaging in the business of" such trading; and (3) the person or company was not registered as a dealer under Alberta securities laws. (There are exemptions from the registration requirement, but it was common ground that none applied here.)

2. Trading in Securities or Derivatives

[64] The definition of "security" under the Act has many branches, one of which is s. 1(ggg)(xiv) – "any investment contract".

[65] Section 1(n.01)(i) of the Act provides that a "derivative" means:

an option, swap, futures contract, forward contract or other financial or commodity contract or instrument, whose market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on an underlying interest, including a price, rate, index, value, variable, event, probability or thing[.]

[66] Under s. 1(jjj) of the Act, "trade" has several branches, including:

(i) any sale or disposition of a security for valuable consideration, whether the terms of payment are on margin, instalment or otherwise, but does not include

(A) a purchase of a security, ...

(ii) entering into a derivative or making a material amendment to, terminating, assigning, selling or otherwise acquiring or disposing of a derivative;

...

(vi) any act, advertisement, solicitation, conduct or negotiation made directly or indirectly in furtherance of anything referred to in subclauses (i) to (v)[.]

3. Business of Trading

[67] Companion Policy 31-103 *CP Registration Requirements, Exemptions and Ongoing Registrant Obligations (31-103CP)* discusses (at s. 1.3) factors to examine when determining whether one is engaged "in the business of trading" in the definition of "dealer" in the Act:

...

Business trigger for trading and advising

We refer to trading or advising in securities for a business purpose as the "business trigger" for registration.

We look at the type of activity and whether it is carried out for a business purpose to determine if an individual or firm must register. We consider the factors set out below, among others, to determine if the activity is for a business purpose. For the most part, these factors are from case law and regulatory decisions that have interpreted the business purpose test for securities matters.

Factors in determining business purpose

This section describes factors that we consider relevant in determining whether an individual or firm is trading or advising in securities for a business purpose and, therefore, subject to the dealer or adviser registration requirement.

This is not a complete list. We do not automatically assume that any one of these factors on its own will determine whether an individual or firm is in the business of trading or advising in securities.

(a) Engaging in activities similar to a registrant

We usually consider an individual or firm engaging in activities similar to those of a registrant to be trading or advising for a business purpose. Examples include promoting securities or stating in any way that the individual or firm will buy or sell securities. If an individual or firm sets up a business to carry out any of these activities, we may consider them to be trading or advising for a business purpose.

(b) Intermediating trades or acting as a market maker

In general, we consider intermediating a trade between a seller and a buyer of securities to be trading for a business purpose. This typically takes the form of the business commonly referred to as a broker. Making a market in securities is also generally considered to be trading for a business purpose.

(c) Directly or indirectly carrying on the activity with repetition, regularity or continuity

Frequent or regular transactions are a common indicator that an individual or firm may be engaged in trading or advising for a business purpose. The activity does not have to be their sole or even primary endeavour for them to be in the business.

We consider regularly trading or advising in any way that produces, or is intended to produce, profits to be for a business purpose. We also consider any other sources of income and how much time an individual or firm spends on all activities associated with the trading or advising.

(d) Being, or expecting to be, remunerated or compensated

Receiving, or expecting to receive, any form of compensation for carrying on the activity, including whether the compensation is transaction or value based, indicates a business purpose. It does not matter if the individual or firm actually receives compensation or in what form. Having the capacity or the ability to carry on the activity to produce profit is also a relevant factor.

(e) Directly or indirectly soliciting

Contacting anyone to solicit securities transactions or to offer advice may reflect a business purpose. Solicitation includes contacting someone by any means, including advertising that proposes buying or selling securities or participating in a securities transaction, or that offers services or advice for these purposes.

...

B. Illegal Dealing – Section 75(1)(a) of the Act

1. Trading in Securities or Derivatives

(a) Parties' Positions

[68] Staff provided brief submissions on this issue, but the Respondents provided none (although we take their admissions as acceptance of Staff's position).

[69] Staff stated (and the Respondents admitted) that:

- the agreements with investors were "securities" because they were investment contracts under s. 1(ggg) of the Act; and
- the Forex trading in CFDs by the Respondents on behalf of investors involved trades in securities (also as investment contracts under s. 1(ggg)) or in derivatives (under s. 1(n.01)).

(b) Discussion and Determination

(i) Investors' Agreements

[70] Staff submitted that the agreements with investors were securities under the investment contract branch, primarily relying on *Re Edwards*, 2024 ABASC 9. Because "investment contract" is not defined in Alberta securities laws, Staff referred to basic investment contract principles from various cases, starting with the leading case: *Pacific Coast Coin Exchange v. Ontario (Securities Commission)*, [1978] 2 S.C.R. 112 (cited in many decisions of ASC panels). The *Pacific Coast* test for determining an investment contract was succinctly summarized in *Re Kustom Design Financial Services Inc.*, 2010 ABASC 179 at para. 153 (appeal dismissed *sub nom. Synergy Group (2000) Inc. v. Alberta (Securities Commission)*, 2011 ABCA 194): "an investment of money in a common enterprise with expected profits arising significantly from the efforts of others". That test has since been followed in numerous cases, including those cited in *Edwards* (at para. 20).

