Re JitneyTrade

IN THE MATTER OF:

The Rules of the Investment Industry Regulatory Organization of Canada (IIROC)

and

JitneyTrade Inc. (the RESPONENT)

2017 IIROC 25

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

Heard: March 29, 2017
Decision: March 29, 2017
Written Reasons: April 24, 2017

Hearing Panel:
The Honourable Benjamin J. Greenberg, Q.C., C. ARB, Panel Chairman, Ms. Danielle Le May and Mr. John Ballard

Appearances:
Mr. Charles Corlett, Senior Enforcement Counsel on behalf of IIROC
Me Paul Déry-Goldberg, on behalf of the Respondent

UNANIMOUS DECISION ON THE SETTLEMENT AGREEMENT BETWEEN IIROC AND THE RESPONDENT

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I. INTRODUCTION

¶ 1 In these proceedings, the RESPONDENT was charged with one Count, namely :

> "Between September 2013 and October 2014, the Respondent failed to comply with its trading supervision obligations to prevent and detect violations of UMIR[1] 2.2 by one of its direct electronic access clients, contrary to UMIR 7.1 and UMIR Policy 7.1.

¶ 2 It has admitted that accusation and negotiated a settlement agreement ("**Settlement Agreement**") with IIROC's Enforcement Staff. A copy of the Settlement Agreement is attached to this Decision as Schedule "A".

¶ 3 The RESPONDENT and IIROC's Enforcement Staff agreed in the Settlement Agreement that the Sanctions to be imposed on the RESPONDENT will consist of a fine of $200,000 and costs of $25,000, both amounts payable to IIROC.

¶ 4 Pursuant thereto IIROC issued a Notice of Application to announce that it would hold a Settlement Hearing to consider and determine whether, pursuant to Section 8428 of the Consolidated Enforcement, Examination and Approval rules of IIROC, a hearing panel ("**Hearing Panel**") would approve and accept the Settlement Agreement.

¶ 5 The Settlement Hearing took place on March 29, 2017, at which no witnesses were presented. We heard the submissions of counsel and we have studied and discussed among ourselves the jurisprudence and other materials supplied to us by IIROC's Enforcement Counsel.

II. THE AGREED FACTS

¶ 6 The RESPONDENT is registered as an investment dealer; is a Participant under UMIR; is subject to IIROC's jurisdiction; and is a discount broker. It provides its clients direct electronic access to IIROC-regulated marketplaces.

¶ 7 The present case concerns one of the RESPONDENT'S direct access clients, Oasis World Trading Inc. ("**OASIS**").

¶ 8 OASIS is engaged in proprietary trading and has an interconnect agreement with the RESPONDENT whereby its orders are routed through the RESPONDENT directly to IIROC-regulated marketplaces.

¶ 9 The RESPONDENT used an electronic surveillance system developed in-house to detect manipulative trading activity (the "**Surveillance System**"). The Surveillance System generated alerts for manipulative activity based on parameters set by the RESPONDENT.

¶ 10 According to the RESPONDENT's policies and procedures, alerts for spoofing and layering[2] are to be reviewed on a daily basis. During the Relevant Period, OASIS triggered numerous alerts for spoofing and layering on a daily basis.

¶ 11 RESPONDENT did not quantify or analyse the type or number of alerts being generated by OASIS on a daily or monthly basis. As a result, the RESPONDENT could not adequately measure or assess the volume of potentially manipulative trading being flagged by the Surveillance System for OASIS and therefore could not make a reasonable determination on whether its compliance testing was adequate or whether it needed to be increased.

¶ 12 For example, the volume of layering alerts triggered by OASIS increased significantly in March 2014. This increase in volume should have prompted inquiries of the client and increased post order entry testing and

[1] UMIR is the acronym for : UNIFORM MARKET INTEGRITY RULES.
[2] See the descriptions of those terms at paragraphs 42, 43 and 44 below.

analysis to determine whether manipulative activity was occurring.

