

# Re TradeZero

IN THE MATTER OF:

The Investment Dealer and Partially Consolidated Rules

and

TradeZero Canada Securities ULC

2025 CIRO 29

Canadian Investment Regulatory Organization  
Hearing Panel (Ontario District)

Heard: May 14, 2025, in Toronto, Ontario (via videoconference)

Decision: May 14, 2025

Reasons for Decision: June 13, 2025

## Hearing Panel:

Emily Cole, Chair

David Persaud, Industry Member

Mary Savona, Industry Member

## Appearances:

Sylvia Samuel, Senior Enforcement Counsel

Natalia Vandervoort, for the Respondent

Adam Kretschmann, Chief Compliance Officer of the Respondent

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## REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT

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### I. REASONS FOR DECISION

[1] This case is about a new registrant's failure to supervise and failure to provide adequate relationship disclosure information.

### II. OVERVIEW

[2] The Hearing Panel (**Panel**) found that the Respondent, TradeZero Canada Securities ULC (**TradeZero**), contravened Investment Dealer and Partially Consolidated (**IDPC**) Rule 3900 by failing to conduct adequate daily and monthly supervision of trading activity and adequate review of client communication. In addition, the Respondent also contravened IDPC Rule 3216 by failing to provide relationship disclosure information to clients at the time of account opening.

[3] After considering the nature and extent of the misconduct, the Panel found that the proposed sanctions of a \$175,000 fine and \$15,000 costs fell within a reasonable range of appropriateness.

[4] These are the reasons for our decision.

### III. CONTRAVENTIONS

[5] The Respondent has admitted the following contraventions:

- (i) Between March 2022 and January 2023, the Respondent failed to conduct

adequate daily and monthly supervision of trading activity and adequate review of client communications to ensure compliance with the Canadian Investment Regulatory Organization (CIRO) requirements, contrary to Rule 3900 of the IDPC Rules.

- (ii) Between March 2022 and January 2023, the Respondent failed to provide relationship disclosure information to clients at the time of account opening, contrary to section 3216 of the IDPC Rules.

#### **IV. PROPOSED SANCTIONS**

[6] Enforcement Staff (**Staff**) and the Respondent agreed to the following sanctions and costs:

- (i) a fine of \$175,000; and
- (ii) costs of \$15000.

#### **V. AGREED FACTS**

[7] The Panel relied on the Agreed Facts set out in the Settlement Agreement attached. The key facts are summarized in these reasons.

[8] TradeZero began operations on March 1, 2022.

[9] Two significant deficiencies were identified in the inaugural examination of TradeZero by CIRO's Business Conduct Compliance Department (**BCC**) and are the subject of these proceedings.

#### **VI. ANALYSIS**

##### **Jurisdiction of the Hearing Panel**

[10] A hearing panel is authorized to either accept or reject a settlement agreement.<sup>1</sup>

[11] The role of a hearing panel in reviewing a settlement agreement is to determine whether the proposed penalties agreed to by Enforcement Staff and the Respondent fall within a reasonable range of appropriateness, not to determine what the correct penalty is, in its view. A hearing panel "will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness".<sup>2</sup>

[12] Settlements provide an effective and efficient way of addressing misconduct in the securities industry. When the parties can agree upon appropriate sanctions, settlements can provide certainty, save time, and conserve the regulator's limited resources. Respondents who take responsibility and admit their misconduct are more likely to comply with the sanctions imposed. This helps CIRO meet its primary objective of investor protection.<sup>3</sup>

[13] The Panel considered the Respondent's conduct, the mitigating and aggravating factors and the comparable cases and determined that the proposed sanctions fall within a reasonable range of appropriateness.

##### **The Respondent's Failure to Supervise**

[14] Rule 3900 of the IDPC Rules sets out the Dealer Member's obligation to supervise its business and operations.

[15] TradeZero failed to conduct adequate daily and monthly supervision of trading activity,

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<sup>1</sup> IDPC Rule 8215 (5)

<sup>2</sup> *Re Milewski* (1999) I.D.A.C.D. No. 17 at p. 10

<sup>3</sup> *Re Donnelly* 2016 IIROC 23 at para. 8

contrary to its own policies and procedures.

[16] In addition, while there was some evidence of supervision of trading activity starting in June 2023, such as periodic emails from the Ultimate Designated Person (**UDP**) and supervisors and surveillance inquiries to investment representatives, agents and operational staff; sampling trade records indicate that TradeZero did not conduct adequate daily or monthly reviews.

