Re Jones

IN THE MATTER OF:

The Investment Dealer and Partially Consolidated Rules and the Universal Market Integrity Rules

and

Jonathan Thomas Jones

2025 CIRO 34

Canadian Investment Regulatory Organization
Hearing Panel (Pacific District)

Heard: May 30, 2025 in Vancouver, British Columbia by videoconference
Decision: May 30, 2025
Reasons for Decision: July 10, 2025

Hearing Panel:
Lynn Smith, Chair, Bruce Maranda and Barbara Fraser

Appearances:
Lorne Herlin, Senior Enforcement Counsel
Jonathan Jones (present)

REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT

INTRODUCTION

[1] The Universal Market Integrity Rules (**UMIR**) require that Members and Registered Representatives trade in securities only through the entry of orders on a marketplace (with some exceptions that do not apply in this case). This requirement promotes transparency and accountability. In May 2024, Jonathan Jones (the **Respondent**), a Registered Representative, participated in an off-market trade in a security.

[2] The Respondent thereby contravened Section 6.4 of the UMIR and the Canadian Investment Regulatory Organization (**CIRO**) requirements.

[3] He admitted to the misconduct and accepted an Early Resolution Offer made by Enforcement Staff.

[4] At the settlement hearing, this Panel announced that it accepted the Settlement Agreement and would give reasons at a later date. These are those reasons.

AGREED FACTS

[5] The Respondent and Enforcement Staff agreed on the facts set out in the Settlement Agreement (attached).

[6] The Respondent began working in the securities industry in July 2008. From January 2010 to December 2024, he worked as a Registered Representative (Securities) at the Vancouver business location of Haywood Securities Inc. (**Haywood**). In December 2024, he began working as a Registered Representative (Securities) at the Vancouver business location of Leeds Financial Inc.

[7] The Respondent's father was a founding director and served as a director of LFNT, a mineral

exploration company, until September 2023. In July and August 2022, The Respondent purchased special warrants of LFNT through private placements. He informed his employer, Haywood, of those purchases in early October 2022, at the same time that he informed Haywood that he was going to purchase special warrants of LFNT through another private placement.

[8] Haywood's *Polices and Procedures* required the Respondent to execute all private placement transactions through its Investment Banking Department so that the transactions could be supervised and recorded in its books and records. Haywood reminded him of that policy in October 2022 when he told Haywood of his plan to purchase LFNT special warrants through private placements.

[9] By way of the three private placements, the Respondent purchased 677,250 special warrants of LFNT as follows:

1. July 12, 2022 -- 436,750 special warrants for $8,735
2. August 10, 2022 -- 169,000 special warrants for $8,450
3. October 4, 2022 -- 71,500 for $7,150

[10] Each special warrant entitled the Respondent to purchase one common share and half a common share purchase warrant of LFNT. The special warrants would be converted to shares and warrants on the date determined by LFNT, but not later than the date when the shares of LFNT were listed on a stock exchange in Canada.

[11] On April 26, 2023, shares of LFNT were listed on the Canadian Securities Exchange.

[12] In September 2023, the Respondent, a company owned by his parents, and his mother, collectively owned a substantial number of shares and warrants of LFNT. The Respondent approached Haywood with the prospect of Haywood acting as the lead broker for a potential LFNT financing. Haywood declined to do so because of the extent of the Respondent's family ownership of LFNT shares and warrants. Haywood told the Respondent to avoid offering the financing to his clients.

[13] The Respondent then asked Haywood if he could sell his shares of LFNT through an off-marketplace trade. Haywood advised him that since the shares of LFNT were listed on a marketplace, and the shares of LFNT which he owned were not subject to any resale restrictions, he was not permitted to sell shares of LFNT through an off-marketplace trade. The Respondent acknowledged the requirement.

[14] Nevertheless, on May 23, 2024, the Respondent proceeded to sell 609,525 shares and 380,813 warrants, off the marketplace, for proceeds of $24,335. The purchaser was a company that had previously been one of his clients and that was beneficially owned by individuals affiliated with LFNT. He made a profit of approximately $2,453.