¶ 13 In 2014, the RESPONDENT filed ten reports with IIROC pursuant to UMIR 10.16 relating to manipulative trading practices by OASIS on ten occasions of securities trading on IIROC-regulated marketplaces (the "**Gatekeeper Reports**"). RESPONDENT was therefore aware that OASIS had engaged in manipulative trading practices.

¶ 14 Despite this knowledge and the alerts being generated by the Surveillance System for spoofing and layering on a daily basis, RESPONDENT did not implement any heightened measures to supervise OASIS' trading.

¶ 15 Except for an event on October 28, 2014, the Surveillance System did not trigger an alert for any of the remaining trading events that were the subject of the Gatekeeper Reports. The Gatekeeper Reports did not prompt the RESPONDENT to assess why the Surveillance System was not generating alerts for events the RESPONDENT reported as potentially manipulative.

¶ 16 According to the Gatekeeper Reports, RESPONDENT requested that warnings and suspensions be issued to OASIS' traders. However the RESPONDENT had no ability to determine which OASIS trader was responsible for the manipulative trading as all of OASIS' trading activity was entered under a common trading identification number. RESPONDENT relied on OASIS' assurances that warnings and suspensions were imposed on the traders responsible.

¶ 17 RESPONDENT filed a Gatekeeper Report relating to events of spoofing and layering on April 8, 2014. RESPONDENT concluded that the trading activity was clearly suspicious. On that day, OASIS executed 6628 trades, triggering 21 Surveillance System alerts for spoofing and 82 alerts for layering. The events that were the subject matter of the Gatekeeper Report did not trigger an alert.

¶ 18 RESPONDENT did not adequately review the spoofing and layering alerts generated by the Surveillance System, despite being aware of repeat events of manipulative trading by OASIS, and thereby failed to discharge its gatekeeper obligation to prevent and detect violations of UMIR 2.2 and UMIR Policy 2.2.

¶ 19 Based on a review of OASIS' trading in April 2014, IIROC Staff concluded that there were more than 350 events of layering that may constitute contraventions of UMIR 2.2 and UMIR Policy 2.2.

¶ 20 In December 2015, the Ontario Securities Commission ("**O.S.C.**") found that between November 2013 and December 2014, OASIS had engaged in manipulative trading on Canadian securities markets, contrary to section 126.1(1(a) of the Ontario Securities Act.

¶ 21 As a result of OASIS' deceptive and manipulative trading practices, it was prosecuted and ordered to pay a fine of $225,000 to the O.S.C. OASIS also agreed to implement remedial measures to improve their own compliance system and to submit to a review of such measures by the O.S.C.

III. THE MISSION AND JURISDICTION OF THE HEARING PANEL

¶ 22 At the end of the Hearing on March 29, 2017, the Members of the Hearing Panel withdrew from the Hearing room to again discuss the Case. We returned shortly thereafter and informed those present that we approve and accept the Settlement Agreement and that written Reasons will follow. These are those Reasons.

¶ 23 Our mission is not that of an appeal jurisdiction. Neither are we to ask ourselves, had we heard this matter as a contested case in first instance, if we would have decided the case in the same manner that the parties agreed to in the Settlement Agreement[3].

[3] See In Re. Richard Roy, 2011 IIROC 9; In Re. BMO Nesbitt Burns, 2012 IIROC 38; In Re. Glenn Arthur Taggart, 2013 IIROC 24; In Re. Jacques Turenne, 2013 IIROC 43; In Re. Daniel Siska, 2015 LNIIROC 13.

¶ 24 Neither should we ask ourselves if the content of the Settlement Agreement is too clement or too severe. That is not at all our role.

¶ 25 Even if we were of the view that, having heard this case contested in first instance, we would have ordered Sanctions that would have been either more clement or more draconian than the content of the Settlement Agreement; neither would that be our mission.

¶ 26 Thus, what we must ask ourselves is this: considering all of the facts of this case, the mitigating factors, the aggravating factors, and the case-law in the matter, is the content of the Settlement Agreement lenient or harsh to the point of being unreasonable, contrary to the public interest and/or of a nature to bring IIROC's disciplinary process into disrepute

¶ 27 Moreover, our jurisdiction is limited to either accepting or rejecting the Settlement Agreement. We have no jurisdiction to modify it in any way[4].

