Unofficial English Translation

Re Laurentian Bank Securities Inc.

IN THE MATTER OF:

The Rules of the Investment Industry Regulatory Organization of Canada

and

The Universal Market Integrity Rules

and

Laurentian Bank Securities Inc.

2020 IIROC 24

Investment Industry Regulatory Organization of Canada Hearing Panel
(Québec District)

Hearing (electronic): April 16, 2020, in Montréal (Québec)
Decision: April 16, 2020
Reasons for decision: July 15, 2020

Hearing Panel
Jean Martel, Ad. E., Chair, Jean-André Élie and Marcel Paquette
Appearances
Fanie Dubuc, Enforcement Counsel, for IIROC
Sean Griffin, for Laurentian Bank Securities Inc.

DECISION RESPECTING ACCEPTANCE OF THE SETTLEMENT AGREEMENT

¶ 1 On April 16, 2020, an electronic hearing was held before our Hearing Panel relative to a settlement agreement (the **Settlement Agreement**, or **the Agreement**), which the parties, namely the Investment Industry Regulatory Organization of Canada (**IIROC**) and Laurentian Bank Securities Inc. (the **Respondent**, **LBS** or the **Firm**), jointly recommended for our acceptance.

¶ 2 The Agreement was drafted in English, signed by LBS on February 7, 2020 and agreed to by IIROC Enforcement Staff on February 12, 2020.

¶ 3 At the close of the hearing, after familiarizing ourselves with the documentation filed in evidence, hearing the pleadings of legal counsel for both parties, and deliberating, we exercised the authority granted us under Rule 8215(5) of *the IIROC Consolidated Enforcement, Examination and Approval Rules* (the **Consolidated Rules**) and accepted the agreement.

¶ 4 This decision, to which the accepted Agreement is appended and forms an integral part hereof, sets

out our reasons for doing so.

I. THE AGREEMENT

¶ 5 Below, we summarize the essential facts admitted in the Agreement, the contraventions agreed to by the Respondent, and the penalties agreed to between the parties.

1.1 The essential facts

¶ 6 The description of the facts requires some preliminary background on the regulatory context applicable to LBS.

¶ 7 The Respondent is an IIROC Dealer Member (**Dealer Member**) operating in Québec.

¶ 8 Its registration pursuant to the securities legislation authorizes it to conduct trading activities on the *securities* markets,[1] for which it is notably subject to supervision and control by IIROC (the "**trading activities**" or the "**trades**").

¶ 9 Trading activities of a Dealer Member correspond to:

a) its access to *a recognized exchange,* a *recognized quotation and trade reporting system*, an *alternative trading system* or an organized over-the-counter market (**marketplace**);

b) its offer of services that permit eligible clients, through it, to access a market directly by electronic means and carry on their own trading activities, under certain conditions;[2]

c) its own trading activities as a market participant (**participant**), among them those conducted in its capacity as a *member*, *user* or *subscriber* of this market and, more particularly, its stock market order entry activities on behalf of clients.[3]

¶ 10 These trading activities are governed by rules, standards, principles and other market integrity requirements (**integrity standards**, or **standards**).

¶ 11 Under the terms of the Agreement, the Respondent was engaging in all of these types of activities at the time of the alleged contraventions, making it a *participant* under the meaning of UMIR (UMIR 1.1 and Policy 10.1, Part 1).

¶ 12 The market integrity standards require the Dealer Member to adopt and apply written controls, policies and procedures (**policies and procedures**) to ensure the observance of these standards by the directors, officers, partners and employees involved in its trading activities.[4]

¶ 13 Among other measures, the Dealer Member's policies and procedures must implement a trading supervision system (**supervision system**).

¶ 14 This internal system must enable the Dealer Member to verify the compliance of its trading activities

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[1] "S*ecurities",* here, essentially means the securities identified in the legislation (among them public or private debt securities as defined under the UMIR, referenced in par. 15 of the Agreement) and which are eligible to be traded on a marketplace or over-the-counter.

[2] These are LBS clients that can route orders to a market electronically, either via the Dealer's trading systems for later automatic transmission to the market, or to the market directly by using these systems: Section 1 of *Regulation 23-103 respecting electronic trading and direct electronic access to marketplaces*, the definitions of "direct electronic access" and "client with direct electronic access". These clients may notably be other investment dealers or *Foreign Dealer Equivalents*, under the meaning of UMIR 1.1.

[3] The expressions in italics in this paragraph 9 refer to the definitions in sections 1.1 and 1.4 of *National Instrument 21-101 – Marketplace Operation*.

[4] UMIR 7.1(1) and 7.1(2)(b).

with the standards applicable in the market sectors where it is present.[5]

¶ 15 Such verification implies, as the case may be, monitoring, testing, documenting, identifying deficiencies, flagging their occurrence, establishing evidence and reporting trading activities that must be supervised.

¶ 16 The integrity standards require that the Dealer Member's supervision system be adequate and have the required effectiveness to fulfill its purpose.[6]

¶ 17 It is the inadequacy of the Respondent's supervision system and certain of its manifestations that led to the conclusion of the Settlement Agreement, following an IIROC examination and enforcement process that took place in two stages.

¶ 18 First, over a period during which the Respondent's alleged contraventions were committed (the **material period**). This period began in November 2015 and ended in May 2018.

¶ 19 Then, from May 2018 to June 2019, the Respondent undertook a remediation phase to regularize the situation observed by IIROC **(Phase II)**.

¶ 20 In October 2015, IIROC's Trading Conduct Compliance staff (the **Staff)** completed a first review of the Respondent's trading supervision system.

¶ 21 The review showed some major deficiencies in the design or application of the system with respect to the applicable integrity standards.

¶ 22 The Staff asked the Respondent for explanations and comments, as well as for an action plan and a commitment on its part to remedy these deficiencies by a stipulated deadline.

¶ 23 Representations and commitments were obtained from the Firm, and the Staff concluded its first review.

¶ 24 Eighteen months later, in April 2017, the Staff conducted a follow-up examination. They found that the Respondent had not completed all of the corrective measures promised in 2015.

¶ 25 Following this second examination, the dialogue between the Staff and the Firm resumed, an examination report was sent to the latter in October 2017, and certain of the deficiencies noted at the time were corrected over the course of the year.

¶ 26 As for those that persisted in early 2018, the Staff took the position that the Respondent would not be able to remedy them by its own means, at least not within a reasonable timeframe.