[15] The Respondent advised Haywood of the off-marketplace trade on July 4, 2024. On Haywood's direction, he then contacted the buyer and cancelled the trade. The shares and warrants of LFNT were deposited in his account at Haywood. On July 19, 2024, he sold 609,000 LFNT shares on the marketplace, to the same company that had participated in the off-marketplace trade. He made a profit of about $2,477.

[16] He was disciplined by Haywood for the misconduct. He acknowledged his misconduct and paid investigation costs of $2,500.

[17] Mr. Jones admitted his misconduct with respect to the off-marketplace trade and agreed to resolve the matter in a timely way. Enforcement Staff made him an Early Resolution Offer, granting a 30% reduction on the fine that Enforcement Staff otherwise would have sought.

CONTRAVENTION AND TERMS OF SETTLEMENT

[18] The Respondent admitted that through the conduct described in the agreed facts, he committed the following contravention of CIRO requirements:

In May 2024, the Respondent participated in a trade in a security by means other than the entry of an

order on a marketplace, contrary to section 6.4 of the Universal Market Integrity Rules.

[19] He agreed to the following sanction:

(a) a fine of $21,000

(b) costs of $2,000.

[20] For its part, Enforcement Staff agreed that it would not initiate any further action against the Respondent in relation to the facts set out in the Settlement Agreement and the admitted contravention, unless he fails to comply with any of the terms of the Settlement Agreement. In that event, proceedings may be based on, but are not limited to, the agreed facts.

ANALYSIS

[21] Rule 8200 of the Investment Dealer and Partially Consolidated Rules (**Investment Dealer Rules**) provides for hearings, possible sanctions, and settlement agreements.[1]

[22] The sole question before this Hearing Panel, under Rule 8215(5), is whether to accept or reject the Settlement Agreement between the parties. Modifying or amending the Settlement Agreement is not an option for the Panel, as a result of the clear wording of the Rule and the numerous authorities that have considered it.

[23] The test to be applied is as set out in *Milewski (Re)*[2]: Do the proposed penalties "clearly fall outside a reasonable range of appropriateness" as a response to the Respondent's conduct?

[24] The desirability of settlements as opposed to contested proceedings is explained in *Re Donnelly*[3]. Settlements can result in prompt resolution, conserve resources, and reflect negotiation and compromise between the parties taking into account facts and considerations that are not known to a hearing panel.

[25] In assessing whether the penalties fall within a reasonable range of appropriateness for the admitted conduct, we have considered the CIRO *Sanction Guidelines*, decisions in previous cases, and the need to deter the kind of misconduct at issue here.

[26] Sanctions are meant to protect the public interest by restraining future conduct that may harm the capital markets, either by the respondent or by others (specific and general deterrence). They must be proportionate to the conduct, and similar to those imposed previously for similar contraventions in similar circumstances.

[27] We have considered a number of key factors in this case.

[28] The misconduct related to a single off-market sale of shares of LFNT, a company in which the Respondent and his family had a financial interest. The sale of 609,525 shares was for proceeds of $24,335, at a profit of $2,453. The sale was later reversed.

[29] The result of the off-market sale was to decrease the volume and the transparency of trading in LFNT shares.

[30] The Respondent had been specifically told by his employer that he should not participate in off-market transactions. Further, Section 6.4 of the UMIR clearly prohibits off-marketplace orders. As a result of the transaction, the Respondent was disciplined by his employer

[31] The Respondent has had no prior history of discipline during his 17 years of working in the securities industry.

[32] He told his employer, Haywood, about the off-marketplace trade and acknowledged his misconduct. At the outset of CIRO's investigation, he admitted his misconduct, thus reducing the length of time required for

[1] Rule 8215(1), Rule 8215(4), Rule 8210(1), and Rule 8214(1).
[2] (1999) I.D.A.C.D. No. 17 at 9.
[3] 2016 IIROC 23 at 14.

it to conduct an investigation and resulting in a timely resolution. The Early Resolution Offer granted a 30% reduction on the fine that Enforcement Staff otherwise would have sought.

