

# Re Liu

IN THE MATTER OF:

**The Investment Dealer and Partially Consolidated Rules and the Dealer  
Member Rules**

**and**

**Hongjia Liu**

2025 CIRO 33

Canadian Investment Regulatory Organization  
Hearing Panel (Pacific District)

Heard: June 18, 2025 in Vancouver, British Columbia (via videoconference)

Decision: June 18, 2025

Reasons for Decision: June 27, 2025

**Hearing Panel:**

Catharine Esson, Chair

David Duquette, Industry Representative

Douglas Stewart, Industry Representative

**Appearances:**

Tayen Godfrey, Senior Enforcement Counsel

Michael Mantle, Senior Enforcement Counsel

Owais Ahmed, for Hongjia Liu

Hongjia Liu (absent)

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## REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT

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### INTRODUCTION

[1] At the oral hearing, the Hearing Panel accepted a Settlement Agreement entered into by the Parties. These are the reasons for that decision.

[2] In the Settlement Agreement, Hongjia Liu (the **Respondent**) admitted to having engaged in widespread improper discretionary trading across a significant portion of his futures book of business. The conduct involved large volumes of high-risk trading and resulted in substantial losses to clients, while generating significant trading commissions for the Respondent and his firm.

[3] The Respondent admitted that he breached the Canadian Investment Regulatory Organization (**CIRO**) Rules by engaging in discretionary trading, contrary to Dealer Member Rules 1300.4.

[4] While the discretionary trading was serious, the Respondent's admissions were limited to discretionary trading. There were no admissions of unauthorized trading, churning or unsuitable advice.

[5] The Parties agreed to the following sanctions:

1. A suspension from acting in a registered capacity for a period of six months;
2. A fine of \$75,000;

3. Disgorgement of \$225,000; and
4. Costs payable to CIRO in the amount of \$15,000.

[6] The Hearing Panel concluded that these sanctions were reasonable and accepted the Settlement Agreement.

## **ANALYSIS**

### **TEST FOR ACCEPTANCE OF SETTLEMENT AGREEMENT**

[7] The role of a hearing panel, in considering a settlement agreement, is to either accept or reject it. A hearing panel cannot substitute its view of an appropriate penalty for the agreed upon penalty.

[8] The test to be applied in deciding whether to accept a settlement agreement is well established. The hearing panel should be satisfied that the sanctions the parties have negotiated are within the reasonable range for the admitted misconduct, including that the sanctions will serve as a deterrent to the respondent and others in the industry. A hearing panel should not reject a negotiated penalty, unless it clearly falls outside the reasonable range<sup>1</sup>.

[9] There are a number of reasons for this. Reasonable settlements serve the public interest by resolving disputes more quickly and less expensively than contested hearings. Settlements are often the product of a difficult process of compromise. The parties to the settlement know more about the facts and about the challenges that may exist in prosecuting and defending a case than the hearing panel does.

[10] Deference to a negotiated settlement is particularly appropriate where, as here, the parties are represented by experienced counsel.<sup>2</sup>

### **ADMITTED MISCONDUCT**

[11] Over a period of about more than two years, the Respondent engaged in discretionary trading in the futures accounts of 23 clients (the **Clients**). The Clients represented over half of the trading activity in his futures book. The trading was high volume and high risk. Almost all of the Clients experienced significant losses.

[12] The Respondent discussed broad strategies with the Clients, but did not obtain specifics for each trade in advance. Nothing in the account documents or the Respondent's notes provided the normal safeguards pertaining to discretionary or managed accounts.

[13] Most of the Clients were high net worth individuals with significant investment experience, including experience in futures. Their futures accounts represented a small percentage of their overall assets.

[14] The combined losses in the Clients' accounts totalled approximately \$8.7 million. The Respondent's net payout on the commissions from the Clients was approximately \$2.4 million.

[15] The agreed upon facts are set out in more detail in the attached Settlement Agreement.

### **DISCUSSION**

[16] This is a serious case of improper discretionary trading. The admitted misconduct involved many clients and many trades over a significant period of time, a risky trading strategy, large losses and large commissions.

[17] At the same time, the misconduct is limited to improper discretionary trading. This is important. CIRO Enforcement Counsel (**Staff**) were clear in their position that this settlement did not involve unauthorized trading, churning or unsuitable advice.

[18] The penalty must, therefore, be appropriate for a serious case of discretionary trading, but must not penalize the Respondent for those other often related types of misconduct which were not alleged or admitted.

