

IN THE MATTER OF  
THE *SECURITIES ACT*, R.S.N.S. 1989, C. 418, AS AMENDED (“Act”)

- and -

IN THE MATTER OF JEAN-SMAILLE GERMEIL AND FPE TRADING  
(collectively the Respondents)

**STATEMENT OF ALLEGATIONS OF THE DIRECTOR OF ENFORCEMENT  
FOR THE NOVA SCOTIA SECURITIES COMMISSION**

The Director of Enforcement for the Nova Scotia Securities Commission makes the following allegations:

**BACKGROUND:**

1. At all material times Jean-Smaille Germeil was a resident of Nova Scotia.
2. On October 3, 2013, FPE Trading was registered as partnership/business name with the Registry of Joint Stock Companies in Nova Scotia. The nature of the business was noted as “online currency trading,” and the registered office and mailing address was listed as “6537 Berlin Street, Halifax, Nova Scotia.” Germeil was listed as a partner of FPE, listing the same civic address.
3. On December 4, 2014, the status of FPE with the Registry of Joint Stock Companies in Nova Scotia changed to “revoked for non-payment.”
4. The Respondents are not and have never been registered with the Commission to trade or distribute securities in any capacity.
5. FPE is not and has never been a reporting issuer in Nova Scotia.
6. The Respondents have never filed a prospectus or preliminary prospectus with the Commission.
7. The Respondents have never been issued a receipt for a prospectus by the Commission.
8. The Respondents have never filed any reports of trades with the Commission relying on exemptions in Nova Scotia securities laws to distribute securities in Nova Scotia.

## TRADING ACTIVITIES:

9. Between approximately June 2013 and January 2015 the Respondents solicited investments from residents of Nova Scotia and Ontario.
10. Germeil promoted FPE to investors as a foreign exchange investment opportunity that used an algorithm described by Germeil as "quicker than anyone else's."

### AA

11. At all material times, AA was a resident of Ontario.
12. In 2013, AA was introduced to Germeil through a mutual friend. AA contacted Germeil by phone and email, and was advised by Germeil that:
  - a. the Respondents were involved in currency trading, buying and selling currencies hundreds of times a day;
  - b. FPE performs very well; and
  - c. larger investments would receive a higher payback.
13. Between August 2013 and July 2014, AA invested approximately \$18,000.00 Canadian with the Respondents on behalf of himself and his charity PH.
14. AA was advised by the Respondents that they charged a 20% commission to manage the investment accounts.
15. AA did not receive a prospectus or any account opening documents from the Respondents.
16. AA received emails from the Respondents that noted the increasing value of his investments.
17. Between September and October 2014, AA received approximately \$7,000.00 via e-transfers from the Respondents after requesting to withdraw funds from his accounts.
18. AA also received a cheque dated October 1, 2014, from Germeil in the amount of \$4,000.00 Canadian. AA attempted to cash this cheque, but it was returned marked as insufficient funds.
19. In or around December 2014, AA was advised by Germeil that payouts would be forthcoming, however no money was received by AA.

BB

20. At all material times, BB was a resident of Ontario. BB and AA are siblings. BB was introduced to the Respondents through AA.
21. In October 2013, AA invested approximately \$5,000.00 Canadian with the Respondents on behalf of BB.
22. BB did not receive a prospectus or any account opening documents from the Respondents.
23. Between October 2013 and January 2015 BB received emails and correspondence from the Respondents advising him of the increasing value of his investments. BB also received the following emails:
  - a. Dated November 6, 2014, advising that FPE would be closing its doors and "money will flow back to investors in an orderly fashion, and the whole will be unwound in a most professional manner."
  - b. Dated January 6, 2015, advising that the account "generated a return of 139.72% (non APR)," that his investment was worth \$14,101.92 less a 15% fee of 2,115.30.
  - c. Dated January 8, 2015, stating "your account has been closed and the funds withdrew - they are being wired by the broker to me and when they reach me I will make arrangements to send them to you."
24. BB received no return of principle or interest from the Respondents.