[33] We have also reviewed the one previous comparable decision brought to our attention by Enforcement Staff: *Re Holland*[4]. In that case, a former Approved Person admitted that he traded in shares of a VSE listed company off the Exchange's VCT trading system, contrary to VSE Rule C.1.08.

[34] The facts in *Holland* were that a client asked the respondent to solicit other clients to purchase certain shares in GlobalEx. The respondent found five buyers among his other clients and arranged for them to purchase 180,000 shares of GlobalEx from the client, through a lawyer's account, by way of journal entries between their accounts and the lawyer's account.

[35] The result was to decrease the volume and transparency of trading in GlobalEx shares on the VSE. The sanction imposed was to require a voluntary payment to the TSX-VE in the amount of $10,000 and a second voluntary payment to the TSX-VE of $3,500 as a contribution to costs of the investigation.

[36] We agree with Enforcement Staff that the case is analogous, that the misconduct in this case is somewhat more egregious than that in *Holland*, and that a higher fine is warranted here taking into account the nature of the conduct and the current quantum of fines. We consider the conduct more egregious in this case because the Respondent deliberately disregarded both his employer's specific direction not to participate in off-marketplace trading, and section 6.4 of the Universal Market Integrity Rules.

CONCLUSION

[37] We conclude that the Settlement Agreement falls well within a reasonable range of appropriateness as a response to the Respondent's conduct. It is fair and reasonable in all of the circumstances, and sufficient to deter the Respondent and others from such conduct in the future. We conclude that the public interest is served by accepting the proposed settlement.

DATED at Vancouver, B.C., this 10th day of July 2025.

"Lynn Smith"
Lynn Smith, K.C., Chair

"Bruce Maranda"
Bruce Maranda

"Barbara Fraser"
Barbara Fraser

[4] [2002] R.S.D.D. No. 5

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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
THE UNIVERSAL MARKET INTEGRITY RULES
AND
JONATHAN THOMAS JONES

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 the Respondent, Jonathan Thomas Jones ("Jones").

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Enforcement Staff and Jones 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, Jones agrees with the facts as set out in Part III of this Settlement Agreement.

Overview

4. In September 2023, Jones' employer told him that he could not sell his shares of LFNT Resources Corp. (LFNT) through an off-marketplace trade. In May 2024, Jones effected an off-marketplace sale of his shares of LFNT.

Jones' Registration History

5. Jones first began working in the securities industry in July 2008.

6. From January 2010 to December 2024, Jones worked as a Registered Representative (Securities) at the Vancouver business location of Haywood Securities Inc. ("Haywood").

7. In December 2024, he began working as a Registered Representative (Securities) at the Vancouver business location of Leede Financial Inc.

Participation in LFNT Private Placements

8. LFNT is a mineral exploration company.

9. Jones's father was a founding director of LFNT and served as a director until September 2023.

10. Pursuant to Haywood's *Policies and Procedures*, Jones had to execute all private placement transactions through Haywood's Investment Banking Department so that the transactions could be supervised and recorded in Haywood's books and records.

11. Unbeknownst to Haywood, in July 2022 and August 2022 Jones purchased special warrants of LFNT through private placements.

12. In early October 2022, Jones informed Haywood that he was going to purchase special warrants of LFNT through another private placement. At that time, he also disclosed to Haywood that in July 2022 and August 2022 he had purchased special warrants of LFNT. Haywood reminded Jones that all private placement transactions had to be executed through Haywood.

13. By way of the three private placements, Jones purchased 677,250 special warrants of LFNT as follows:

Date of Subscription Agreement	Number of Special Warrants	Total Purchase Price
July 12, 2022	436,750	$8,735
August 10, 2022	169,000	$8,450
October 4, 2022	71,500	$7,150

14. Each special warrant entitled Jones to purchase one common share and half a common share purchase warrant of LFNT. The special warrants would be converted to shares and warrants on the date determined by LFNT but not later than the date when the shares of the LFNT were listed on a stock exchange in Canada.

15. On April 26, 2023, shares of LFNT were listed on the Canadian Securities Exchange.

16. In September 2023, Jones approached Haywood with the prospect of Haywood acting as the lead broker for a potential LFNT financing.