IV. THE POSITION OF IIROC

¶ 28 It considers the Sanctions incorporated into the Settlement Agreement to be just and reasonable in the circumstances of the case.

¶ 29 IIROC takes the position that the infractions committed by the RESPONDENT were serious and that aspect was duly considered when the terms of the Settlement Agreement were negotiated.

V. THE POSITION OF THE RESPONDENT

¶ 30 On its part, the RESPONDENT echoed the position espoused by IIROC.

¶ 31 In addition, RESPONDENT'S counsel pointed out that his client here is a relatively small broker and for it, the fine and costs totalling $225,000 is a major financial blow and that this should be considered by the Hearing Panel.

¶ 32 This is not a case, he explained, of a large broker which repeatedly violates UMIR and absorbs repeated IIROC fines as a small cost of doing business.

VI. ANALYSIS AND DISCUSSION

¶ 33 In providing direct electronic access to IIROC-regulated marketplaces, a Participant is not relieved from any obligations under UMIR with respect to the supervision of trading activities by a direct electronic access client. The Participant, which is a conduit in the process, retains full responsibility for any order entered by a direct electronic access client and the Participant must adequately address the additional risks posed by orders entered directly by clients on the marketplaces.

¶ 34 UMIR 7.1 and UMIR Policy 7.1 require a Participant to develop and implement policies and procedures that are reasonably well designed to ensure that orders entered on a marketplace through a Participant are not part of a manipulative or deceptive method, act or practice nor an attempt to create an artificial price or a false or misleading appearance of trading activity or interest in the purchase or sale of a security.

¶ 35 UMIR 2.2 and Policy 2.2 prohibit manipulative and deceptive trading activity on IIROC-regulated marketplaces, including, among other activities, entering an order or series of orders for a security that are not intended to be executed.

¶ 36 OASIS has repeatedly violated the UMIR and, between September 2013 and October 2014 (the "**Relevant Period**"), the RESPONDENT repeatedly failed to detect and enforce the UMIR where OASIS was

[4] See Rule 20.36 (1) and In Re. Jacques Turenne, 2013 IIROC 43, at paragraph 18.

concerned.

¶ 37 Moreover, if left unchecked, over time those manipulative and deceptive trading activities erode investor confidence in the markets.

¶ 38 We agree with IIROC's counsel when he submitted that the cumulative effect of such micromanipulations poses a threat to market integrity and impairs market values.

¶ 39 Such market values are:

A. The fair operation of the market;

B. Genuine price formation; and

C. A level playing field for all investors.

¶ 40 Those violations were consequent to the fact that the RESPONDENT failed to elaborate and implement an effective trading supervision system, thereby failing its duty to act as a "gatekeeper" to detect and prevent violations or potential violations of UMIR 2.2 and UMIR Policy 2.2 by OASIS.

¶ 41 The failure by RESPONDENT to adequately supervise OASIS' trading via the latter's direct electronic access permitted OASIS to repeatedly engage in the manipulative trading practices known as "layering" and "spoofing" on IIROC'S regulated marketplaces

¶ 42 Spoofing and layering are manipulative trading practices whereby orders are entered with no intention that they be executed (non-bona fide orders) in order to temporarily manipulate the price of a security and to secure a price advantage to the detriment of other market participants. These manipulative trading practices disrupt and distort the genuine price formation process of the marketplace.

¶ 43 Spoofing generally involves the entry of non-bona fide orders in the pre-open trading session on a marketplace that displays a "Calculated Opening Price" ("**COP**") for the purpose of affecting the COP.

¶ 44 Layering generally involves entering non-bona fide orders on one side of the market to create or attempt to create a false or misleading appearance of trading activity or interest in a security or an artificial price in order to induce or bait other market participants, often those using algorithmic trading systems, to enter better priced orders in order to secure a price advantage for an order or orders entered on the opposing side of the market. The non-bona fide orders are cancelled shortly before or after the execution of the advantageous order.