¶ 27 The Staff determined therefore that LBS must implement a remediation plan that will enable it to regularize it situation, as well as retain the services of an outside regulatory compliance consultant to support it in this task.

¶ 28 On April 16, 2018, the Staff recommended to IIROC that it impose the following conditions on the Dealer's membership.

- *The hiring of a compliance consultant (the Consultant) at the respondent's expense and with prior approval by IIROC;*
- *The preparation and implementation of a remedial action plan approved by IIROC to strengthen the oversight system [**the remediation plan**];*
- *Monthly progress reporting to IIROC;*

[5] In the cases and according to the terms and conditions provided in Policy 7.1, which we return to later in our analysis of the standards of integrity.
[6] UMIR 7.1(6).

- *Attestation by the Consultant, confirming that the deficiencies targeted by the remediation were corrected and that the corrections to these deficiencies had been tested and were effective and in compliance with regulatory requirements;*
- *The conduct of targeted reviews by IIROC to confirm that the deficiencies targeted by the remediation plan were corrected in accordance with regulatory requirements."* [7]

¶ 29 We add this side note to point out that these *conditions on the Dealer's membership* are imposed under the authority of IIROC Consolidated Rule 9208.

¶ 30 The Dealer Member must comply with these conditions, otherwise it risks exclusion from IIROC's ranks and the loss of its registration as an investment dealer by virtue of the securities legislation.

¶ 31 It is therefore a highly compelling measure, but one that is focused on regularizing a problem situation that is deemed remediable while the Dealer Member remains in operation, as opposed to its suspension or exclusion from securities trading.

¶ 32 On April 30, 2018, having decided not to avail itself of the opportunity offered it to be heard on the subject, the Firm accepted the recommended conditions and, on May 7, 2018, IIROC formally imposed these conditions.

¶ 33 The consultant's mandate was subsequently approved.[8]

¶ 34 Among other things, it calls for this person to assist the Respondent with the training of its employees who are responsible for the securities trading, thus implying that the Firm's internal training programs leave something to be desired.

¶ 35 Then, during Phase II, the LBS remediation plan was developed and deployed effective August 2018.

¶ 36 In early June 2019, the Staff reviewed the conditions imposed on the Firm.

¶ 37 These reviews, supported by affidavits from the consultant, convinced the Staff that the remedial plan was duly executed and, finally, on June 18, 2019, the conditions were lifted.

¶ 38 Enforcement proceedings were then initiated against the Respondent, thus leading to the negotiation and conclusion of the Settlement Agreement between the parties.

1.2 The admitted contraventions

¶ 39 In par. 34 of the Agreement, the Respondent admits that: "[…] *Between November 2015 and May 2018, [it has] failed to implement and maintain an adequate trading supervision system and failed to comply with its trading supervision obligations, contrary to UMIR 7.1 and Policy 7.1."*

¶ 40 To appreciate the true nature and scope of the contraventions admitted by the Respondent, the general terms of par. 34 must be interpreted in conjunction with the descriptive elements of pars. 14 to 20 of the Agreement.

¶ 41 This holistic approach shows that the Respondent admits to having committed the following contraventions (**admitted contraventions**) during the material period.

¶ 42 First, the Firm had in place and used a trading supervision system which, with respect to the matters described in pars. 15, 16 and 20 of the Agreement (the **areas in question**), was inadequate because it did not lead to internal examinations and the application of the required documented controls.

¶ 43 Par. 14 of the Agreement groups the **areas** that are the focus of this type of contraventions into six categories:

[7] Par. 28 of the Agreement.

[8] The mandate is described in par. 29 of the Agreement.

a) Supervision of trading – Internal examinations and testing;

b) Supervision of over-the-counter trades and debt market trading;

c) Compliance with the Electronic Trading Rule;

d) Supervision of third-party electronic access to marketplaces;

e) Compliance with the Order Protection Rule;

f) Compliance with Best execution.

¶ 44 Secondly, the Respondent failed in its trading supervision duty in the cases and in the manner described in pars. 17, 18 and 19 of the Agreement, either because its supervision system did not provide the required mechanisms for control, reporting to IIROC, or prevention of certain inappropriate trades, or because these mechanisms, when they were provided, were not used the way they should be.

1.3 The agreed sanctions

¶ 45 Conditionally on the acceptance of the Settlement Agreement by our Hearing Panel, the parties have agreed that the admitted contraventions should be sanctioned as follows:

a) the imposition of a $250,000 fine; and

b) costs in the amount of $25,000.

II. THE ANALYSIS

The applicable integrity standards

¶ 46 Throughout the material period, LBS was supposed to adequately supervise its trading activities and their order execution practices on the markets, in such a way as to respect the various integrity standards that governed these trades (UMIR Policy 10.1, Part 1).

¶ 47 The Agreement identifies some of the standards. It does so either in express terms or implicitly, by the description it gives of the areas of contravention or failures to comply with pars. 15 to 20 of the Agreement.

¶ 48 These are, of course, standards provided under UMIR and their Policies, but also in other regulatory instruments such as:[9]

a) *National Instrument 21-101 – Marketplace Operation*;

b) *National Instrument 23-101 – Trading Rules* and, more notably, the Best Execution rules[10] and the Order Protection Rule[11] prescribed in its Parts 4 and 6;

c) *Regulation 23-103 respecting electronic trading and direct electronic access to marketplaces* (*Electronic Trading Rules*);[12]

d) Some of *IIROC's Dealer Member Rules*, among them Rule 3300, *Best Execution of Client Orders*; and

e) The Marketplace Trading Obligations established by each market, in accordance with the meaning given to this expression in UMIR 1.1, and which must be respected by a participant in the areas that are the object of the Respondent's contraventions.

¶ 49 To ensure compliance with these standards, the Respondent's policies and procedures were supposed

[9] Policy 10.1, *Compliance Requirement*, Part 1.

[10] See par. 20 of the Settlement Agreement and Rule 3300 of *IIROC's Dealer Member Rules*, *Best Execution of Client Orders.*

[11] Par. 19 of the Settlement Agreement.

[12] See par. 17 of the Settlement Agreement and the definition in UMIR 1.1.

to implement a trading supervision system that is adequate, adapted to the nature and scope of its activities, and has the desired efficiency.