CC

25. At all material times, CC was a resident of Ontario.
26. In or around September 2013, CC learned of FPE through a friend, AA, and contacted Germeil via email.
27. On September 29, 2013, CC was advised via email by Germeil that the Respondents "specialize in the US dollar," "make good profits," and offer "hassle-free investing."
28. Between September and November 2013, CC invested \$12,000.00 Canadian with the Respondents.
29. CC did not receive a prospectus or any account opening documents from the Respondents.
30. CC received weekly statements from the Respondents, advising him of the increasing value of his investments.

31. On November 15, 2013, CC received an email from the Respondents stating his account balance was \$13,857.71.
32. On November 17, 2014, CC received approximately \$1,300.00 Canadian via e-transfers from the Respondents after requesting to withdraw funds from his account.
33. The last email CC received from Germeil advised that there would be a delay in the return of funds because he was travelling to Quebec to visit his dying mother. CC received no further return of principle or interest from the Respondents.

DD

34. At all material times DD was a resident of Nova Scotia.
35. DD was a neighbour of Germeil and in or around August 2014, DD was approached by Germeil regarding investing with FPE and was told by Germeil:
  - a. the Respondents were trading in currency and forex and earning returns of 20-30%;
  - b. The Respondents were trading in US, Canadian and Japanese currencies; and
  - c. The Respondents were doing this for clients for free because they were good at it.
36. On August 3, 2014, DD provided a cheque made out to Germeil for \$500.00 Canadian and signed an investment contract with the Respondents, which noted the \$500.00 investment.
37. DD did not receive a prospectus from the Respondents.
38. Between August and December 2014, DD received regular emails from the Respondents advising him of the value of his investments.
39. In November 2014, DD received an email from the Respondents advising that FPE would be closing and accounts would be paid out.
40. In or around December 2014, DD was advised by the Respondents that his investment was worth \$2,800.00 Canadian, and was provided a cheque signed by Germeil dated January 1, 2015 for \$2,800.00. DD attempted to cash the cheque, however it was returned as insufficient funds.

#### **USE OF INVESTOR FUNDS:**

41. At all material times, investor funds were deposited into two bank accounts in the name of and under the control of the Respondents and used to fund such things as:
  - a. transfers to and from "Jean," "Jean Germeil," and "Jean-Smaille Germeil;"
  - b. purchases and credits from FXCM Canada and FXPro Financial, online foreign currency trading platforms;
  - c. retail purchases including purchases at grocery stores, restaurants, airline tickets, Airbnb, coffee shops, children's clothing, barbershops and Staples;
  - d. purchases at Halifax Vintage Arcade;
  - e. Capital One Mastercard payments;
  - f. Scotialine payments;
  - g. Nova Scotia Power payments;
  - h. Transfers to "TFSA TSA Savings;"

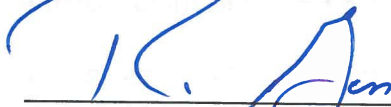
#### **ALLEGED VIOLATIONS:**

The Director of Enforcement for the Commission identifies the following reasons why the order being sought should be granted:

42. By soliciting investments from, providing investment advice to and intermediating trades on behalf of residents of Nova Scotia and Ontario, the Respondents acted as a dealer, adviser, and/or investment fund manager without being registered to do so, in violation of section 31 of the Act.
43. By failing to disclose, in sufficient detail, the risks associated with investing with the Respondents, the Respondents engaged in unfair practice, thereby violating section 44A(2) of the Act.
44. By distributing monthly account balances without sufficient detail of the transactions and activity in the account, the Respondents engaged in unfair practice, thereby violating section 44A(2) of the Act.
45. By promoting their investment program as high-yield, unique, specialized, low-risk and at low or no cost to investors, the Respondents made untrue statements to residents of Nova Scotia and Ontario that a reasonable investor would consider material in deciding whether to enter into or maintain a trading relationship with the Respondents, thereby violating section 50(2) of the Act.
46. By distributing securities in FPE to residents of Nova Scotia and Ontario without having filed a prospectus or preliminary prospectus with the Commission and without relying on any exemptions in Nova Scotia securities laws, the Respondents violated section 58(1) of the Act.

47. The Respondents' conduct was contrary to the public interest and undermined investor confidence in the fairness and efficiency of the public markets.
48. Such additional allegations as the Director of Enforcement for the Commission may submit and the Commission may permit.

Dated this 3<sup>rd</sup> day of January 2018.



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Randy A. Gass  
Director of Enforcement  
Nova Scotia Securities Commission