¶ 45 Notwithstanding the failure by the RESPONDENT to elaborate and implement an effective trading supervision system, during the Relevant Period it nevertheless concluded that OASIS had engaged in suspicious or potentially manipulative trading practices on ten occasions and yet the RESPONDENT did not take meaningful steps to detect and prevent further manipulative trading practices by OASIS.

¶ 46 The RESPONDENT has a prior disciplinary history for failing to comply with its trading supervision obligations under UMIR 7.1 and UMIR Policy 7.1. In April 2013, involving another client, the RESPONDENT was fined $90,000 and ordered to pay $10,000 for costs for failing to implement an appropriate trade supervision system reasonably well designed to prevent and detect violations of UMIR for the size and nature of its Direct Market Access clients' business.

¶ 47 The RESPONDENT ought to have known that there were events of manipulative trading by OASIS, often flagged by other market participants or IIROC'S Surveillance Department and brought to RESPONDENT's attention, that were not detected by the Surveillance System. This should have caused RESPONDENT to re-evaluate the parameters of the Surveillance System's alerts.

¶ 48 Moreover, we were concerned by the fact that the infraction being dealt with herein is a second offence for similar behaviour.

¶ 49 We considered the Sanctions to which the parties agreed in the light of that fact but nevertheless decided to approve and accept the Agreement in the light of paragraphs [22] to [27] above and particularly in view of the remedial measures described in paragraph [50] below.

¶ 50 In addition to the payment of the fine and the costs referenced at paragraph 3 above, it is important to recall that the RESPONDENT has agreed to implement certain remedial measures, some of which have already been taken or are underway, in order to substantially improve its Surveillance System and procedures in order to perform its obligations as a gatekeeper to detect and prevent violations or potential violations of UMIR 2.2 and UMIR Policy 2.2 by its direct access clients, as follows:

(a) In conjunction with a consultant approved by IIROC Staff, the RESPONDENT will revise the Surveillance System's alert parameters (in particular for alerts related to "layering" and "spoofing");

(b) Upgrade the Surveillance System in the following areas of focus:

i. Incorporating additional parameters where needed;

ii. Augmenting the system's filtering and/or processing capabilities;

iii. Implementing better investigation tracking and resolution mechanisms where potential violations are detected;

(c) Revise its policies and procedures with regard to the quantification and analysis of the number of alerts with regard to manipulative activity;

(d) Revise its policies and procedures relating to the review of a representative sample of the generated alerts;

(e) Revise the mechanisms in place to verify and monitor suspensions and terminations of traders working for direct electronic access clients; and

(f) Require OASIS to submit to a review of the measures taken by OASIS to improve its supervision and compliance system.

¶ 51 Moreover, the RESPONDENT has undertaken to file a report with IIROC in six months describing the remedial measures it will have put in place.

¶ 52 RESPONDENT's counsel was correct when he asserted that RESPONDENT's size and financial resources should be considered[5].

¶ 53 As well, we are of the view that the penalty proposed by IIROC and the RESPONDENT meets the objectives of specific and general deterrence.

¶ 54 At the end of the Hearing on March 29, 2017, the three (3) Members of the Hearing Panel unanimously came to the conclusion that the various elements of the Settlement are justified in the circumstances of this case and that they fall within a reasonable range of appropriateness[6].

¶ 55 Moreover, in three Canadian Courts of Appeal cases[7], it was decided that one should apply to an Administrative Tribunal (such as here) the principles applicable to joint submissions on sentencing in Criminal Cases, namely, that there is an obligation on the Court of first instance to give very serious consideration to a

[5] See at Part 1, Section 1 of the IIROC Sanction Guidelines.
[6] See In Re : Milewski, [1999] I.D.A.C. No, 17, August 5, 1999, at page 11; In Re. Grant Louis Gaudet, 2010 IIROC 29.
[7] Rault v. Law Society of Saskatchewan, [2009] SKCA 8; Paradis v. R., 2009 QCCA 1854; Sylvio Poulin v. R., 2010 QCCA 1854.

joint submission on sentencing agreed upon by Crown counsel and defence counsel, unless such a Sentence would be unfit or unreasonable; or contrary to the public interest; and it should not be departed from unless there are cogent reasons for doing so.