¶ 50 Several passages of UMIR Policy 7.1 explain the principles that IIROC expects its Dealer Members to follow in order to demonstrate the adequacy of their supervision system:

a) *"An effective supervision system requires a strong overall commitment on the part of the Participant, through its board of directors, to develop and implement a clearly defined set of policies and procedures that are reasonably designed to prevent and detect violations of Requirements."* (Part 1 of the Policy)

b) *"Management of the Participant is responsible for ensuring that the supervision system adopted by the Participant is effectively carried out."* (Part 1 of the Policy)

c) *"The head of trading and any other person to whom supervisory responsibility has been delegated must fully and properly supervise all employees under their supervision to ensure their compliance with Requirements."* (Part 1 of the Policy)

d) *"The compliance department is responsible for monitoring and reporting adherence to rules, regulations, requirements, policies and procedures. In doing so, the compliance department must have a compliance monitoring system in place that is reasonably designed to prevent and detect violations."* (Part 1 of the Policy)

e) *"In performing the trading supervision obligations, the Participant will act as a "gatekeeper" to help prevent and detect violations of applicable Requirements."* (Part 1 of the Policy)

f) *"* […] *a supervision system consists of both policies and procedures aimed at preventing violations from occurring and compliance procedures aimed at detecting whether violations have occurred."* (Part 2 of the Policy)

g) *"Regardless of the circumstances, every participant must* […] *review the supervision system at least annually to ensure it continues to be reasonably designed to prevent and detect violations of Requirements."* (Part 2 of the Policy)

h) *"A Participant's supervision system must at a minimum include the regular review of compliance with respect to the following provisions for trading on a marketplace where applicable to their lines of business*:[13]

- *Audit Trail requirements (Rule 10.11)*
- *Electronic Access to Marketplaces (Rule 7.1)*
- *Specific Unacceptable Activities (Rule 2.1)*
- *Manipulative and Deceptive Activities (Rule 2.2)*
- *Trading in restricted securities (Rule 7.7)*
- *Trading of grey list securities (Rule 2.2)*
- *Disclosure requirements (Rule 10.1)*
- *Frontrunning (Rule 4.1)*
- *Client/Principal Trading (Rule 8.1)*
- *Client Priority (Rule 5.3)*

[13] The Respondent's obligation to supervise the application of several of the UMIR provisions is at the origin of the contraventions admitted in par. 15 of the Settlement Agreement.

- *Best Execution (Dealer Member Rule 3300)`*
- *Order Exposure requirements (Rule 6.3)*
- *Time synchronization requirements (Rule 10.14)."*

(Part 3 of the Policy)

i) *"Each Participant must develop, implement and maintain a supervision system to ensure that an order:*

- *marked as "directed action order" in accordance with Rule 6.2 does not result in a tradethrough other than a trade-through permitted under Part 6 of the Trading Rules;*[14] *or*
- *entered on a foreign organized regulated market complies with the conditions in subsection (3) of Rule 6.4."*

(Part 6 of the Policy)

j) *"Each Access Person must adopt written policies and procedures reasonably designed to detect and prevent an order marked as a "directed action order" in accordance with Rule 6.2 from resulting in a trade-through other than a trade-through permitted under Part 6 of the Trading Rules."*

(Part 6 of the Policy)

¶ 51 The Respondent's supervision system has not met these expectations, with the consequence that the deficiencies in its design or implementation have translated into contraventions of the UMIR, their Policies and other integrity standards.

¶ 52 These standards pursue objectives that are fundamental to the public interest: namely, to prevent fraudulent and manipulative activities on the markets, and to promote just and equitable trading principles.[15]

¶ 53 The net effect of their application is to permit investors to trade on a marketplace where participants operate honestly, ethically, and with a concern for meeting requirements.

¶ 54 These standards also contribute to the smooth functioning of the capital markets.

¶ 55 When applied appropriately to the trading activities of each of their participants and when the latter comply with them, they improve the trading processes and practices on these markets, thus preserving their transparency and efficiency for the benefit of their stakeholders.

¶ 56 When a market lacks the necessary integrity, we find that, indeed, there is an increased risk of informational asymmetry among its participants, as well as the risk of it becoming a theater for fraudulent or manipulative trading.

¶ 57 This lack of integrity also affects market transparency,[16] driving away the flow of orders as less well-

[14] The Respondent's obligation to supervise the application of this provision is at the origin of the contraventions admitted in par. 19 of the Settlement Agreement.

[15] These objectives are at the very core of the expectations of the securities regulatory authorities that recognize IIROC as a self-regulatory organization and delegate it regulatory powers to act to this end. They correspond to the supranational securities regulatory principles adopted by the International Organization of Securities Commissions: *Objectives and Principles of Securities Regulation, International Organization of Securities Commissions* (IOSCO), Principles 34 and 36.

[16] Market transparency is a market's capacity to provide the investor with the trustworthy and timely information that the latter needs to make investment decisions according to his objectives and circumstances, at a price that can be found and compared.

informed participants lose confidence, diminishing the market's liquidity, increasing trading costs and reducing its efficiency.[17]

¶ 58 In short, when a participating dealer seriously violates the integrity standards of a market where it trades, such conduct betrays the above-cited objectives of the public interest and may interfere with the fair and orderly operation of this market.

¶ 59 By the same token, the offending dealer increases the exposure to operational, financial or regulatory risks not only for the firm, but also for a wide range of stakeholders.

¶ 60 These stakeholders may include the clients for whom the Firm acts as "gatekeeper" by supervising the clients' trading (Policy 7.1, Part 1; Policy 8.1, Part 2), the other participants on these markets, their own client investors, individuals who have direct access to these markets through other participants, the issuers of securities listed on these markets, and the general public.

¶ 61 The background being thus established, what was the Respondent's misconduct given the circumstances of this matter?

¶ 62 The contraventions admitted by LBS relate exclusively to its trading supervision obligations. These are of two orders.

¶ 63 First, the Respondent failed to apply an adequate trading supervision system, since its processes did not give rise to all of the compliance examinations and to the adequate controls that were required in the areas that were the object of the Agreement.

¶ 64 We are referring notably to the following areas, where compliance with standards is vital to maintaining fair and orderly markets and protecting investors:

- Exposure of Client Orders (UMIR 6.3);
- Exhaustiveness of audit trails (UMIR 10.11);
- Client Priority and Front Running (UMIR 5.3);
- Short sales (UMIR 3.1);
- False or Misleading Appearance of Trading Activity or Artificial Price (UMIR 2.2 and Policy 2.2);
- rules applicable to routing arrangements, to client principal trading, to agency transactions (UMIR Policy 8.1);
- Client Principal Trading (UMIR 8);
- debt securities trading;
- prevention of Trade-throughs; and
- commitments and trading by clients with direct electronic access.

