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Canadian Investment  
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**IN THE MATTER OF  
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES  
AND THE DEALER MEMBER RULES  
AND  
PETER MICHAEL DEEB AND HAMPTON SECURITIES LIMITED**

**FURTHER AMENDED STATEMENT OF ALLEGATIONS**

Further to a Notice of Hearing dated November 8, 2023, Enforcement Staff make the following allegations:

**PART I – REQUIREMENTS CONTRAVENED**

**Contravention 1**

Between January 2020 and April 2020, Peter Deeb engaged in a trading practice in client and firm inventory accounts, as described further below, that is contrary to Investment Dealer and Partially Consolidated Rule 1400.

**Contravention 2**

Between January 2020 and April 2020, Hampton Securities Limited failed to keep and maintain a proper system of books and records and provide records of trading activity contrary to Dealer Member Rules 17.2 and 200.

**Contravention 3**

Between January 2020 and September 2020, Peter Deeb failed to promote compliance by Hampton Securities Limited with regulatory requirements contrary to Dealer Member Rule 38.5.

**PART II – RELEVANT FACTS AND CONCLUSIONS**

**Overview**

1. The Respondent Peter Michael Deeb (“Deeb”), the Ultimate Designated Person (“UDP”) and a Registered Representative at Hampton Securities Limited

("Hampton"), engaged in a trading practice that improperly obtained access to credit for the account of a non-arm's length client (the "CD Account").

2. The trading practice involved the use of Hampton's average price inventory accounts and the CD Account. Securities transactions were not ticketed or allocated in a timely manner to the CD Account and in circumstances where CD would not have otherwise had enough available margin to engage in the transactions.
3. In addition, Deeb improperly obtained access to credit when he could not or would not identify the client(s) for whom certain trading in Hampton's average price inventory account was executed. Deeb failed or refused to allocate securities transactions and realized losses to a client or clients' accounts on a timely basis or at all.
4. By leaving transactions unallocated in the average price inventory account Deeb allowed losses to increase to amounts that at time exceeded Hampton's entire risk adjusted capital ("RAC").
5. Deeb's failure or refusal to allocate securities transactions and realized losses to Hampton's error account prevented Hampton's Chief Financial Officer ("CFO") from becoming aware of the exposure, and from considering its impact on Hampton's RAC.
6. Deeb engaged in proprietary inventory trading that could not have been undertaken if Hampton had adjusted its RAC for the unallocated transactions and losses in the average price inventory account.
7. This improper access to credit caused Hampton and its carrying broker, National Bank Independent Network ("NBIN"), to bear unnecessary and significant risk to their capital.
8. Hampton has an obligation to keep and maintain at all times a proper system of books and records.

9. Despite repeated requests from Staff, the Respondents repeatedly failed to provide required documentation which ought to have been readily available. As a result, Staff was required to obtain relevant information from other sources which unnecessarily prolonged and complicated the investigation.
10. The lack of records and audit trail impacts the ability of supervisors and compliance personnel to perform their functions and also resulted in the inaccurate filings of Hampton's Monthly Financial Reports ("MFRs").
11. Deeb has an obligation to promote compliance with regulatory rules and applicable securities laws by the Dealer Member and individuals acting on its behalf, but failed to do so.
12. The most recent Business Conduct Compliance ("BCC") Examination Report (the "2022 BCC Examination Report") noted numerous deficiencies, several of which were identified as significant or repeat or both. Many of these deficiencies could not be adequately reviewed by BCC and Enforcement Staff because necessary records were unavailable or not produced.

### **The Respondents**

13. Deeb is the UDP of Hampton and was, between March 2020 and September 2020, also its Acting Chief Compliance Officer ("CCO").
14. Hampton is a Dealer Member of CIRO with its head office in Toronto, Ontario.