VII. CLOSING PROVISION

¶ 56 This unanimous DECISION ON THE SETTLEMENT AGREEMENT BETWEEN IIROC AND THE RESPONDENT is signed by the Members of the Hearing panel and is electronically produced in several duplicate originals. Each such duplicate original is legally valid and authentic and can serve as such for all legal purposes.

VIII. CONCLUSIONS

¶ 57 **FOR ALL FOREGOING REASONS:**

Having regard to the remedial measures described in paragraph 50 above to be implemented by the RESPONDENT in conjunction with a consultant approved by IIROC, WE, the Members of the Settlement Hearing Panel, do hereby APPROVE and ACCEPT the SETTLEMENT AGREEMENT entered into between IIROC and the RESPONDENT on the 22nd day of March 2017 and do hereby IMPOSE the SANCTIONS AGREED TO by the Parties, as follows:

A. The RESPONDENT will pay to IIROC a FINE in the amount of $200,000.00; and

B. The RESPONDENT will pay costs to IIROC in the amount of $25,000.00.

IX. THE SIGNATURES

Signed at Montreal (Quebec), this 24th day of April, 2017

Benjamin J. Greenberg

Danielle Le May

John Ballard

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Investment Industry Regulatory Organization of Canada ("IIROC") will issue a Notice of Application to announce that it will hold a settlement hearing to consider whether, pursuant to Section 8215 of the Consolidated Enforcement, Examination and Approval Rules of IIROC, a hearing panel ("Hearing Panel") should accept the settlement agreement ("Settlement Agreement") entered into between the staff of IIROC ("Staff") and JitneyTrade Inc. ("JitneyTrade" or the "Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

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

PART III – AGREED FACTS

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

Overview

4. Between September 2013 and October 2014 (the "Relevant Period"), JitneyTrade failed to implement an

effective trading supervision system and failed to act as a gatekeeper to prevent and detect violations or potential violations of UMIR 2.2 and UMIR Policy 2.2 by one of its direct electronic access clients, Oasis World Trading Inc. ("Oasis").

5. JitneyTrade's trade supervision failures allowed Oasis to repeatedly engage in manipulative trading practices known as "spoofing" or "layering" on IIROC-regulated marketplaces. During the Relevant Period, JitneyTrade concluded that Oasis had engaged in suspicious or potentially manipulative trading practices on 10 occasions and yet did not take adequate steps to prevent and detect further manipulative trading practices.

6. JitneyTrade has a prior disciplinary history for failing to comply with its trading supervision obligations under UMIR 7.1 and UMIR Policy 7.1. In April 2013, JitneyTrade was fined $90,000 for failing to implement an appropriate trade supervision system reasonably well designed to prevent and detect violations of UMIR for the size and nature of its Direct Market Access Client's business.

Background

8. JitneyTrade is registered as an investment dealer and is a Participant under UMIR. JitneyTrade is a discount broker that provides direct electronic access to IIROC–regulated marketplaces to clients.

9. Oasis is engaged in proprietary trading and has an interconnect agreement with JitneyTrade whereby its orders are routed through JitneyTrade directly to IIROC-regulated marketplaces.

10. In providing direct electronic access to IIROC-regulated marketplaces, a Participant is not relieved from any obligations under UMIR with respect to the supervision of trading activities by a direct electronic access client. The Participant retains full responsibility for any order entered by a direct electronic access client and the Participant must adequately address the additional risks posed by orders entered directly by clients to the marketplaces.

11. UMIR 7.1 and UMIR Policy 7.1 require a Participant to develop and implement policies and procedures that are reasonably well designed to ensure that orders entered on a marketplace through a Participant are not part of a manipulative or deceptive method, act or practice nor an attempt to create an artificial price or a false or misleading appearance of trading activity or interest on the purchase or sale of a security.

12. UMIR 2.2 and Policy 2.2 prohibit manipulative and deceptive trading activity on IIROC-regulated marketplaces, including, among other activities, entering an order or series of orders for a security that are not intended to be executed.

