



IN THE MATTER OF THE FINANCIAL INSTITUTIONS ACT
R.S.B.C. 1996, C. 141

AND

SOVEREIGN TRUST
and JOHN RUIZ DEMPSEY

ORDERS UNDER SECTIONS 244(2) AND 238, AND

NOTICE OF RIGHT OF HEARING OR APPEAL
UNDER SECTIONS 238(2) AND 242

UPON REVIEWING THE SUBMISSIONS AND EXHIBITS OF STAFF, it appears to the Superintendent of Financial Institutions (the "Superintendent") that:

1. In August 2008, John Ruiz Dempsey "Dempsey" applied for permission from the Financial Institutions Commission to use the word "trust" in a society he intended to register in British Columbia. Staff wrote to Dempsey indicating that while they recognized Dempsey had provided a written assurance that "the society has provided a written undertaking that it will not engage in any deposit and trust business", using the word "trust" within the proposed society name "Sovereign Trust International Society" is likely to mislead the public about the nature of the business and refused to provide consent. Staff referred Dempsey to Section 31 of the *Financial Institutions Act* ("Act") which prohibits the use of the word "trust" or "trustee" in a way likely to deceive or mislead the public about the ability of the person to undertake trust business or to give a false impression that the person is an authorized trust company.
2. Within the application to register the society, Dempsey listed telephone contact information as 604 [REDACTED] and fax 604 [REDACTED] and the contact address listed on the application for Dempsey's society registration was 155 - 6832 King George Highway, Surrey, British Columbia, V3W 4Z9.
3. Internet searches for the telephone contact numbers for Dempsey including 604 [REDACTED] revealed associations to a number of web sites that refer to litigation in which Dempsey has been involved in British Columbia which is confirmed by

Superintendent of Financial Institutions

Mailing Address:
1200 - 13450 102 Avenue
Surrey, BC V3T 5X3
Telephone: 604 953-5300
Facsimile: 604 953-5301

Web Address:
www.ficombc.ca

numerous decisions issued by the Supreme Court of British Columbia and the Court of Appeal for British Columbia.

4. On December 11, 2008, the Registrar of the Real Estate Brokers Act, Manitoba Securities Commission forwarded information he obtained off the internet regarding Sovereign Trust and informed Staff that Sovereign Trust was promoting itself in the Province of Manitoba.
5. Sovereign Trust is not a British Columbia corporation, and claims to be a legal entity, which represents that it has branch addresses which are open for business during advertised hours of operation at:
 - (a) 155 - 6832 King George Highway, Surrey, British Columbia, V3W 4Z9; and
 - (b) 936 Peace Portal Drive, #1, Blaine, Washington 98230.
6. The Surrey address is a mail box service centre and the mail is regularly picked up by John Dempsey.
7. The Blaine address is also a mail box service centre address.
8. Sovereign Trust markets its services through the following websites: www.sovereigntrust.info and <http://sovereign-trust.com>.
9. The domain of www.sovereigntrust.info is registered to John Dempsey with the organization Sovereign Trust with a contact address of 936 Peace Portal Drive, #1, Blaine, Washington 98230.
10. John Dempsey is John Ruiz Dempsey ("Dempsey") who resides in Surrey, British Columbia.
11. Through www.sovereigntrust.info, Sovereign Trust advertises itself as a full service bank with members across Canada and the United States.
12. Further representations made by Sovereign Trust on its website www.sovereigntrust.info are:

Welcome to Sovereign Trust

...

Our bank, Sovereign Trust started out as a common-law trust in Blaine, Washington. Sovereign Trust was conceived from the outset as a humanitarian organization to help people as a debt elimination group. We have grown since then. As a "trust", Sovereign Trust has always been a "bank" when we start converting debt into assets. To start doing business as a 'bank' in any country, the bank must have a bank charter. That's what we did; we got our charter. Well, what is a charter? It is simply a piece of paper, a contract, an agreement, between people to people, or people to bodies of people (as in corporations). This charter is simply a

manifestation which made Sovereign Trust to be openly recognized as an entity, doing lawful business as a 'bank' in accordance to the provisions of the charter granted to Sovereign Trust by the Indigenous peoples of the land. Sovereign Trust is one of the first 13 sovereign banks created by sovereign people living under the banner of One Sovereign God.