### **Average Price Inventory Accounts**

15. Average price inventory accounts are intended to be used so as to avoid putting one large order into the market which could influence the price a market participant might have to pay, to avoid the inconvenience and excessive paperwork which would be required for multiple small orders and to facilitate average price fills when an institutional order is to be prorated amongst the client's internal accounts.
16. Average price inventory accounts are not intended to be a source of financing to purchase shares in situations where funds are not available by settlement date.

17. Hampton's Policies and Procedures provide that:

*Average Price Inventory is used when an order must be accumulated over more than one day so HSL traders can ticket the trade in one confirmation instead of issuing multiple confirmations; these are usually larger orders or orders that need special handling rather than being entered via the Advisor's or Assistant's computer order entry system;*

*[....]*

*Average Price Inventories should be used only when necessary: if a trade is completed in one day it must be booked directly to the client account(s) and not run through the average price.*

### **Hampton's Financial Position**

18. ProShares UltraPro S&P500 shares ("UPRO") are high-risk leveraged ETF securities which seek daily investment results, before fees and expenses, that correspond to three times the daily performance of the S&P 500.
19. On or about March 9, 2020, NBIN noted that 60,000 shares of UPRO had been accumulated in one of Hampton's average price inventory accounts (the "VY Account") but not ticketed to specific client accounts. The UPRO price at end of day was US\$40.40.
20. NBIN specifically requested on more than one occasion that the Respondents allocate the UPRO shares to clients immediately as it was concerned about the negative equity balance in the VY Account which was noted to be just under \$2,000,000.
21. By March 18, 2020, the price at close had declined to US\$23.58 and unrealized losses in the VY Account had grown to approximately \$3,000,000. The UPRO shares in the VY Account had still not been ticketed to a client account.
22. Upon inquiry by IIROC FinOps Staff on March 18, 2020, Deeb indicated that the UPRO shares would be ticketed the next day to a client account, held by a client purportedly located in Abu Dhabi, and that the client had the ability to cover the loss on the UPRO shares. Deeb advised that the client would be transferring the funds the following day.

23. FinOps Staff advised Deeb that to the extent the VY Account was unsecured, it would wipe out the positive RAC in the firm.
24. Despite the advice provided to FinOps Staff by Deeb, no ticketing to a client account occurred, nor were funds transferred from a client to pay for the UPRO shares.
25. At the end of April 2020, the UPRO position was liquidated by NBIN and a \$2,000,000 charge was applied to Hampton's error account.
26. In the course of Staff's resulting investigation, it became apparent that the trading practice described above occurred in the following context:
  - In early 2019, NBIN restricted Deeb's trading in his personal and corporate accounts because of an unsecured debit in the approximate amount of \$2,700,000 owed by Deeb to NBIN.
  - In November 2019, NBIN indicated that it would be terminating its carrying broker agreement with Hampton.
  - Between February and May 2020, Hampton's RAC as reported on its MFRs declined from approximately \$1,470,000 to \$613,000. Hampton reported net losses of approximately \$263,000 and \$1,830,000 on its MFRs in March and April 2020.
  - Deeb traded UPRO shares in the CD Account which, until July 2019, had an approximate net worth of \$1,000,000. In July 2019 the market value of a significant holding in the CD Account was changed and reflected as "N/A". This reduced the market value of the CD Account to a range between \$270,000 and \$330,000 and reduced available margin significantly to approximately \$90,000.
  - Throughout the early months of 2019, transactions had been ticketed from the VY Account to the CD Account in a timely manner. As early as June 2019, positions were no longer ticketed out in a timely manner and the VY Account carried both realized and unrealized losses at month-ends.