13. Spoofing or layering are manipulative trading practices whereby orders are entered with no intention that they be executed (non-*bona fide* orders) in order to temporarily manipulate the price of a security in order to secure a price advantage to the detriment of other market participants. These manipulative trading practices disrupt and distort the genuine price formation process of the marketplace.

14. Spoofing generally involves the entry of non-*bona fide* orders in the pre-open trading session on a marketplace that displays a "Calculated Opening Price" ("COP") for the purpose of affecting the COP.

15. Layering generally involves entering non-*bona fide* orders on one side of the market to create or attempt to create a false or misleading appearance of trading activity or interest in a security or an artificial price in order to induce, or bait, other market participants, often those using algorithmic trading systems, to enter better priced orders in order to secure a price advantage for an order or orders entered on the opposing side of the market. The non-*bona fide* orders are cancelled shortly before or after the execution of the advantageous order.

Failure to Implement an Effective Trading Supervision System

16. JitneyTrade used an electronic surveillance system developed in-house to detect manipulative trading activity (the "Surveillance System"). The Surveillance System generates alerts for manipulative activity based on parameters set by JitneyTrade.

17. According to JitneyTrade's policies and procedures, alerts for spoofing and layering are to be reviewed on a daily basis. During the Relevant Period, Oasis triggered numerous alerts for spoofing and layering on a daily basis.

18. JitneyTrade did not quantify or analyze the type, or number, of alerts being generated by Oasis on a daily or monthly basis. As a result, JitneyTrade could not adequately measure or assess the volume of potentially manipulative trading being flagged by the Surveillance System for Oasis and therefore could not make a reasonable determination of whether its compliance testing was adequate or whether it needed to be increased.

19. For example, the volume of layering alerts triggered by Oasis increased significantly in March 2014. This increase in volume should have prompted inquiries of the client and increased post order entry testing and analysis to determine whether manipulative activity was occurring.

20. JitneyTrade ought to have known that there were events of manipulative trading by Oasis, often flagged by other market participants or IIROC's Surveillance Department and brought to JitneyTrade's attention, that were not detected by the Surveillance System. This should have caused JitneyTrade to re-evaluate the parameters of the Surveillance System's alerts.

Failure to Act as a Gatekeeper

21. In 2014, JitneyTrade filed ten reports with IIROC pursuant to UMIR 10.16 relating to manipulative trading practices by Oasis in ten securities trading on IIROC-regulated marketplaces (the "Gatekeeper Reports"). JitneyTrade was therefore aware that Oasis had engaged in manipulative trading practices.

22. Despite this knowledge and the alerts being generated by the Surveillance System for spoofing and layering on a daily basis, JitneyTrade did not take any heightened measures to supervise Oasis' trading.

23. Except for an event on October 28, 2014, the Surveillance System did not trigger an alert for any of the remaining trading events that were the subject of the Gatekeeper Reports. The Gatekeeper Reports did not prompt JitneyTrade to assess why the Surveillance System was not generating alerts for events JitneyTrade reported as potentially manipulative.

24. According to the Gatekeeper Reports, JitneyTrade requested that warnings and suspensions be issued to Oasis' traders. However, JitneyTrade had no ability to determine which Oasis trader was responsible for the manipulative trading as all of Oasis' trading activity was entered under a common trading identification number. JitneyTrade relied on Oasis' assurances that warnings and suspensions were imposed on the traders responsible.

25. JitneyTrade filed a Gatekeeper Report relating to events of spoofing and layering on April 8, 2014. JitneyTrade concluded that the trading activity was clearly suspicious. On that day, Oasis executed 6628 trades, triggering 21 Surveillance System alerts for spoofing and 82 alerts for layering. The events that were the subject matter of the Gatekeeper Report did not trigger an alert.

26. JitneyTrade did not adequately review the spoofing and layering alerts generated by the Surveillance System, despite being aware of repeat events of manipulative trading by Oasis, and thereby failed to discharge its gatekeeper obligation to prevent and detect violations of UMIR 2.2 and UMIR Policy 2.2.