¶ 65 The Respondent also admitted to a second category of contraventions, involving transgressions attributable to deficiencies in its supervision system.

¶ 66 In some areas, these deficiencies are of a technical nature, and their impact on the general quality of the Respondent's trading activities is more limited. In others, particularly with respect to the supervision of clients with direct electronic access, their potential effects on the maintenance of fair and orderly markets are more disruptive.

¶ 67 The Settlement Agreement does not attempt to quantify the gaps in compliance with the standards,

[17] Market efficiency is the market's capacity to offer investors easy, low cost trading opportunities.

such as market manipulations for example, which the contraventions admitted to by the Firm may have led to in the areas targeted by the Agreement, whether they were committed by the Respondent or by third parties, such as its traders or its clients with direct electronic access.

¶ 68 However, it is certain that in the areas mentioned in the Respondent's contraventions, its deficient supervision considerably increased the risks of it being unable to prevent, or detect, the commission of infractions of the standards by the Firm or by numerous other market stakeholders in a large number of situations.

¶ 69 Since the Agreement does not demonstrate that these risks materialized and resulted in complaints or collateral losses for LBS clients, or that they harmed the fair and orderly nature of the markets, the Hearing Panel takes for granted that there have been none to date, for purposes of exercising its authority in the matter.

2.2 Discussion of the facts

¶ 70 LBS admitted having deviated, in many important respects and in a continuous fashion, over a lengthy period of two and a half years, from market integrity standards that it had a fundamental duty to uphold in the interest of its clients and the other stakeholders in the markets where it traded, including the general public.

¶ 71 The Respondent thus allowed its trading activities to go unregulated and unsupervised contrary to the standards.

¶ 72 In so doing, the Firm unduly exposed these stakeholders to regulatory and financial risks that they would not normally incur, or facilitated the materialization of these risks to the detriment of the markets.

¶ 73 It did so in circumstances where IIROC had officially warned it of the irregular supervision under which its trading activities were being conducted.

¶ 74 It also did so while omitting or neglecting to honour all of the commitments that it had made to IIROC to remedy the situation according to an agreed timetable.

¶ 75 The Respondent demonstrated, in so doing, a flagrant lack of care and vigilance in the follow-up that was called for in the wake of the first examination of its supervision system by IIROC, in 2015.

¶ 76 Only carelessness or negligence of the Firm's governing body, or the fact that it relied on staff that did not have the required training, commitment or competence, can explain such a state of affairs.

¶ 77 In every respect, this attitude is an aggravating factor in our appraisal of the penalties that have been agreed upon.

¶ 78 After the second examination in April 2017, the Respondent's conduct took a more constructive direction, and it remedied during the year part of the supervision deficiencies alleged by the Staff.

¶ 79 But this apparently greater will to regularize its situation was not enough to have it voluntarily take all of the means at its disposal to accomplish this.

¶ 80 It was only through tough enforcement measures, almost as a last resort in the circumstances, that the Respondent's compliance record could be restored to an acceptable level by IIROC.

¶ 81 It is distressing to note how the Respondent's conduct forced IIROC to go through all of these steps, over a period of more than four years, for the Firm to finally turn itself around.

¶ 82 It is evidence of a compliance culture within the Firm that, during the material period, failed to meet the accepted industry standards.

¶ 83 To us, this situation was totally unacceptable, and it was in the public interest to have it vigorously stamped out.

III. THE ACCEPTABILITY OF THE AGREEMENT

3.1 The Acceptability Criteria

¶ 84 The rules that must guide us in our consideration of a settlement agreement are well established.

¶ 85 Some are codified in *IIROC's Dealer Member Rules*, and some are from a consistent case law. Here is a summary.

¶ 86 Following a settlement hearing, the role of our Hearing Panel is to accept or reject the settlement agreement submitted for its consideration (Consolidated Rule 8215 (5)).

¶ 87 We must avoid interfering in the parties' settlement process, which is one of negotiation and compromise, by trying to substitute our own discretion to that of the Staff that accepted the terms of the settlement.

¶ 88 We must always keep in mind that the penalties agreed in this context may still be acceptable even if they do not correspond entirely to those that we ourselves might have imposed at the close of a contested hearing, by basing ourselves on proven facts that are similar to the facts admitted in the agreement (*Re Graydon Elliot Capital Corporation* [2007] I.D.A.C. No. 43; *Re Bereskin* 2010 IIROC 37; *Re Rao* 2011 IIROC 12, *Re BMO Nesbitt Burns* 2012 IIROC 21; *Re Faber* 2014 IIROC 14, par. 9; *Re M Partners and Isenberg* 2018 IIROC 25, par. 19; see also Rule 8215(4) of the Consolidated Rules).[18]

¶ 89 Our Hearing Panel must accept the Settlement Agreement that the parties recommend to us for acceptance if it can conclude that the proposed penalties fall within a "reasonable range of appropriateness" with regard to the admitted contraventions (*Re Milewski* [1999] I.D.A.C. No. 17, p. 11; *Re Bereskin* 2010 IIROC 37; *Re BMO Nesbitt Burns* 2012 IIROC 21; *Re Groome* 2013 IIROC 28; *Re Côté & Côté* 2018 IIROC 23; *Re Maurice* 2019 IIROC 20).

¶ 90 To determine this appropriateness, the Hearing Panel must satisfy itself that the agreed penalties, given:

a) the agreed-upon facts;

b) the mitigating circumstances and aggravating factors that these facts allow us to identify and assess; and

c) the relevant case law;

are neither lenient, nor harsh to the point of being unreasonable, contrary to the public interest, or of a nature to bring the administration of IIROC's disciplinary process into disrepute (*Re JitneyTrade* 2017 IIROC 25, par. 26; *Re Kloda* 2016 IIROC 50, par. 15).

¶ 91 Furthermore, to be considered appropriate, these penalties must seem fair and equitable to us (*Re Cavalaris* 2017 IIROC 4; *R. v. Anthony Cook* [2016] SCC 43, pars. 17 and ss.).