### Improper Access to Credit - Trading in VY Account for Client CD

27. Between January 1, 2020 and February 24, 2020, Deeb traded shares of UPRO for CD in the VY Account. The UPRO positions were not allocated on a timely basis.
28. Appendix “A” illustrates dates in January and February 2020 where trades of UPRO shares occurred in the VY Account and whether those trades were ticketed to client accounts.
29. Between January 1, 2020 and February 24, 2020, the CD Account did not carry any overnight UPRO positions, nor could it support, under applicable margin rules, shares valued over \$300,000.
30. UPRO shares were sold short for CD and the accumulated and unallocated short UPRO position in the VY Account at times exceeded US\$4,000,000, requiring margin greater than US\$1,000,000. In addition to being unsupported by margin available in the CD Account, this represented more than 50% of Hampton’s excess RAC.
31. For example, on certain days, the value of the UPRO positions in the VY account, the margin required, and the estimated margin available in CD’s account were as follows:

<b>Date</b>	<b>Short UPRO Position Value in VY Account</b>	<b>Margin Required</b>	<b>Margin Available in CD Account</b>
Feb 6, 2020	US\$4,231,308	US\$1,057,827	C\$51,172
Feb 18, 2020	US\$4,012,351	US\$1,003,087	C\$84,430
Feb 19, 2020	US\$6,078,605	US\$1,519,651	C\$84,430

32. On February 24, 2020, the price of UPRO shares increased such that the VY Account was able to break even on the UPRO trading. The position was flattened, leaving a profit of approximately US\$40,000.

33. On February 25, 2020, Deeb ticketed to the CD Account approximately US\$104 million of UPRO buys and US\$104 million of UPRO sells which had occurred in the VY Account prior to and throughout January 2020 and February 2020.
34. Between February 25 and February 28, 2020 no UPRO orders were entered that were ticketed or allocated to CD.
35. Between March 2 and March 6, 2020, Deeb purchased and sold additional UPRO shares for CD which were ticketed to the CD Account on the respective days. This trading resulted in a total profit of approximately US\$171,000. At times, UPRO share positions were in amounts that required greater intraday margin than was available to the CD Account.
36. Hampton does not have sufficient internal records to identify the particulars of the underlying individual orders the client placed with Deeb, or the orders that Deeb placed with the US executing broker regarding the UPRO trading activity. Staff was obliged to obtain records from NBIN and Hampton's US executing broker in order to reconstruct the execution side of Deeb's trading activity given Hampton's lack of internal records.
37. The high-risk nature of the trading activity in the UPRO securities resulted in significant exposure, which risk was ultimately borne by NBIN as Hampton's carrying broker.

#### **Improper Access to Credit - Trading in VX Account for CD**

##### **The Brompton Split Banc New Issue**

38. On February 3, 2020, Brompton Split Banc announced an overnight offering (the "Brompton Split Banc New Issue") of preferred shares ("SBC.PR.A") and Class A shares ("SBC") expected to close on or about February 13, 2020. Deeb improperly obtained access to credit for CD in relation to trading both SBC.PR.A and SBC.
39. As at close of business on February 3, 2020 there was an unrealized loss of US\$216,820 in the VY Account and a long position in UPRO which required US\$271,883 of margin (all of which pertained to trading in the CD Account). If

allocated properly and in a timely manner, the unrealized loss and required margin would have substantially wiped out the entire value of the CD Account. CD was not in a position to participate in the Brompton Split Banc New Issue.

40. On February 4, 2020, notwithstanding the status of the CD Account, Deeb commenced short selling for CD in a different average price inventory account (the "VX Account"). Between February 4 and February 13, 2020, Deeb purchased for CD 200,000 shares of SBC.PR.A and 200,000 shares of SBC at a total cost of \$4,650,000. Deeb sold short for CD through the VX Account 200,000 SBC.PR.A shares and 200,000 SBC shares to fund the acquisition.
41. CD did not have sufficient capital in the CD Account to participate in the Brompton Split Banc New Issue as CD could not pay for them without funds from the short sales of SBC.PR.A and SBC. The CD Account did not have sufficient margin for the short sales.
42. The trading activity in SBC.PR.A and SBC resulted in nominal losses for CD of approximately US\$2,802, but the Respondents benefitted through the generation of significant new issue commissions.