17. At that time, Jones, a company owned by Jones' parents, and Jones' mother, collectively owned a substantial number of shares and warrants of LFNT.

18. After a series of meetings with Jones, Haywood ultimately advised Jones that since he and his parents owned a substantial number of shares and warrants of LFNT, Haywood would not act as lead broker for a LFNT financing and Jones was to avoid offering the financing to his clients.

19. Jones then asked Haywood if he could sell his shares of LFNT through an off-marketplace trade.

20. In response, Haywood advised Jones that since the shares of LFNT were listed on a marketplace, and the shares of LFNT which he owned were not subject to any resale restrictions, Jones was not permitted to sell shares of LFNT through an off-marketplace trade. Jones acknowledged the requirement.

21. Unbeknownst to Haywood, on May 23, 2024, Jones effected an off-marketplace sale of 609,525 shares and 380,813 warrants of LFNT for proceeds of $24,335 (the "Off-Marketplace Trade").

22. Jones made a profit of approximately $2,453 from the Off-Marketplace Trade.

23. The company that purchased the LFNT shares and warrants had previously been a client of Jones, and it was beneficially owned by individuals who were affiliated with LFNT.

24. On July 4, 2024, Jones advised Haywood of the Off-Marketplace Trade.

25. At the direction of Haywood, Jones contacted the buyer and cancelled the Off-Marketplace Trade.

26. The shares and warrants of LFNT were then deposited into Jones' account at Haywood.

27. On July 19, 2024, Jones sold 609,000 shares of LFNT shares on the marketplace.

28. The company which had participated in the Off-Marketplace Trade was the purchaser.

29. Jones made a profit of approximately $2,477 on the sale on the marketplace.

Internal Discipline

30. Haywood internally disciplined Jones for the misconduct that is set out in this Settlement Agreement. Pursuant to the internal discipline, Jones acknowledged his misconduct and paid investigation costs of $2,500.

Mitigating Factors and Early Resolution Offer

31. Jones has admitted the misconduct described above thereby reducing the length of time required to investigate this matter and he agreed to resolve this matter in a timely manner.

32. Jones accepted Enforcement Staff's Early Resolution Offer which granted a 30% reduction on the fine Enforcement Staff otherwise would have sought.

PART IV – CONTRAVENTION

33. By engaging in the conduct described above, Jones committed the following contravention of CIRO requirements:

> In May 2024, Jones participated in a trade in a security by means other than the entry of an order on a marketplace, contrary to section 6.4 of the Universal Market Integrity Rules.

PART V – TERMS OF SETTLEMENT

34. Jones agrees to the following sanction and costs:

(i) a $21,000 fine; and

(ii) costs of $2,000.

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

PART VI – STAFF COMMITMENT

36. If the hearing panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against Jones 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.

37. If the hearing panel accepts this Settlement Agreement and Jones fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against Jones. 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

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 sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.

40. Enforcement Staff and Jones 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 Jones 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 this Settlement Agreement, Jones agrees to waive all rights under the Rules and By-laws of CIRO and any applicable legislation to any further hearing, appeal and review.

42. If the hearing panel rejects this Settlement Agreement, Enforcement Staff and Jones may enter into another settlement agreement or Enforcement 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. 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.

45. If this Settlement Agreement is accepted, Jones agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.

46. This Settlement Agreement is effective and binding upon Jones and Enforcement 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. An electronic copy of any signature will be treated as an original signature.

DATED this "02" day of "May", 2025.

"Witness"
Witness

"Jonathan Thomas Jones"
Jonathan Thomas Jones

"Lorne Herlin"
Lorne Herlin
Senior Enforcement Counsel
on behalf of Enforcement Staff of the
Canadian Investment Regulatory
Organization

The Settlement Agreement is hereby accepted this 30th day of May, 2025 by the following Hearing panel:

Per: "Carol Lynn Smith"
Chair

Per: "Barbara E Fraser"
Industry Member

Per: "Bruce Maranda"
Industry Member