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<sup>1</sup> Milewski (Re), [1999] IDACD no. 17

<sup>2</sup> Re Brum 2020 IIROC 39, para 15; Munro (Re), 2025 CIRO 12, para 14-16

[19] The Settlement Agreement and the submissions at the hearing described both mitigating and aggravating factors which bear on the acceptable range of sanctions. For example:

1. The Clients were not particularly vulnerable. Most were high net worth individuals with significant investing experience. Their futures accounts represented a small percentage of their overall assets.
2. The Respondent self-reported his misconduct to CIRO.
3. The Respondent, who had been in the industry since 1997, had not been the subject of any prior CIRO disciplinary proceedings.
4. The Respondent paid \$75,000 towards the settlement of complaints for two of the Clients.
5. The amount of the sanctions reflects the Respondent's personal financial circumstances and that he has not worked in the industry since September 2020.
6. The Respondent was aware that his conduct was contrary to his firm's policies.
7. The Respondent falsely told his supervisors that he was following his firm's policies and that he was contacting clients regarding the details of all trades.

[20] Staff referred us to the CIRO Sanction Guidelines and to a number of cases involving discretionary trading. We have considered these in reaching our decision. None of the cases is particularly similar to this case, but they do assist us in concluding that the proposed sanctions in this case are at the more serious end of sanctions imposed in other cases for discretionary trading.

[21] The agreed upon amount for disgorgement is significantly less than the commissions earned from the Clients' trading generally. However, it is not possible, based on the Settlement Agreement, to determine how much of that commission came from discretionary trades. It is unlikely this could ever be determined with precision. Staff noted that it would be laborious and difficult to try this issue at a hearing.

[22] We have accepted that we should assess the sanctions in the Settlement Agreement as a whole to determine if they meet the objectives of settlement, rather than focus on whether the disgorgement amount precisely reflects the amount of benefit the Respondent derived from the discretionary trading.

[23] We also accept Staff's submissions that this negotiated settlement is the result of a hard fought process of give and take that should be respected.

[24] The agreed upon sanctions in this case includes both a large monetary penalty and a suspension. We believe it meets the goals of specific and general deterrence and is generally consistent with previous cases.

## **CONCLUSION**

[25] Mindful that our role is not to impose the sanctions we might think most appropriate, we are satisfied that the agreed upon sanctions fall within the reasonable range of sanctions for the admitted conduct.

[26] We therefore accept the Settlement Agreement.

Dated at Vancouver, British Columbia this 27<sup>th</sup> day of June 2025.

"Catharine Esson"

Catharine Esson, Chair

"David Duquette"

David Duquette

"Douglas Stewart"

Douglas Stewart





**CIRO · OCRI**

Canadian Investment  
Regulatory  
Organization

Organisme canadien  
de réglementation  
des investissements

**IN THE MATTER OF  
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES  
AND  
THE DEALER MEMBER RULES  
AND  
HONGJIA LIU**

**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 Hongjia Liu (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 sole purpose of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

**Overview**

4. Hongjia Liu (the “Respondent” or “Liu”) engaged in widespread discretionary trading across a significant portion of his futures book of business. The conduct involved large volumes of high-risk trading, routinely exposing clients to significant potential losses. Many of the clients suffered substantial losses while generating significant trading commissions for Liu and his Dealer Member.

**Background**

5. Between June 2017 and December 2019 (the “Relevant Period”) Liu engaged in discretionary trading in the futures accounts of 23 different clients (the “Clients”). He did so by entering trades on behalf of these clients without first confirming with them specifics as to one or more of the following elements of the trade; quantity, security, price or timing.
6. The conduct took place while he was a Registered Representative at RBC Dominion Securities’ (“RBC-DS”) downtown Vancouver branch. He was employed with RBC-DS from April 2012 until his termination in September 2020. He is not currently working in a CIRO registered capacity.
7. Liu’s futures book of business had as many as 63 accounts during the Relevant Period. The Clients represented over half of the trading activity in his futures book.
8. Liu took a “one size-fits-all” approach to his futures clients, employing a high-volume and high-risk trading strategy. Liu claims that all of his Clients were aware of and agreed to this high-risk trading strategy. Almost all of the Clients experienced significant losses in their futures accounts, while the trading approach resulted in significant commissions for Liu and RBC DS. In 2018, Liu’s commissions were more than double the next highest producing futures advisor at RBC DS.
9. During the Relevant Period Liu entered approximately 15,219 orders for the Clients. For a significant percentage of these trades, Liu did not obtain approval for the specifics of each trade in advance; instead, he only discussed broad strategies with the Clients. For some of the Clients, he only had these discussions when he first opened the accounts. Liu claims the Clients did not want to be contacted for every trade but rather trusted in his strategy. He viewed not contacting the Clients about specific trades as an added service.
10. Liu was aware his conduct was contrary to RBC DS policies and CIRO (formerly IIROC) rules.
11. Eventually RBC DS conducted an internal investigation into Liu’s conduct after one of the Clients formally complained that Liu had been investing her money in speculative future contracts without her knowledge or authorization. This was followed by two further complaints. At this time, Liu admitted to RBC DS that he had conducting discretionary trading in certain client accounts.