[17] Finally, TradeZero failed to maintain an adequate audit trail of daily and monthly supervision of trading activity for the limited supervision it did conduct. They failed to maintain adequate records of supervision or details of activities monitored, including initials on order records, daily transaction reports, monthly transaction reports, supervisors logs, and other records evidencing review of documents.

[18] Supervision is a key element of investor protection and can provide an early warning of any risk of or actual investor harm. Without an adequate audit trail, it is impossible for those responsible to determine whether supervision has occurred.

[19] During the relevant period, TradeZero failed to conduct adequate supervisory reviews of its communications with clients. TradeZero supervised client communications by live monitoring for compliance with regulatory requirements through a live chat software that permitted a reviewer to communicate with agents via text on a real-time basis, where any question or concern arose. TradeZero was able to retrieve limited records of the use of this tool during the relevant period. The number of records and the time period covered by these records indicate insufficient supervisory review of client communication.

#### **The Respondent's Failure to Provide Adequate Relationship Disclosure Information**

[20] Rule 3216 of the IPDC Rules imposes an obligation on the Dealer Member to provide written relationship disclosure describing the products and services offered by the Dealer Member, the nature of the account and the manner in which the account will operate and the responsibilities of the Dealer Member to the client.

[21] TradeZero failed to provide relationship disclosure information to all clients, either at account opening or after. The number of clients who did not receive the relationship disclosure information totaled in the thousands.

[22] Although the acknowledgment provided by clients at the time of account opening indicated that they read and understood the Relationship Disclosure Document, a Relationship Disclosure Document was not part of the account opening documentation and was not otherwise provided to clients.

[23] The requirement that Dealer Members provide relationship disclosure information to clients is a key part of the fundamental obligation of Dealer Members to deal fairly, honestly, and in good faith with clients. Relationship disclosure information ensures that clients understand their obligations, the obligations of the Dealer Member, what to expect with respect to the scope of services provided by the Dealer Member, fees, and material facts related to any conflicts of interests.

[24] The Panel was particularly concerned that these contraventions occurred immediately after TradeZero was registered, demonstrating a careless approach to its regulatory obligations and putting its clients' interests at risk.

#### **VII. MITIGATING FACTORS**

[25] The Panel considered the following mitigating factors:

- (a) The clients did not suffer any financial harm.
- (b) There was no financial benefit to the Respondent.
- (c) The Respondent voluntarily employed corrective measures, including updating its

policies and procedures manual; engaging a third-party regulatory consultant who performed an operational review and update of the Respondent's policies and procedures manual for effective compliance, risk and governance framework; and conducting a retrospective review of trading activity and client communication.

- (d) In 2023, the Respondent hired a new UDP who implemented changes to its account supervision practices and hired a new CCO.
- (e) The Respondent has not previously been the subject of CIRO disciplinary proceedings.
- (f) By entering into this Settlement Agreement, the Respondent has saved CIRO the time, resources, and expense associated with conducting a contested hearing.

#### **VIII. COSTS**

[26] The costs award is appropriate and consistent with previous decisions.

#### **IX. CONCLUSION**

[27] We are satisfied that the proposed sanctions of a \$175,000 fine and \$15,000 costs will serve as specific deterrence to the Respondent and general deterrence to others in the industry who may contemplate engaging in similar misconduct in the future.

[28] Staff invited us to consider two cases which considered the appropriate sanctions for failure to supervise.<sup>4</sup>

[29] Staff advised the Panel that there have been no cases decided under Section 3216 of the IDPC Rules. We agree with Staff's submission that the total fine provided in the Settlement Agreement appropriately takes into account the two contraventions and the totality of the misconduct at issue.

[30] Based on a review of these cases and taking into consideration the Respondent's conduct, the aggravating and mitigating factors discussed above, we are satisfied the proposed sanctions fall within a reasonable range of appropriateness.

[31] We therefore accepted the Settlement Agreement and made an order reflecting the agreed -upon sanctions against the Respondent, TradeZero.

**DATED** at Ontario, this 13<sup>th</sup> day of June 2025.

"Emily Cole"

Emily Cole, Chair

"David Persaud"

David Persaud, Industry Member

"Mary Savona"

Mary Savona, Industry Member

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<sup>4</sup> Re *Red Cloud Securities* 2023 CIRO 05 and Re *Friedberg Mercantile Group* 2022 IIROC 9



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Canadian Investment  
Regulatory  
Organization

Organisme canadien  
de réglementation  
des investissements

**IN THE MATTER OF  
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES**

**AND**

**TRADEZERO CANADA SECURITIES ULC**

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. The Canadian Investment Regulatory Organization (“CIRO”) will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the “Investment Dealer Rules”) to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and TradeZero Canada Securities ULC (the “Respondent”).

**PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Enforcement 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. TradeZero Canada Securities ULC (“TradeZero”) is a Dealer Member offering Order Execution Only (“OEO”) trading in US equities and options to retail clients. TradeZero began operations in March 2022.
5. Contrary to CIRO requirements and its own policies and procedures, TradeZero did not conduct adequate daily and monthly account supervision and did not conduct adequate supervisory reviews of its communications with clients between March 2022 and January 2023 (the “Relevant Period”). Further, during the Relevant Period, TradeZero opened accounts for clients but did not provide them with relationship disclosure information as required.

## Background

6. TradeZero’s application for membership was approved by the Investment Industry Regulatory Organization of Canada (now CIRO) on January 28, 2022.
7. At the time of its application for membership, TradeZero submitted policies and procedures (the “Policies and Procedures Manual”) that would evidence a system of controls and supervision and govern its conduct in complying with CIRO requirements.
8. TradeZero began operations on March 1, 2022.
9. By report dated October 10, 2023, CIRO’s Business Conduct Compliance department (“BCC”) reported on its inaugural examination of TradeZero. BCC identified two significant deficiencies and referred the matter to CIRO’s Enforcement department.

## **Supervision**

10. The Policies and Procedures Manual established that either the Ultimate Designated Person (“UDP”) or Chief Compliance Officer (“CCO”) was responsible for supervision of the Supervisors.
11. TradeZero had two Supervisors registered during the Relevant Period who were responsible for opening retail accounts (equities and options), supervision of retail account activity, and approval of advertising, sales literature, and correspondence. More generally, the Supervisors were responsible for supervising all Approved Persons and employees and were expected to report to senior management on day-to-day operations, including any non-compliance.
12. During the Relevant Period, the Supervisors reported to the UDP.

## **Daily and Monthly Trade Reviews**

13. TradeZero’s Policies and Procedures Manual provided for review for completeness of orders and review of daily transaction reports and monthly transaction records and required records evidencing review of trading activity, including initials on order records, daily transaction reports and monthly transaction records, and Supervisor's logs.
14. While there is some evidence of supervision of trading activity, during the Relevant Period, TradeZero failed to conduct adequate daily and monthly supervision of trading activity, contrary to its own policies and procedures.
15. In addition, while there is some evidence of supervision of trading activity starting in June 2023, such as periodic emails from the UDP and Supervisors and surveillance inquiries to Investment Representatives, agents, and operations staff, a sampling of TradeZero’s records indicates that TradeZero did not conduct adequate daily or monthly reviews.
16. In particular, TradeZero did not conduct adequate daily review of trading activity between September 1, 2023 and December 12, 2023 or adequate monthly review of trading activity between September 2023 and November 2023 in breach of its policies and procedures and CRO requirements.

17. For the supervision that TradeZero conducted, TradeZero failed to maintain an adequate audit trail of daily and monthly supervision of trading activity during the Relevant Period. TradeZero failed to maintain adequate records of supervision or details of activities monitored, including initials on order records, daily transaction reports and monthly transaction records, Supervisor's logs, and other records evidencing review of accounts.
18. For example, TradeZero maintained electronically stored notes relating to compliance matters involving client accounts but, for the Relevant Period, only notes dated June 7, 2022 to June 23, 2022 were produced. These notes lacked sufficient detail of supervision undertaken and were without adequate supporting documents.

### **Supervision of Client Communications**

19. For the Relevant Period, TradeZero failed to conduct adequate supervisory reviews of its communications with clients.
20. TradeZero adopted a process for supervision of client communications that involved live monitoring of client communications for compliance with regulatory requirements through a live chat software that recorded communications with clients, including email communication. As part of real-time monitoring, this software had a "whisper" function that permitted a reviewer to communicate with agents via text on a real-time basis where any question or concern arose from their communications with clients.
21. The then-CCO monitored client communications between agents and clients on the live chat software and phone calls and used the "whisper" function to communicate in real time with agents when concerns regarding their communication with clients were identified.
22. However, TradeZero was able to retrieve limited records of the CCO's use of the "whisper" function to communicate with agents during the Relevant Period. These records indicate that the CCO provided coaching and feedback, however, the number of these records and the time covered by these records indicate insufficient supervisory review of client communication.