¶ 92 Finally, a hearing panel must give serious consideration a joint submission by counsel for both parties when assessing a penalty, unless it is unfit or unreasonable or contrary to the public interest, and should not be departed from unless there are good or cogent reasons for doing so (*Re Cavalaris* 2017 IIROC 4; *Re JitneyTrade* 2017 IIROC 25, par. 55; *R. v. Anthony Cook* [2016] SCC 43, pars. 17 and ss.; *Rault v. Law Society of Saskatchewan* [2009] SKCA 81, par. 13).

¶ 93 Now let us see how these criteria can apply in the present matter.

3.2 The appropriateness of the agreed-upon penalties

¶ 94 For purposes of evaluating the appropriateness of the agreed-upon penalties and determining whether

[18] Indeed, this is why it has the authority to accept or reject the settlement, but not to approve the settlement.

they fall within a reasonable range of appropriateness, the parties invited the Hearing Panel to refer to the *IIROC Sanction Guidelines* (February 2, 2015 version) (the **Guidelines**) as a guide, as they themselves did when they negotiated these penalties.

¶ 95 This evaluation must be done in light of the objectives of protection of the stakeholders in accordance with the market integrity standards, which includes protection of the participants, the securities markets and the investing public (*Re Jory Capital Inc & Cooney* 2011 IIROC 7, par. 7). This is what we have done in every respect thus far.

¶ 96 It must also take into account the objectives of preventing a repeat offence, along with specific and general deterrence.

¶ 97 These objectives mean that "[…] *sanctions should be significant enough to prevent and discourage future misconduct by the respondent (specific deterrence), and to deter others from engaging in similar misconduct (general deterrence)."* [19]

¶ 98 Finally, this evaluation involves examining the mitigating circumstances and aggravating factors arising from the agreed-upon facts in the settlement agreement.

¶ 99 Clearly, in this matter, the aggravating factors predominate.

¶ 100 The intrinsic gravity of the offences committed by the Respondent is high, by reason of the systemic importance of the market integrity standards which it violated continuously over a long period.

¶ 101 In many areas covered in the Agreement, it failed by its own actions to fulfill its regulatory obligations even though it had to know that it was deviating from the integrity standards.

¶ 102 There is nothing in the agreed-upon facts that indicates that the Respondent intentionally chose to act as it did, without regard for the applicable standards. Yet it did so anyway, with obvious carelessness and negligence, to the point that it is hard to see any difference.

¶ 103 In other cases, the Respondent neglected to take the required measures, in a timely fashion, to remedy the deficiencies that IIROC staff had warned about, and on which it had been kept fully up to date following repeated examinations, exchanges and follow-ups.

¶ 104 All of these circumstances are aggravating factors.

¶ 105 Moreover, the Respondent engaged in this misconduct even though it was dealing with two prior disciplinary proceedings from previous years – one of which occurred during the material period – for failure to supervise compliance with requirements provided under IIROC's *Dealer Member Rules.*

¶ 106 Even though the Hearing Panel recognizes that the sales compliance requirements targeted by these proceedings have no direct bearing on the enforcement of market integrity standards, these prior disciplinary proceedings nonetheless show that there are supervision problems and compliance deficiencies within the Firm, under conditions that are grave enough to give rise to disciplinary proceedings.

¶ 107 These proceedings should have made the Respondent more cautious, and alert it to the serious regulatory compliance issues that it was facing, especially while it was involved in discussions with Staff regarding this matter. Unfortunately, this was not the case.

¶ 108 The parties considered the prior disciplinary proceedings as aggravating factors in their evaluation of the level of penalties to be negotiated in the Agreement. They relied on the Guidelines

[19] Guidelines, Part I, *Sanction Principles for IIROC Disciplinary Proceedings*, section 1. In *Re BMO Nesbitt Burns Inc.* 2010 IIROC 39, par. 11, the hearing panel specified that it was important that the proposed penalty serve as a "*punishment for the party but also a warning to others ...".*

for this.[20]

¶ 109 They were justified in doing so, and there is reason to do the same in our evaluation of the appropriateness of these penalties.

¶ 110 The Hearing Panel has taken it for granted that, during Phase II, and even before as counsel for the Respondent emphasized to us at the hearing, LBS invested and shouldered substantial costs in order to complete the implementation of its remediation plan, and managed to comply with IIROC's terms and conditions.

¶ 111 In some cases, such expenses may be perceived as mitigating factors, as the hearing panels did in *Re Credit Suisse Securities (Canada) Inc*. 2011 IIROC 10 and *Re JitneyTrade* 2017 IIROC 25, but in these circumstances, IIROC imposed no terms and conditions on the respondents' membership, and no remediation plan.

¶ 112 We also heard numerous representations concerning the cooperation shown by the Respondent in developing and implementing its remediation plan (and even before, during the material period), describing it as excellent.

¶ 113 On these two points, the question to ask is whether LBS had a choice to incur these expenses or to refuse its full and complete cooperation to the IIROC staff, if it wanted to meet the latter's terms and conditions and remain a dealer member. The answer is: obviously not.

¶ 114 Once terms and conditions on its membership in IIROC required it, the Firm had no other choice but to consequently deploy the necessary human and financial resources, and perform to IIROC's satisfaction.

¶ 115 By cooperating with the Staff from that moment on – even proactively, of which the Hearing Panel has no doubt – the Respondent was simply honouring its regulatory obligations.

¶ 116 Once we are in the presence of an obligatory response by a Dealer Member to such a coercive enforcement measure as terms and conditions on the maintenance of its operating privileges, this response can no longer be described as the Dealer Member's willing cooperation with IIROC's public interest objective, nor can it consequently be assimilated to a mitigating factor.

¶ 117 Staff have argued that even in this case, a hearing panel might want to proceed with a qualitative appraisal of the cooperation shown in the implementation of a mandatory remediation plan and recognize the efforts of offenders who manage this type of operation better than others, as LBS has.

¶ 118 According to this theory, successful and on-time implementation of a remediation plan by the Dealer Member concerned could be perceived as meritorious cooperation, and have mitigating value in the appraisal of the appropriateness of penalties to impose on the Dealer Member based on these facts.

¶ 119 We cannot ascribe to this statement, for terms and conditions on membership proceed from a logic that seems to us incompatible with this reasoning.

¶ 120 This logic presumes that the Dealer Member will faithfully comply with these terms and conditions in order to stay in business, and if it cannot, it will ultimately be excluded from the securities industry.