#### **The Telus New Issue**

43. On February 19, 2020, Telus Corporation announced a \$1.3 billion bought deal financing that was expected to close on February 26, 2020 (the "Telus New Issue").
44. At close of business on February 19, 2020 there was a realized loss of US\$351,818 and an unrealized loss of US\$64,547 in the VY Account as well as a short position in UPRO that required approximately US\$1.5 million (all of which pertained to trading in the CD Account). If allocated properly and in a timely manner, this would have substantially wiped out the entire value of the CD Account. Given this activity in the VY Account, CD was not in a position to participate in the Telus New Issue.
45. Notwithstanding the status of the CD Account, on February 20, Deeb began short selling Telus shares for CD in the VX Account.

46. Between February 20 and February 26, 2020, Deeb purchased for CD a total of 200,000 Telus shares at a cost of US \$10.4 million. Deeb sold short a total of 200,000 Telus shares in the VX Account to fund the acquisition of the Telus shares.
47. CD did not have sufficient capital in her account to participate in the Telus New Issue as she could not pay for them without funds from the short sales. The CD Account did not have sufficient margin to fund the short sales.
48. These trades in the Telus New Issue resulted in a benefit to the Respondents in the form of new issue commissions.

#### **Improper Access to Credit – Trading in VY Account for unidentified client**

49. After the ~~US\$ 10.4 million~~ US\$ 104 million allocation of UPRO share transactions to the CD Account on February 25, 2020, Deeb traded additional UPRO shares in the VY Account between February 25 and 28, 2020.
50. On February 25, 2020 Deeb acquired a net position of 55,000 UPRO shares in the VY Account. On February 26, 2020, the next two transactions in the VY Account were purchases, each for an additional 10,000 UPRO shares, resulting in the accumulation of 75,000 UPRO shares.
51. This accumulation would have required margin at that time of approximately \$1.6 million. The running position started on these days was never allocated to a client account nor to a Hampton inventory account. Hampton did not have sufficient RAC to finance these purchases.
52. Deeb could not and did not identify a client for whom these UPRO purchases were intended. The UPRO transactions were not allocated to any client and remained in the VY Account.
53. At February 2020 month end, there were realized losses of US\$782,584 in the VY Account and unrealized gains of US\$55,802 as well as a 40,000 UPRO share position that required \$US530,900 of margin.

54. The UPRO position eventually resulted in a realized loss to Hampton of approximately US\$1.4 million (approximately \$2,000,000) in April 2020.

#### **Trading in VY Account - Virgin Galactic Holdings Inc.**

55. On February 20, 2020, Deeb purchased 5,000 shares of Virgin Galactic Holdings Inc. (“SPCE”) in the VY Account. He did not allocate it to any client account.
56. On February 24, 2020, Deeb purchased an additional 3,000 SPCE shares in the VY account. Deeb did not allocate them to an account.
57. On February 27, 2020, Deeb purchased 15,000 shares and sold 11,000 shares, leaving a position of 12,000 shares in the VY Account. Deeb did not allocate any of the transactions to a client account.
58. On the February 28, 2020 inventory report for the VY Account, there were realized losses of US\$34,524 related to SPCE and unrealized losses of US\$34,285 on the remaining position.
59. On March 9, 2020, Hampton cancelled the SPCE trades from the VY Account as of the original February 2020 trade dates and allocated them to the YZ Account, where the remaining shares were liquidated on March 9, 2020, resulting in realized losses.
60. If Hampton was unable to identify the client(s) for whom these orders were placed, they ought to have been allocated to Hampton’s error account or proprietary inventory account in February, which would have impacted the February MFR.

#### **Inventory trading in Hampton’s inventory account in March 2020**

61. Between March 9 and March 25, 2020, Deeb traded shares of UPRO, Amazon.com Inc. (“AMZN”) and JP Morgan Chase & Co. (“JPM”) in the YZ Account. Deeb advised Hampton’s then-President and COO that he was going to “trade his way out of the UPRO situation.”
62. Hampton’s then-CFO was specifically advised by Deeb not to concern himself with the VY Account as Deeb would look after it. Hampton’s then-CFO was unaware of any issues in the VY Account as a result of the trading activity and was also not

consulted in advance regarding any trading activity in the YZ Account or its impact on Hampton's capital considerations.