...

Hence we have the capability to provide optimum guarantee that all assets under custodial deposit with Sovereign Trust shall remain private and free of government intervention or scrutiny because we can move these assets around with impunity, as long as we do it with legal intent and purpose.

13. On the Sovereign Trust website <http://sovereign-trust.com> the following information is provided:

- (a) Sovereign Trust's business address locations and hours of operation are :

Sovereign Trust (US Branch)

936 Peace Portal Drive #1, Blaine, WA 98230, Fax (613-667-2981)

Office Hours

Mon: 09:00-05:00

Tue: 09:00-05:00

Wed: 09:00-05:00

Thu: 09:00-05:00

Fri: 09:00-05:00

Sovereign Trust (Canada Branch)

155-6832 King George Highway, Surrey, B.C. V3W 4Z9

Office Hours

Mon: 09:00-05:00

Tue: 09:00-05:00

Wed: 09:00-05:00

Thu: 09:00-05:00

Fri: 09:00-05:00

- (b) Sovereign Trust represents that it is a bank with resources the same as any other successful bank and declares that it is a legitimate bank despite its alternative character. It invites requests for more information but states, "Regretfully, we will be may [sic] not be able to provide you with all the answers to your questions because we are a private bank, and naturally, hold our practices as private".
- (c) It advertises an exclusive "Mortgage-Rescue ®" Program:
- "Sovereign Trust is now accepting applications for our exclusive Mortgage-Rescue ® Program and Quick Loan Application. Deadline for submission of all applications for this program is August 31, 2008. The first batch of properties to be funded through program (sic) will close on September 30, 2008. Please download application forms via links below.
- Our applicant selection criteria will be tightly controlled in order to comply with our humanitarian mandate. First preference will be given to all Sovereign Trust members who are being harassed and being threatened foreclosure of their homes by financial institutions such as banks, credit unions, mortgage and other finance companies.
- To participate in the Sovereign Trust Mortgage-Rescue ® program, please download applications, print, fill it out completely and fax all applications to:425-954-0010 or scan send us an email at: info@sovereign-trust.com."]
- (d) The website has a scrolled text message that wanders across the viewer's screen that states, "We will not be doing any further processing of new applications until January 1st, 2009 as the first batch has expired".
- (e) The website provides links to PDF format application forms for the "Mortgage-Rescue ® Program" and Quick Loan Application Form 2008 which cross links back to sovereigntrust@sovereigntrust.info.
- (f) The website offers its application form for the Mortgage-Rescue ® Program in part, which states that "Priority will be given to members of Sovereign Trust. All non-member applicants subject to \$2,000.00 application and processing fee".
- (g) The Quick Loan application form requires applicants to provide detailed personal and financial information and requires applicants to sign a declaration which states:
- "I declare that I am over 18 years of age and that the information given above is true and complete in all respects and I promise to pay to Sovereign Trust or its assigns the amount of the loan requested upon value or equivalent taxable benefit(s) being received by me from Sovereign Trust whether directly or indirectly,

as a result of this agreement, pursuant to Generally Accepted Rules of Commerce, International Chamber of Commerce Rules and Regulations, UCC and UNCITRAL. I agree that this agreement is private, is not subject to the jurisdiction of Canadian or US Courts and other de facto, maritime tribunals and therefore any dispute concerning any part of this agreement cannot be decided by any judge, arbitrator, mediator or other similar 3rd party entities without my prior written consent and that the law of this contract is this contract and therefore all issues, benefits and liabilities arising out of this contract may only be settled pursuant to the provisions of this contract..."