¶ 121 This dynamic leaves no room for the voluntary cooperation of the Dealer Member, which is the sole token of its desire to improve and facilitate the task of restoring its compliance with standards, where any mitigating factors that might be taken into account reside.

¶ 122 In this matter, there is no goodwill voluntarily demonstrated by the Respondent; there is only a Dealer Member complying with terms and conditions in order to stay in business.

¶ 123 That it is doing so with commitment and to the more or less full satisfaction of IIROC staff, we do not

[20] Guidelines, Part 1, *Sanction Principles for IIROC Disciplinary Proceedings*, section 2.

deny that this is a valid attitude. But it is what one should normally expect from any Dealer Member placed in a similar situation, no more, no less.

¶ 124 This is why, in all fairness to the other Dealer Members who meet the standards, we must conclude that this conduct (though honourable) cannot be perceived as a mitigating factor.

¶ 125 For the same reasons, we cannot see any mitigating factors in the efforts, financial and otherwise, devoted by the Respondent in order to carry out the remedial action plan imposed on it by IIROC's terms and conditions.

¶ 126 Elsewhere, counsel for the Respondent brought to our attention that prior to Phase II, LBS had already deployed certain efforts to normalize its compliance situation, and that these efforts should be recognized as mitigating factors.

¶ 127 In effect, the agreed-upon facts demonstrate such efforts, and one can see in these a certain demonstration that the Respondent was accepting responsibility for part of its compliance gaps.

¶ 128 But the Respondent's acceptance of responsibility for certain deficiencies remedied in 2017 make even more obvious the irregularity of its situation concerning the deficiencies that the Firm allowed to persist that year.

¶ 129 Judging from the efforts that it subsequently took to correct them, these deficiencies could only be numerous and significant.

¶ 130 We know that a second phase (Phase II) that lasted a year was necessary to accomplish this, including three months to develop a remediation plan and nine months to deploy it to the satisfaction of IIROC's staff, all with the help of an outside compliance consultant.

¶ 131 This means that, in early 2018, the Respondent's supervision system was still in a very bad shape. Although the Firm worked to correct some of its deficiencies in 2017, there remained much to be done, as the subsequent imposition of conditions by IIROC attests.

¶ 132 For these reasons, these signs of acceptance of responsibility and active cooperation by the Respondent prior to Phase II have only a very relative mitigating value in our view.

¶ 133 Furthermore, we are of the opinion that the costs associated with IIROC's decision to order the recourse to a consultant must be taken into account in the evaluation of the appropriateness of the agreed-upon penalties.

¶ 134 The fact of shouldering these costs does not have real mitigating value, since the Respondent brought the imposition of this condition on itself, through conduct that convinced the IIROC staff that it was incapable of taking the required corrective action on its own.

¶ 135 Imposing the consultant was still a measure that was entirely optional on IIROC's part, and this power was exercised at a time when the admitted facts did not establish, under the circumstances, that this measure was indispensable to the success of the remediation plan.

¶ 136 Retaining the services of a consultant that IIROC trusted could just have well been advised or formally recommended to the Respondent, leaving it to the latter's discretion, without formally imposing it through terms and conditions on its membership. We see this, for instance, in *M Partners and Isenberg* 2018 IIROC 25. But IIROC decided otherwise, using its powers under Consolidated Rule 9208.

¶ 137 Even if mandatory recourse to a consultant is not a penalty strictly speaking, we think it is analogous in nature.

¶ 138 The consultant plays a supplemental role in the exercise of IIROC's oversight and monitoring powers over LBS.

¶ 139 To some extent, by having, for instance, the responsibility to attest that the remedial plan he helped develop has indeed been deployed and has effectively corrected the Respondent's supervision gaps, before conditions can be lifted, the consultant is providing regulatory services to IIROC, at the Respondent's expense.

¶ 140 The Respondent will therefore already have shouldered the cost of providing these services – a not insignificant cost, we were informed at the hearing – in addition to the penalties agreed to in the Agreement. The Hearing Panel needs to take this into account in its evaluation of the appropriateness of the "disciplinary price to pay" based on the admitted contraventions.

¶ 141 Finally, even though we have already mentioned that the Respondent deserves to be severely sanctioned, it seems to us logical and reasonable that this can be done in a consequential manner with the remediation approach, instead of exclusion from the industry, as IIROC has done in this case with the conditions it imposed on the Respondent's membership.

¶ 142 Here, the imposition of monetary penalties exclusively seems understandable to us, and acceptable.

¶ 143 The proposed penalties are a fine of $250,000 and costs in the amount of $25,000.

¶ 144 Initially, counsel for the parties emphasized to the Hearing Panel that these penalties achieved the required objectives of specific and general deterrence recommended by the Guidelines, and we agree with this.

¶ 145 The penalties are substantial, and of a nature to indicate to participants and their stakeholders that it is to their advantage to have a trading supervision system that is adequate and functional.

¶ 146 They are also sufficient, considering the cost of the services provided by the compliance consultant, which the Respondent has already assumed, to convince us that LBS will in the future pay proper attention to the appropriateness of the policies and procedures aimed at ensuring that its trading activities comply with the integrity standards.

¶ 147 We have studied the decisions cited as references to evaluate the fairness of the agreed-upon penalties. These decisions are: *Re JitneyTrade, Re M Partners and Isenberg*, *Re Northern Securities Inc., Re Credit Suisse Securities (Canada) Inc*., and *Re Jory Capital Inc & Cooney.*[21]

¶ 148 The monetary penalties approved in these matters range from $120,000 to $200,000, with costs ranging between $10,000 and $50,000, for violations of the integrity standards that, except in *Re Northern Securities*, were far more targeted and smaller in scope than in the Respondent' case.

¶ 149 In *Re Northern Securities*, which dates back 12 years, deficiencies had been observed in the supervision system of this investment dealer, which was smaller than LBS. The deficiencies are comparable to those that concern us here. They were the result of an intentional approach, and had persisted for just as long as the material period in the present disciplinary proceeding. The penalty provided in the settlement agreement, which was accepted, was a fine of $125,000 and costs in the amount of $50,000.

¶ 150 In comparison, in the more recent matter of *Re Jitney Trade* in 2017, for violations that were less extensive under UMIR than those of the present Respondent, and committed by a Dealer Member who also had just one relevant disciplinary record, the accepted penalties were a fine of $200,000 and costs in the amount of $25,000.