[71] In *Edwards*, an ASC panel concluded that the investors' agreements were investment contracts. Investors had invested capital in a pool, with promised returns of 5% to 15%, based on Edwards' purported expertise. Edwards used that money to purchase and trade CFDs through online trading platforms. The panel in *Edwards* had to consider whether the investors' agreements were securities because there was an allegation that the respondents had illegally distributed securities. The ASC panel followed the *Pacific Coast* line of cases. It found an investment of money with an intention to profit, under a plan in which the respondents made all of the trading decisions. The panel also found a common enterprise because "the fortunes of the investors were interwoven with and dependent on the efforts of those seeking the investment" – the respondents (*Edwards* at para. 23).

[72] We do not need to consider if the investors' agreements here were securities because there was no allegation of illegal distributions of securities.

(ii) CFDs

[73] Staff contended that the CFDs were derivatives or securities, relying on *Edwards* and *VRK*, respectively.

[74] The panel in *Edwards* (at para. 37) concluded that the CFDs there were "more properly characterized as derivatives" (than as securities) because their value "was determined from the price of the underlying asset". In so deciding, the panel in *Edwards* noted that the CFD transactions enabled investors to (at para. 35):

... participate in the price movements of foreign currency, cryptocurrencies, commodities and other assets without owning the underlying asset. For example, an investor could purchase a position in a CFD that tracks the price of a currency, publicly-traded stock or cryptocurrency. Then, depending on whether the price of the underlying asset went up or down, the value of the CFD would correspondingly go up or down.

[75] In *VRK*, the investors authorized the respondents to make discretionary trades of CFDs in the investors' online trading accounts, and the respondents engaged in such trading. The OSC panel relied on *Pacific Coast* and subsequent decisions to conclude that the CFDs were securities. The OSC panel emphasized the importance of investor protection in making such assessments.

[76] We conclude, consistent with the reasoning in *Edwards*, that the CFDs were derivatives and that we therefore need not determine if they were also securities.

(iii) Trading

[77] No party disputed that the Respondents' activities were trades in derivatives, and the Statement was replete with references to the Respondents' trading. Staff relied on ss. 1(jjj)(ii) and (vi) of the Act – entering into, selling, acquiring, or disposing of derivatives, and acts in furtherance of that conduct. We find that the Respondents engaged in such conduct and, therefore, traded in derivatives (the CFDs).

2. Business of Trading

(a) Parties' Positions

[78] Staff summarized their position as: "the Respondents engaged in Forex trading activities for a business purpose; their trading was not casual, or 'one-offs' or incidental to other activities. They developed and operated a Forex trading business with the intention to profit from it." Based on the guidance in 31-103CP, Staff listed the following activities as the Respondents' business of trading activities: (1) engaging in activities similar to those of a registrant (solicitation, promotion, using partnerships and corporations, using corporate bank accounts, hiring staff, preparing account statements, interacting with regulators, expanding the business, using the MAM Account, making claims to investors about the business, raising capital, expanding into the Hutterite communities, trading for clients, and charging commissions based on investors' profits); (2) acting as a broker (intermediating trades between sellers and buyers); (3) engaging in trading activities with repetition, regularity, or continuity; (4) receiving or expecting compensation for the activity; and (5) soliciting funds from investors, directly or indirectly.

[79] The Statement set out 12 specific actions which the Respondents admitted were demonstrations that they engaged in, or held themselves out as engaging in, "the business of

dealing in securities". We conclude that this was a typographical error which should have read "the business of trading in securities or derivatives". The latter is the wording in Alberta securities laws and in the associated allegation. There was no doubt that the Respondents admitted to engaging in the business of trading. The 12 items listed were:

- 57.1 Incorporating [HW and TradeFX] for the sole purpose of their Forex trading business.
- 57.2 Opening bank accounts for [HW] and identifying their business as investment dealers.
- 57.3 Hiring staff to assist with the operations of the business.
- 57.4 Soliciting funds from the public to conduct online Forex trading.
- 57.5 Identifying their business as a Forex trading brokerage when incorporating [TradeFX.]
- 57.6 Asking clients to enter into Powers of Attorney authorizing them to trade on behalf of clients and entitling them to payment of commissions[.]
- 57.7 Accepting money from the investors and then using it to trade CFDs.
- 57.8 Engaging in trades repeatedly and frequently during the Relevant Period[.]
- 57.9 Offering [a] \$500 referral fee for each person referred who invested with the Respondents.
- 57.10 Charging a percentage of the profits earned by the investors.
- 57.11 Providing monthly statements to investors purporting to provide an update on their investment.
- 57.12 Developing a logo for their business and utilization of the phrase, "We work so you don't have to" on business correspondence.