14. Sovereign Trust was never authorized pursuant to the *Act* to conduct trust or deposit business in the Province of British Columbia.
15. The Federal Office of the Superintendent of Financial Institutions ("OSFI") has not authorized Sovereign Trust or Dempsey to conduct trust or deposit business in Canada nor is Dempsey a director or officer of a trust company or bank in Canada.
16. There is no record of an authorization to conduct trust business under the *Bankruptcy and Insolvency Act* for either Sovereign Trust or Dempsey.
17. Section 31 of the *Act* states:
 31. *A person must not use*
 - (a) *any of the words*
 - (i) *"trust" or "trustee",*
 - (ii) *"deposit" or "loan", or*
 - (iii) *"insurance", "assurance" or "insurer", or*
 - (b) *any other words in connection with the business of a person, in a way likely to*
 - (c) *deceive or mislead the public about the ability of the person to undertake trust business, deposit business or insurance business, or*
 - (d) *give a false impression that the person is a trust company or insurance company, as the case may be.*

18. Section 70 of the Act states:

70. *A corporation must not carry on trust business in British Columbia unless the corporation is*

- (a) *a trust company, an extraprovincial trust corporation or a credit union that has a business authorization to carry on trust business,*
- (b) *a law corporation as defined in section 1 (1) of the Legal Profession Act,*
- (c) *[Repealed 1998-9-100.]*
- (d) *a corporation that is carrying on the business of a trustee in bankruptcy, receiver, receiver manager or liquidator and that is licensed as a trustee in bankruptcy under the Bankruptcy and Insolvency Act (Canada), or*
- (e) *a corporation that is carrying on a prescribed trust business or class of trust business or a prescribed corporation or class of corporations that is carrying on a prescribed trust business or class of trust business.*

19. "Deposit business" is defined in Section 1 of the Act as:

"deposit business" means the business of receiving on deposit or soliciting for deposit money that is repayable

- (a) *on demand,*
- (b) *after notice,*
- (c) *on the expiry of a specified term, or*
- (d) *at specified intervals for a specified term,*

whether or not the person undertaking an activity or activities set out in paragraphs (a) to (d) can or does distribute any gain, profit or dividend, or otherwise disposes of the person's assets, to a member or shareholder of the person other than during winding up or on dissolution;

...

20. Section 81 of the Act prohibits deposit business without a business authorization issued under the Act:

81 (1) *A person must not carry on deposit business in British Columbia unless the person is*

(a) an extraprovincial trust corporation that has a business authorization to carry on deposit business,

(b) a credit union or extraprovincial credit union that has a business authorization to carry on deposit business,

(c) a bank, or

(d) a corporation that is a subsidiary of a bank and is a loan company to which the Trust and Loan Companies Act (Canada) applies.

...

21. Section 244 of the Act states:

244 (1) *In this section, "committing an act or pursuing a course of conduct" includes failing or neglecting to perform an act or failing or neglecting to pursue a course of conduct.*

(2) *If, in the opinion of the commission, a person is committing an act or pursuing a course of conduct that*

(a) does not comply with this Act, the regulations or the Company Act as it applies for the purposes of this Act,

...

(c) might reasonably be expected to result in a state of affairs not in compliance with this Act or the regulations, with the Company Act as it applies for the purposes of this Act or, in the case of an extraprovincial corporation, with the Business Corporations Act,

...

then, the commission may

(f) order the person to

(i) cease doing the act,

(ii) cease pursuing the course of conduct, or

(iii) do anything that the commission considers to be necessary to remedy the situation, or...