¶ 151 This means that the penalties agreed upon in the Agreement, which are comparatively more severe than those accepted in these precedents, and which have to do with more important deficiencies committed by a larger firm, are still fair and equitable given the circumstances before us.

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[21] *Re JitneyTrade* 2017 IIROC 25, *Re M Partners and Isenberg* 2018 IIROC 25, *Re Northern Securities Inc.,* RS Discipline Notice 2008-002, May 30, 2008, *Re Credit Suisse Securities (Canada) Inc*. 2011 IIROC 10, *Re Jory Capital Inc & Cooney* 2011 IIROC 7.

¶ 152 Consequently, we conclude, after analysis of the case law, the mitigating and aggravating factors identified and discussed above, and after due consideration of the other admitted facts – including the fact that the Respondent has already assumed the costs of the mandate completed by the consultant imposed by IIROC – that the penalties agreed upon in the Agreement are fair, proportional to the misconduct admitted by the Respondent, and a sufficient deterrent; in all, appropriate in the circumstances.

IV. THE CONCLUSIONS

¶ 153 For all these reasons, we allow the joint recommendation of the parties and accept the Settlement Agreement before us.

FOR THE REASONS DELIVERED ON THIS DATE, THE HEARING PANEL:

CONFIRMS its decision of April 16, 2020 to accept the Settlement Agreement appended to this decision and notably orders the following penalties against the Respondent:

1) a $250,000 fine; and

2) costs in the amount of $25,000, to be applied to the costs incurred by IIROC in this matter.

Dated this 15th day of July, 2020, at Montréal, Québec.

Jean Martel

Jean-André Élie

Marcel Paquette

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Investment Industry Regulatory Organization of Canada (IIROC) will issue a notice of application to announce that a settlement hearing will be held before a Hearing Panel (the Hearing Panel) to consider whether, pursuant to Rule 8215 of IIROC's Enforcement, Examination and Approval Rules, it should accept a settlement agreement (the Settlement Agreement) between Staff of IIROC (Staff) and Laurentian Bank Securities Inc. (the respondent).

PART II - JOINT SETTLEMENT RECOMMENDATION

2. Staff and the Respondent jointly recommend that the Hearing Panel accept the Settlement Agreement in accordance with the terms set forth below.

PART III – AGREED FACTS

3. For the sole purposes of the Settlement Agreement, the Respondent agree with the facts set out in Part III of this Settlement Agreement.

Overview

4. In April 2017, the Trading Conduct Compliance Staff of IIROC (TCC Staff) reviewed the trading supervision system of Laurentian Bank Securities Inc. (the Respondent). In the course of their review, TCC Staff noted that the Respondent had not corrected significant trading supervision deficiencies identified by TCC Staff in 2015.

5. A number of findings were addressed and corrected by the Respondent by the end of 2017.

Registration History

6. The Respondent is registered as an investment dealer and is a Participant under UMIR.

Background

The Trading Supervision Obligations under IIROC's UMIR 7.1 and Policy 7.1

7. IIROC's UMIR 7.1 and Policy 7.1 require that all Participants develop, implement and maintain policies and procedures, as well as a system of internal controls that are reasonably designed to ensure compliance with the regulatory requirements relating to trading conduct.

8. IIROC's Trading Conduct Compliance department (TCC) is tasked with regularly examining and testing Participants trading supervision systems to identify any problems or concerns.

9. When deficiencies are identified, Participants are required to address these concerns and to propose a course of action to correct the deficiencies.

Reviews by IIROC in 2015 and 2017

10. In October 2015, TTC Staff conducted a review and examined the Respondent's internal oversight and control system in connection with its trading activities (the Respondent's trading supervision system).

11. This examination resulted in findings of significant deficiencies in the Respondent's trading supervision system.

12. At the request of TCC Staff, the Respondent provided more detailed explanations as well as a timeline regarding the corrective adjustments that would be made to the system. TCC Staff accepted the Respondent's representations and closed its 2015 review.

13. In April 2017, TCC Staff conducted another review of the Respondent. This review resulted in identification of findings that had previously been made in the 2015 review.

Failures to comply with Trading Supervision Obligations

14. These findings correspond to failures to comply with the following trading supervision obligations:

    a) Supervision of trading – Internal reviews and testing;

    b) Supervision of over-the-counter transactions and debt market Trading;

    c) Supervision with respect to the Electronic Trading Rule;

    d) Supervision of third-party electronic access to marketplaces;

    e) Supervision with respect to the Order Protection Rule;

    f) Best execution.

A. Supervision of Trading – Internal Reviews and Testing

15. During the reviews conducted in 2015 and 2017, TCC Staff found a lack of evidence that internal reviews and trading controls were adequate for the following:

    - Order Exposure;
    - Order Markers;
    - Client-principal trading;
    - Synchronization of clocks;
    - Exhaustiveness of audit trails;
    - Disclosure of client-principal trades;
    - Marketplace disclosures;

- Client Priority and Front Running;
- Short Marking Exempt orders or trades;
- Short sales; and
- Artificial pricing.

B. Supervision of Over-the-Counter Transactions and Debt Market Trading

16. During the reviews conducted in 2015 and 2017, TCC Staff found a lack of evidence that internal reviews and trading controls were adequate for the following:

- Supervision of trading activity on debt securities, notably fair pricing;
- Fair and adequate allocation of new issues;
- Manipulative and deceptive trading activities on over-the-counter markets and fixed income securities markets;
- Accuracy and exhaustiveness of fixed income bonds trade reporting;
- Courses or training programs on over-the-counter trading and fixed income securities markets.

C. Supervision with respect to the Electronic Trading Rule

17. During the reviews conducted in 2015 and 2017, TCC Staff found deficiencies regarding the following:

- In the case of one routing arrangement (RA), the pre-trade risk controls did not include a volume filter;
- In the case of traders executing client-principal trades, the pre-trade risk controls did not include a filter for impact to market quality;
- In the case of two traders executing agency transactions for institutional clients, the pre-trade risk controls contained no filter for impact to market quality;
- Two clients were able to use the Order Execution Only (OEO) client identifier with the account name "*BACKOFFICE*".