27. Based on a review of Oasis' trading in April 2014, IIROC Staff concluded that there were more than 350

events of layering that may constitute contraventions of UMIR 2.2 and UMIR Policy 2.2.

28. In December 2015, the Ontario Securities Commission found that between November 2013 and December 2014, Oasis had engaged in manipulative trading on Canadian securities markets, contrary to section 126.1(1(a) of the Ontario Securities Act.

Remedial Measures

29. As a term of the Settlement Agreement, the Respondent has agreed to implement the following remedial measures:

(i) In conjunction with a consultant approved by IIROC Staff, the Respondent will revise the Surveillance System's alert parameters (in particular for alerts related to "layering" and "spoofing");

(ii) Upgrade the Surveillance System in the following areas of focus:

i. Incorporating additional parameters where needed;

ii. Augmenting the system's filtering and/or processing capabilities;

iii. Implementing better investigation tracking and resolution mechanisms where potential violations are detected;

(iii) Revise its policies and procedures with regard to the quantification and analysis of the number of alerts with regard to manipulative activity;

(iv) Revise its policies and procedures relating to the review of a representative sample of the generated alerts;

(v) Revise the mechanisms in place to verify and monitor suspensions and terminations of traders working for direct electronic access clients; and

(vi) Require Oasis to submit to a review of the measures taken by Oasis to improve its supervision and compliance system.

Conclusion

30. The purpose of UMIR 2.2 is to prohibit the use of manipulative or deceptive methods, acts or practices which harm market integrity and undermine market confidence. Pursuant to UMIR 7.1, a Participant is required to implement a trading supervision system that is reasonably designed to prevent and detect contraventions of UMIR 2.2. In performing the trading supervision obligations, the Participant must act as a gatekeeper to help prevent and detect contraventions of UMIR.

31. During the Relevant Period, JitneyTrade did not take adequate steps to implement an effective trading supervision system or to discharge its gatekeeper obligation to prevent and detect violations of UMIR 2.2 and UMIR Policy 2.2.

PART IV – CONTRAVENTIONS

32. The Respondent agrees to the following contravention:

Between September 2013 and October 2014, the Respondent failed to comply with its trading supervision obligations to prevent and detect violations of UMIR 2.2 by one of its direct electronic access clients, contrary to UMIR 7.1 and UMIR Policy 7.1.

PART V – TERMS OF SETTLEMENT

33. The Respondent agrees to the following sanctions and costs:

(i) a fine of $200,000.00 payable by the Respondent to IIROC; and

(ii) costs of $25,000.00 payable by the Respondent to IIROC.

34. The Respondent agrees to implement the remedial measures described in paragraph 29 and provide a report to Staff outlining the implementation and adoption date of the remedial measures within six (6) months of the acceptance date of the Settlement Agreement.

35. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees 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

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

37. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

38. This Settlement Agreement is conditional on acceptance by the Hearing Panel.

39. This Settlement Agreement shall be presented to a Hearing Panel at a settlement hearing 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.

40. 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 does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.

41. If the Hearing Panel accepts the Settlement Agreement, the Respondent agrees to waive all rights under the IIROC Rules and any applicable legislation to any further hearing, appeal and review.

42. 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 based on the same or related allegations.

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

44. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IIROC will post a full of 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.

45. If this Settlement Agreement is accepted, the Respondent agrees that neither it nor anyone on its behalf, will make a public statement inconsistent with this Settlement Agreement.

46. The Settlement Agreement is effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

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

48. A fax or electronic copy of any signature will be treated as an original signature.

DATED this _22nd_ day of March, 2017.

"Witness"	**"Jitney Trade Inc."**
Witness	per JitneyTrade Inc.

DATED this _22nd__ day of March, 2017.

"Witness"	"Charles Corlett"
Witness	Charles Corlett Senior Enforcement Counsel on behalf of Enforcement Staff of the Investment Industry Regulatory Organization of Canada

The Settlement Agreement is hereby accepted this _29th_ day of _March___, 2017 by the following Hearing Panel:

Per: "Benjamin Greenberg"
Panel Chair

Per: "John Ballard"
Panel Member

Per: "Danielle Le May
Panel Member