22. Based on the contact information for Sovereign Trust, the website ownership information for www.sovereigntrust.info, Dempsey's place of residence, Dempsey's handling of mail in British Columbia for Sovereign Trust, Sovereign Trust's statements that it has customers in Canada, Dempsey's application to form a society in British Columbia with a similar name in 2008, I find that John Ruiz Dempsey is a controlling mind of Sovereign Trust which is actively marketing and soliciting for and providing the services of Sovereign Trust in British Columbia.
23. By using the business name "Sovereign Trust", the representations that Sovereign Trust has a charter from a sovereign state authorizing it to do banking business and act as a custodial trustee, and conducting business or purporting to conduct business from British Columbia, Sovereign Trust and Dempsey use the term "trust" in a way which is likely to mislead the public into thinking that Sovereign Trust is authorized to conduct trust business in British Columbia. This is contrary to Section 31 of the *Act*.
24. Sovereign Trust claims that it is a bank which has the "capability to provide optimum guarantee that all assets under custodial deposit with sovereign trust shall remain private and free of government intervention or scrutiny because we can move these assets around with impunity, as long as we do it with legal intent and purpose", and Sovereign Trust charges a fee for its services. As such it is in the least soliciting for deposits, which is included in the definition of deposit business in the *Act*, if not actually holding deposits. Since neither Sovereign Trust (which is likely an alter ego of Dempsey), nor its controlling mind Dempsey have business authorizations to conduct deposit business in British Columbia, Staff submits that they are in breach of Section 81 of the *Act*.
25. I find that Dempsey is aware that the use of the word "trust" in business and trust business itself is regulated in British Columbia given his previous dealings with the Financial Institutions Commission when he attempted in 2008 to form the Sovereign Trust International Society in British Columbia.
26. By facilitating the unauthorized deposit business and trust business of Sovereign Trust, Dempsey is further committing or pursuing a course of conduct which, pursuant to Section 244(2)(c) of the *Act* might reasonably be expected to result in a state of affairs not in compliance with the *Act*.
27. I agree with Staff that there is an urgent need to intervene in Sovereign Trust and Dempsey's activities because Sovereign Trust advertises that another round of "mortgage assistance" will commence on January 1st, 2009. This is likely to continue to mislead the public into thinking that Sovereign Trust is an authorized trust company and is authorized to conduct trust business in British Columbia through its British Columbia address and its resident controlling mind Dempsey.
28. I further agree with Staff that it would take 4-6 months to schedule a hearing into this matter and approximately 4-6 witnesses would be required to provide evidence to be considered at the hearing. As a result, a summary order to cease and desist is warranted pursuant to section 238(1)(b) of the *Act* against Sovereign Trust and Dempsey in order to protect the public interest and maintain

confidence in the integrity of financial institutions in the Province of British Columbia.

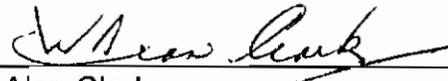
WHEREAS the Financial Institutions Commission has delegated to the Superintendent the powers and duties under section 244 of the *Act* in the Instrument of Delegation executed June 2, 2005;

NOW THEREFORE the Superintendent orders pursuant to Sections 244(2)(a),(c) and (f), and 238 of the *Act* that:

- 1) John Ruiz Dempsey, and Sovereign Trust cease using the term "trust" in their business name, marketing (including website address and website materials), and business activities;
- 2) Sovereign Trust cease conducting trust business;
- 3) John Ruiz Dempsey cease conducting business activities, including those associated with Sovereign Trust, in such a manner which might reasonably lead to a corporation conducting trust business in British Columbia; and
- 4) John Ruiz Dempsey and Sovereign Trust cease conducting deposit business.

TAKE NOTICE THAT John Ruiz Dempsey and Sovereign Trust may request a hearing before the Superintendent under section 238(2)(a) of the *Act* or appeal to the Financial Services Tribunal under section 238(2)(b) of the *Act*.

Dated at the
City of Surrey,
Province of British Columbia
this 7th day of January, 2009.



W. Alan Clark
Superintendent of Financial Institutions
Province of British Columbia

TO: Sovereign Trust (Canada Branch)
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Surrey, B.C. V3W 4Z9

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John Ruiz Dempsey