63. Hampton's then-CFO, who was responsible for preparing Hampton's MFRs, did not review the average price inventory accounts as he was advised by Deeb that Deeb personally would perform that review.
64. By close of business on March 9, 2020, Hampton had not recorded any charge against its capital for the unallocated realized UPRO loss (US\$748,732) and unrealized UPRO loss (US\$651,830) nor the margin required (US\$606,000) for the unallocated UPRO position in the VY Account. Collectively, the UPRO position should have been reflected as a charge against Hampton's RAC in aggregate of over \$2,000,000.
65. Hampton's reported RAC for February 2020 was \$1,4710,000 and for March was \$1,439,000. Proper recording of the UPRO position would have further reduced or eliminated Hampton's RAC.
66. Notwithstanding these UPRO losses and the reported RAC, throughout March 2020, Deeb engaged in trading activity that would have required available RAC or the posting of margin. Specifically, for the YZ Account:
  - On March 10, 2020, Deeb purchased 2,000 AMZN shares which would have required approximately \$1,200,000 of Hampton's capital (without considering concentration charge or other positions in the YZ Account)
  - Also on March 10, 2020, Deeb purchased net 45,000 UPRO shares which would require a further \$625,000 of Hampton's capital
  - On March 18, 2020, Deeb purchased net 180,000 UPRO shares which would have required approximately \$1,400,000 of Hampton's capital (without considering concentration charge or other positions in the YZ Account)
  - Also on March 18, 2020, Deeb purchased 5,365 and sold 3,365 AMZN shares (net 2,000 AMZN shares), which would have required approximately

\$1,200,000 of Hampton's capital (without considering concentration charge or other positions in the YZ Account)

- On March 25, 2020, Deeb purchased 2,500 AMZN shares which would have required approximately \$1,200,000 of Hampton's capital (without considering concentration charge or other positions in the YZ Account)
- Also on March 25, 2020, Deeb purchased 9,700 shares of JPM at a cost of over \$1,000,000

#### **Failure to maintain adequate internal controls and proper books and records**

67. The Respondents have not provided an audit trail or records related to the trading described above, which audit trail should have been readily available. Enforcement Staff had to expend extensive time and resources to gather a portion of the necessary audit trail records through NBIN and Hampton's US executing broker, all of which prolonged and increased the complexity and cost of the investigation unnecessarily.
68. There are numerous entries in Hampton's books and records and the CD Account that inaccurately reflect the time, size and sequence of orders and commitments made in the CD Account. Hampton did not record trades at the times and in the volumes and prices as they occurred. These inaccurate entries do not allow credit and supervision personnel to consider the true amount of funds involved and the degree of risk to which the CD Account was exposed.
69. For example, there are significant discrepancies regarding the UPRO transactions allocated to the CD Account between:
  - the trades as Deeb entered them and as they were executed at the US executing broker; and
  - the representations Deeb caused to be made in Hampton's books and records and NBIN's records.

70. The recording in Hampton's books and records suggests numerous buy/sell pairs of either 1,000 or 2,000 shares at a small spread.
71. Hampton's records indicate that on February 25, 2020, CD made 744 different purchases of 2,000 UPRO shares and each of the 744 purchases was made at the identical price. Hampton's records further indicate that on the same day, CD made 400 sells of 2,000 UPRO shares, all at the same price, while 344 sells of 2,000 UPRO shares occurred at the same price (but different from the group of 400 UPRO sells).
72. The US executing broker's records of the underlying UPRO orders placed by Deeb and the trades executed do not correspond to the small pair transactions as indicated in the Hampton books and records.
73. In addition, the inaccurate recording and allocating of trading activity resulted in inaccurate filings of Hampton's MFRs for February 2020 and March 2020.
74. The February 2020 MFR did not take into account:
  - US\$782,584 realized UPRO losses and margin requirement in the VY account for which there are no records or evidence of *bona fide* underlying client orders;
  - realized and unrealized losses and margin required on a position in Hampton's inventory trading in SPCE that remained in the VY average price account when it was for proprietary inventory trading and should have been in the YZ Account (and included in Hampton's MFR calculation).
75. Similarly, the March 2020 MFR did not take into account US\$1,202,941 realized losses and a further US\$656,160 unrealized losses on UPRO in the VY Account for which there were no records or evidence of *bona fide* underlying client orders.