### **Relationship Disclosure Information**

23. As part of the fundamental obligation of Dealer Members to deal fairly, honestly, and in good faith with clients, Dealer Members are required to provide relationship disclosure information to clients. The objective of the relationship disclosure requirement is to ensure that clients understand their obligations, the obligations of the Dealer Member, what to expect with respect to the scope of services provided by the Dealer Member, fees, and material facts related to any conflicts of interest. Section 3216 of the Investment Dealer Rules establishes minimum standards for relationship disclosure to be provided by Dealer Members to clients at the time of account opening.
24. During the Relevant Period, TradeZero failed to provide relationship disclosure information to all clients, either at account opening or after. The number of clients who did not receive the relationship disclosure information totaled in the thousands.
25. Although the acknowledgment provided by clients at the time of account opening indicated that they read and understood the Relationship Disclosure Document, a Relationship Disclosure Document was not part of the account opening documentation and was not otherwise provided to clients.
26. TradeZero subsequently created a Relationship Disclosure Document, which was emailed to existing clients as of August 2023.
27. TradeZero subsequently automated the distribution of a Relationship Disclosure Document as part of its new client onboarding process.

#### **Remedial Measures**

28. TradeZero updated its Policies and Procedures Manual as of December 14, 2023, including updated policies and procedures for "Supervision of Account Activity" and "Supervision of Client Communications."
29. TradeZero also engaged with a third-party regulatory consultant to perform an operational review and update of its policies and procedures for effective compliance, risk, and governance framework.

30. As part of the BCC examination process, TradeZero performed a retrospective review of trading activity and client communication going back to the start of its membership with CIRO. No concerns were identified as a result of the retrospective review.

#### **Additional Factors**

31. There was no harm to TradeZero clients identified, and TradeZero has not received any client complaints in relation to the supervision failures.
32. TradeZero has no previous disciplinary history.
33. TradeZero hired a new UDP in 2023. Under management of its new UDP, TradeZero proactively implemented changes to its account supervision practices and hired a new Chief Compliance Officer.

#### **PART IV – CONTRAVENTIONS**

34. By engaging in the conduct described above, the Respondent committed the following contraventions of CIRO requirements:
- (i) Between March 2022 and January 2023, the Respondent failed to conduct adequate daily and monthly supervision of trading activity and adequate review of client communications to ensure compliance with CIRO requirements, contrary to Rule 3900 of the Investment Dealer Rules.
  - (ii) Between March 2022 and January 2023, the Respondent failed to provide relationship disclosure information to clients at the time of account opening, contrary to section 3216 of the Investment Dealer Rules.

#### **PART V – TERMS OF SETTLEMENT**

35. The Respondent agrees to the following sanctions and costs:
- (i) a fine of \$175,000; and
  - (ii) costs of \$15,000

36. If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above immediately upon such acceptance, unless otherwise agreed between Enforcement Staff and the Respondent.

#### **PART VI – STAFF COMMITMENT**

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

#### **PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT**

39. This Settlement Agreement is conditional on acceptance by the hearing panel.
40. This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.
41. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all 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.
42. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules and By-law of CIRO and any applicable legislation to any further hearing, appeal and review.

43. If the hearing panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or 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. This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and CIRO will post a copy of this Settlement Agreement on the CIRO website. CIRO will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the hearing panel's written reasons for its decision to accept this Settlement Agreement.
46. If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.
47. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the hearing panel.

#### **PART VIII – EXECUTION OF SETTLEMENT AGREEMENT**

48. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.
49. An electronic copy of any signature will be treated as an original signature.

**DATED** this “25<sup>th</sup>” day of April 2025

TradeZero Canada Securities ULC  
Per

“Witness”  
\_\_\_\_\_  
Witness

“Orion Szathmary”  
\_\_\_\_\_  
Name: Orion Szathmary  
I have authority to bind the corporation

DATED this "28<sup>th</sup>" day of April 2025

"Sylvia Samuel"  
Sylvia Samuel  
Enforcement Counsel on behalf of  
Enforcement Staff of the  
Canadian Investment Regulatory  
Organization

The Settlement Agreement is hereby accepted this "14" day of May 2025 by the following hearing panel:

Per: "Emily Cole"  
Chair

Per: "Dave Persaud"  
Member

Per: "Mary Savona"  
Member