(b) Discussion

[80] The Respondents admitted engaging in the business of trading on the basis of the activities set out in the Statement. They expressed no disagreement with Staff's submissions on this point. Hunter did argue that he was less involved than Watters in the soliciting of investments, not involved in the actual trading, and received no financial benefit from his activities.

[81] We accept the Respondents' admissions relevant to the business of trading, and we accept Staff's summary of various activities in which the Respondents' engaged. Hunter's level of involvement in the impugned activities was not relevant to this conclusion, although it may be relevant at the sanction phase.

(c) Determination

[82] We find that the Respondents engaged in the business of trading in derivatives.

3. Lack of Registration

[83] The Respondents admitted that they were not registered under Alberta securities laws as dealers or registered in any capacity in any other jurisdiction, despite evidence of communications with Staff and the BC Investigator regarding registration requirements. They also admitted that no exemptions from registration applied to them.

[84] We find that the Respondents were not registered and did not have the benefit of registration exemptions.

4. Determination on Illegal Dealing

[85] We conclude that each of the Respondents breached s. 75(1)(a) of the Act by acting as a dealer without being registered in accordance with Alberta securities laws.

C. Authorizing, Permitting, or Acquiescing

1. Parties' Positions

[86] In the Statement, Hunter and Watters admitted that they "authorized, permitted or acquiesced in [HW's and TradeFX's] contraventions" of s. 75(1)(a) of the Act. As all the parties signed the Statement and no submissions were made on this point, it can be taken to be the position of Staff and the Respondents.

2. Legal Principles

[87] Section 198(1.2) of the Act states that the ASC may make certain orders "against a director or officer of a company . . . who authorizes, permits or acquiesces in the contravention of Alberta securities laws or conduct contrary to the public interest".

3. Discussion and Determination

[88] Section 198(1.2) of the Act authorizes ASC panels to impose sanctions on a respondent that is found to have authorized, permitted, or acquiesced in another's contravention of Alberta securities laws or conduct contrary to the public interest.

[89] We have concluded that Hunter and Watters each directly breached s. 75(1)(a). Therefore, it is not necessary for us to consider whether they also authorized, permitted or acquiesced in HW's and TradeFX's breach of the same section of the Act.

D. Benefits to Respondents

[90] As stated, Hunter and Watters denied receiving commissions under the Initial System, but admitted taking commissions under the New System. We found no evidence that either received commissions under the Initial System. As admitted in the Statement, some investor money deposited under the Initial System was used to pay Watters' personal and painting business expenses.

[91] We found that, under the New System, Hunter received \$600,000 as commission payments, and Watters received \$1,013,137.81. We also found that, during the Relevant Period, Hunter withdrew \$1,050 of the \$600,000, and Watters withdrew \$523,431.20 of the \$1,013,137.81. Watters made no submissions during the Merits Hearing about the amounts he received and withdrew. However, Hunter contended that he had received no financial benefit from the \$600,000 because it was lost due to trading. Without deciding at this point, we are inclined to view the relevant amount as that which Hunter received as commissions (\$600,000), not that which he withdrew from the Hunter Account. Hunter also addressed in his submissions the \$598,500 which he arranged to be paid back to approximately 48 investors. The evidence tendered at the Merits Hearing showed that the repaid principal money did not originate from the Hunter Trading Account and was unconnected to the \$600,000 in commissions received by Hunter. Again without deciding at this point, it appeared that was investors' money being returned to them, rather than money Hunter was giving to them from his own funds.

[92] We understand that more submissions (perhaps with additional evidence) may be made on such points during the sanction portion of this proceeding. We will address benefits or purported benefits to the Respondents at that time.

VI. CONCLUSION

[93] Consistent with the admissions in the Statement, we find that Hunter, Watters, HW, and TradeFX each breached s. 75(1)(a) of the Act by acting as dealers without being registered.

[94] The Respondents complained that some aspects of the Statement and Staff's submissions went beyond what was necessary for the Merits Hearing – for example, by referring to the extent of investors' losses and asserting that the Respondents ignored the BC Commission's communications. Some of those aspects are more relevant to sanction and some may not be relevant to the merits or sanction. We reached our conclusions here solely on the merits of the allegations. The parties may refer to our findings – and to evidence – during the sanction phase of this proceeding.

[95] This proceeding now moves to that second phase to determine what, if any, sanction and cost-recovery orders ought to be made against the Respondents.

[96] By noon on Friday, October 17, 2025, Staff and the Respondents are directed to inform each other and the ASC Registrar in writing:

- (a) whether they intend to adduce new evidence on the sole issue of appropriate sanction and cost-recovery orders; and
- (b) if so, their expected timing for the same and their suggested dates.

[97] After we have received and considered the parties' responses to this direction (or after the date and time specified for such responses has passed), the ASC Registrar will inform the parties of the timing for the next steps in this proceeding.

October 8, 2025

For the Commission:

"original signed by"
Kari Horn, K.C.

"original signed by"
Tom Cotter

"original signed by"
Andrea Whyte, K.C.