#### **Business Conduct Compliance Review**

76. The BCC department of CIRO is responsible for ensuring compliance by Dealer Members with CIRO requirements and securities regulatory requirements generally.

As part of its function, BCC Staff conduct routine field reviews of Dealer Members. Results from the field reviews are contained in a BCC Examination Report.

77. The most recent BCC Examination Report for Hampton was dated April 13, 2022 and related to field work completed in 2021 (the “2022 BCC Report”). The field review covered the time frame when Deeb was not only UDP but also Acting CCO of Hampton (March 2020 to September 2020).
78. The 2022 BCC Report detailed numerous repeat and significant deficiencies regarding fundamental regulatory requirements. In particular, neither Deeb nor Hampton could locate and provide critical supervisory records when requested.
79. The 2022 BCC Report identified concerns with Hampton’s lack of record keeping and noted that it had “difficulty finding and providing evidence of key corporate documents including supervisory oversight records and corporate governance materials.”
80. The 2022 BCC Report concluded: “the lack of complete records caused the firm’s failure to demonstrate the degree and extent of its oversight, if any.”
81. Deeb as UDP and as Acting CCO, had an obligation to establish an adequate compliance system to supervise the activities of Hampton and ensure compliance with securities regulatory requirements by the Dealer Member and the individuals acting on its behalf.

**DATED** at Toronto, Ontario this ~~November 8, 2022~~ January 7, 2025.

## APPENDIX "A"

### Trades in VY Account (January – February, 2020)

Date	Buys in VY in day?	Sells in VY in day?	VY Accumulation Allocated?	Description of Allocation from VY to CD account
Prior to Jan 2020			no	
2-Jan-20	Yes	Yes	no	
3-Jan-20		Yes	no	
6-Jan-20	Yes	Yes	no	
9-Jan-20	Yes	Yes	no	
10-Jan-20	Yes	Yes	day only	
13-Jan-20	Yes	Yes	day only	
14-Jan-20	Yes	Yes	no	
15-Jan-20	Yes	Yes	no	
16-Jan-20	Yes	Yes	no	
17-Jan-20	Yes	Yes	no	
21-Jan-20	Yes	Yes	no	
22-Jan-20	Yes	Yes	no	
23-Jan-20	Yes		no	
24-Jan-20	Yes		no	
27-Jan-20	Yes		no	
28-Jan-20	Yes	Yes	no	
30-Jan-20	Yes	Yes	day only	
31-Jan-20	Yes	Yes	no	
3-Feb-20	Yes	Yes	no	
4-Feb-20		Yes	no	
5-Feb-20	Yes	Yes	no	
6-Feb-20		Yes	no	
7-Feb-20	Yes		no	
10-Feb-20	Yes	Yes	day only	
11-Feb-20	Yes	Yes	no	
12-Feb-20			no	
13-Feb-20	Yes	Yes	no	
14-Feb-20			no	
17-Feb-20			no	
18-Feb-20	Yes	Yes	no	
19-Feb-20		Yes	no	
20-Feb-20	Yes	Yes	no	
21-Feb-20	Yes	Yes	no	
24-Feb-20	Yes	Yes	no	
25-Feb-20			YES	<b>1,490,784 shares each UPRO Buys and Sells</b>
				744 buy/sell pairs of 2,000 shares cumulative
				1 buy/sell pair of 2,784 shares cumulative