## **The Clients**

12. Most of the Clients were high net-worth individuals with significant investing experience, and had ties to China. The Clients futures accounts represented a small percentage of their overall assets. According to Liu, most of them purportedly gained experience trading futures in Hong Kong.

## **High-Volume, High-Risk Trading**

13. The trading Liu was conducting on a discretionary basis was high-volume, high-risk, active trading that was akin to day trading. Of note:
  - a. Liu applied a similar trading strategy for all the Clients.
  - b. The strategy used by Liu was to write naked futures contracts and receive premiums for the contracts sold. This is a high-risk strategy whereby the maximum profit is the premium received but the maximum loss is potentially unlimited. The inherent riskiness was exacerbated by the volume of trading which took place;
  - c. The trading involved a large variety of commodities in various sectors that included energy, precious metals, and soft commodities such as soybeans, sugar, cotton and coffee;
  - d. Consecutive trades were often placed at a rapid pace that was inconsistent with client discussions about trade specifics;
  - e. The trades would generate losses and gains but the differences in value of the commodity frequently was minimal;
  - f. The trading generated large commissions for Liu and RBC DS; and
  - g. At times the frequency of trading increased as Liu tried to recover client losses.
14. The orders were often entered at a rapid pace which left little or no time to be contacting Clients to confirm specific terms of orders. At times orders for different Clients were placed within seconds or minutes of each other.

15. Liu was aware his conduct was contrary to RBC DS's policies which prohibited discretionary trading in futures accounts. Between October 2017 and March 2018 Liu received queries from RBC DS supervisors relating to discretionary trading. He also received further queries regarding trade ticket deficiencies and suitability concerns. In response, Liu assured supervisors he was following RBC DS policies and that he was contacting clients regarding the details of all trades.

#### **Lack of Safeguards**

16. Nothing in the account documents or Liu's notes provide the normal safeguards pertaining to discretionary or managed accounts. Of note:
  - a. There is no documentation indicating the Clients understood they were granting Liu discretionary authority over their account, or whether they understood Liu was supposed to be contacting them about the specifics of each trade in advance; and
  - b. There is no documentation indicating these clients understood the strategy employed by Liu, or that it was suitable for them. Similarly, there is nothing to indicate clients wanted to actively trade to the extent they did.

#### **The Clients' Account Performances vs. Liu's Commissions**

17. During the Relevant Period, all but one of the Clients suffered losses, for a combined total of \$8,722,250, including commissions. These losses ranged from -15% to -94% of the value of their futures account holdings. Mr. Liu claims that these losses were incurred in large part as a result of tariffs imposed by China against the import of soybeans from the United States, which had a significant unanticipated impact on the price of this commodity to which his clients were exposed.
18. While the Clients suffered losses, Liu's trading generated large commissions. Gross commissions for the Clients during the Relevant Period were approximately \$4,789,476. Liu's net payout for these commissions was 50%, or approximately \$2,394,738. This represents approximately 64% of the revenue created from his entire futures book of business.

#### **Disgorgement**

19. The parties agree the terms of settlement, which requires Liu to disgorge an amount of \$225,000, is fair and reasonable in the circumstances, which include:
- a. Liu paid \$75,000 towards settlement of complaints for two of the Clients.
  - b. He has not been the subject of prior CIRO disciplinary proceedings.
  - c. Liu self-reported his conduct to CIRO.
  - d. The amount of sanction reflects the personal financial circumstances of Liu, and that he has not worked in the industry since his termination in September 2020.
  - e. The difficulty in obtaining an exact number of trades which were conducted on a discretionary basis.

#### **PART IV – CONTRAVENTIONS**

20. By engaging in the conduct described above, the Respondent committed the following contraventions of CIRO requirements:
- I. Between June 2017 and December 2019, the Respondent engaged in discretionary trading in the futures accounts of certain clients, contrary to Dealer Member Rules 1300.4.

#### **PART V – TERMS OF SETTLEMENT**

21. The Respondent agrees to the following sanctions and costs:
- I. A suspension from acting in a registered capacity for a period of six months;
  - II. A fine of \$75,000;
  - III. Disgorgement of \$225,000;
  - IV. Costs payable to CIRO in the amount of \$15,000.

22. 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**

23. 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.
24. 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**

25. This Settlement Agreement is conditional on acceptance by the hearing panel.
26. 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.
27. 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.
28. 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.

29. 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.
30. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.
31. 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.
32. 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.
33. 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**

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

**DATED** this 21 day of May 2025.

“Witness”  
Witness

“Hongjia Liu”  
Hongjia Liu

“Tayen Godfrey”  
Tayen Godfrey  
Senior Enforcement Counsel on  
behalf of Enforcement Staff of the  
Canadian Investment Regulatory  
Organization

The Settlement Agreement is hereby accepted this 18 day of June, 2025 by the following Hearing panel:

Per: “Catharine M Esson”  
Chair

Per: “David Duquette”  
Industry Member

Per: “Douglas Stewart”  
Industry Member