D. Supervision of third-party electronic access to marketplaces

18. During the reviews conducted in 2015 and 2017, TCC Staff found deficiencies regarding the following:

- The Respondent did not report all changes related to direct electronic access (DEA) clients. Specifically, multiple trader identifiers for inactive and active DEA clients had not been deactivated from marketplace or reported to IIROC;
- One client's RA did not contain all of the required standards and conditions;
- The annual reviews for DEA clients were not performed adequately;
- There was no procedures to notify IIROC of:
    - Changes made to clients with a DEA or who have signed a RA;
    - Clients whose agreement was canceled because a condition of the agreement was not met;
    - Clients with order-execution-only (OEO) accounts, whose trading activity on marketplaces exceeds a daily average of 500 orders per trading day in any calendar month.

E. Supervision of Compliance with the Order Protection Rule

19. During the reviews conducted in 2015 and 2017, TCC Staff found deficiencies concerning the

Respondent's policies and internal controls designed to prevent trade-throughs.

F. Supervision of Best Execution Compliance

20. During the review conducted in 2017, TCC Staff found a lack of evidence that internal reviews and trading controls had been adequately completed for the following:

- The frequency of reviews and the method used to examine best execution;
- Demonstration that the best execution method in place is monitored and remains effective;
- The fairness and uniformity of allocations.

Conditions imposed on the Respondent's Membership

21. Following the review conducted in April 2017, in October 2017, TCC Staff sent the Respondent a report outlining the findings observed during the review of its trading supervision system.

22. A number of findings were addressed and corrected by the Respondent by the end of 2017.

23. In accordance with IIROC procedure, the Respondent had the opportunity to comment and explain its position in regard to the findings noted during the 2017 review.

24. Pursuant to TCC Staff's review of these responses, TCC Staff found that the Respondent would be unable, without assistance and within a reasonable timeframe, to correct the remaining deficiencies identified in 2015 and 2017 reviews.

25. Consequently, on April 16, 2018, TCC Staff recommended the imposition of terms and conditions on the Respondent's membership by virtue of Rule 9208 of the Consolidated Enforcement, Examination and Approval Rules of IIROC.

26. On April 30, 2018, the Respondent agreed to the recommended terms and conditions.

27. On May 7, 2018, IIROC imposed terms and conditions on the Respondent.

28. The terms and conditions were the following:

- The hiring of a compliance consultant (the Consultant) at the Respondent's expense and with prior approval by IIROC;
- The preparation and implementation of a remedial action plan approved by IIROC to strengthen the oversight system (the remediation plan);
- Monthly progress reporting to IIROC;
- Attestation by the Consultant, confirming that the deficiencies targeted by the remediation were corrected and that the corrections to these deficiencies had been tested and were effective and in compliance with regulatory requirements;
- The conduct of targeted reviews by IIROC to confirm that the deficiencies targeted by the remediation plan were corrected in accordance with regulatory requirements.

29. The Consultant's mandate was defined in the following manner:

- Review the internal operations, systems, policies and procedures of the Respondent;
- Formulate recommendations concerning the deficiencies and problems identified during the review conducted by TCC Staff in October 2017;
- Establish a plan, with a timetable setting out dates by which the Respondent was to have implemented each of the formulated recommendations;

- Assist the Respondent with the training of those of its employees who were in positions connected with trading conduct and/or its oversight.

Implementation of the Remedial Plan

30. Implementation of the remediation plan prepared by the Consultant took place between August 2018 and May 2019.

31. In June 2019, TCC Staff performed the targeted reviews, as provided in the terms and conditions imposed on the Respondent, to ensure that implementation of the remedial plan recommended by the Consultant had been followed and that all identified deficiencies had been corrected in accordance with IIROC's requirements.

32. During the targeted reviews, TCC Staff found that the remedial plan had been fully implemented and that the identified deficiencies had been corrected.

33. On June 18, 2019, pursuant to the targeted reviews conducted by the TCC Staff, IIROC removed the terms and conditions.

PART IV – CONTRAVENTION

34. By engaging in the conduct described above, the Respondent committed the following contraventions of IIROC's Universal Market Integrity Rules (UMIR):

Between November 2015 and May 2018, the Respondent failed to implement and maintain an adequate trading supervision system and failed to comply with its trading supervision obligations, contrary to UMIR 7.1 and Policy 7.1.

PART V - TERMS OF SETTLEMENT

35. The Respondent Laurentian Bank Securities Inc. agrees to the following sanctions and costs:

a) A fine of $ 250, 000 ; and

b) Costs in the amount of $ 25, 000.

36. If the Hearing Panel accepts this Settlement Agreement, the Respondent agree to pay the amounts referred to above within 30 days of such acceptance, unless otherwise agreed between Staff and the Respondent.

PART VI – STAFF COMMITMENT

37. If the Hearing Panel accepts the Settlement Agreement, Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.

38. If the Hearing Panel accepts the Settlement Agreement and the respondent do not abide by the terms thereof, Staff of IIROC may initiate proceedings against the Respondent pursuant to Rule 8200. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – SETTLEMENT ACCEPTANCE PROCEDURE

39. The Settlement Agreement is subject to acceptance by the Hearing Panel.

40. The Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing held in accordance with the procedures described in Sections 8215 and 8428, in addition to any other procedures that may be agreed upon between the parties.

41. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that

will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent do not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.

42. If the Hearing Panel accepts the Settlement Agreement, the Respondent waive his right, under IIROC rules and any applicable legislation, to a disciplinary hearing, review or appeal.

43. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement; or Staff may proceed to a disciplinary hearing in relation to the same allegations or to related allegations.

44. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.

45. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IIROC will post a full copy of this Settlement Agreement on the IIROC website. IIROC will also publish a summary of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement.

46. If this Settlement Agreement is accepted, the Respondent agree that neither he nor anyone on his behalf will make a public statement inconsistent with this Settlement Agreement.

47. The Settlement Agreement shall become effective and binding upon the Respondent and Staff from the date of its acceptance by the Hearing Panel.

PART VIII – SIGNATURE OF THE SETTLEMENT AGREEMENT

48. This Settlement Agreement may be signed in one or more counterparts which, together, will constitute a binding agreement.

49. The fax or electronic copy of any signature will be treated as an original signature.

DATED this February 7, 2020.

(s) Josh Wilson

Name: Josh Wilson

Title: Chief Compliance Officer

Laurentian Bank Securities Inc.

Respondent

DATED this February 12, 2020.

(s) Fanie Dubuc

Fanie Dubuc

Senior Enforcement Counsel, for Staff of IIROC