Re Canaccord Genuity Corp.

IN THE MATTER OF:

The Investment Dealer and Partially Consolidated Rules

and

Canaccord Genuity Corp.

2025 CIRO 37

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: May 16, 2025, in Toronto, Ontario by videoconference
Decision: May 16, 2025
Reasons for Decision: July 24, 2025

Hearing Panel:
Philip Anisman, Chair
Leo Ciccone, Industry Representative
Charles Macfarlane, Industry Representative

Appearances:
Rob DelFrate, Senior Enforcement Counsel
Melissa MacKewn, for Canaccord Genuity Corp.
Mitchell Fournie, for Canaccord Genuity Corp.
Michelle McBride, General Counsel, Canaccord Genuity Corp. (present)

REASONS FOR ACCEPTANCE OF SETTLEMENT AGREEMENT

I. INTRODUCTION

[1] As investment dealers and other registrants provide a gateway to securities markets, they and their registered representatives have an obligation to monitor dealings by their clients in order to protect market integrity. This gatekeeping responsibility applies when they open an account for a client and when they subsequently accept and execute orders to trade securities. Their role as gatekeepers of our capital markets is encompassed in their know-your-client (**KYC**) obligation[1] and in their obligation to detect and prevent abusive trading conduct.[2] In both contexts, registered representatives must report to their supervisors or compliance department conduct that indicates possible manipulative or deceptive trading or other contraventions of securities laws or the Canadian Investment Regulatory Organization's (**CIRO**) rules, and member firms must adopt policies and procedures to ensure their employees' and the firm's compliance with their gatekeeping obligations.[3]

[2] A failure to respond to "red flags" that indicate a possibility of abusive trading may contravene CIRO's general standards of conduct, which require member firms, their directors, officers and employees to observe high standards of ethics and conduct by complying with their regulatory obligations in order to maintain

[1] See, e.g., "Know-your-client and suitability determination for retail clients", CIRO, GN-3=400-21-004, October 17, 2021, paras. 2.1 and 2.2.1 (collecting KYC information part of role as gatekeeper); see also *Re Steer* 2015 IIROC 9.
[2] See, e.g., UMIR Rule 10.16 and Policy 10.16 (gatekeeper obligations).
[3] See, e.g., UMIR Rule 7.1(1) and Policy 7.1.

investor confidence in our securities markets.[4] A registered representative's obligation to address the ethics of a client's instructions before proceeding to execute them has been characterized as "a central and absolutely crucial professional responsibility" for the integrity of securities markets.[5]

[3] On April 16, 2025, Canaccord Genuity Corp. (**Canaccord**) entered into a settlement agreement (the **Settlement Agreement**) with CIRO enforcement staff (**Staff**) in which it admitted to having contravened Investment Dealers and Partially Consolidated (**IDPC**) Rule 1400 in failing to act as a gatekeeper to the capital markets in relation to trading activity in low-priced securities listed or traded over the counter in the United States and agreed to pay a fine of $600,000, disgorgement of $2,200,000 and costs of $50,000. This Settlement Agreement with Canaccord illustrates the benefits of settlements of CIRO proceedings and the difficulties inherent in the acceptance process.

II. SETTLEMENTS AND THE HEARING PROCESS

[4] Settlements of disciplinary proceedings may further the public interest by avoiding the costs of potentially lengthy contested hearings, thereby enhancing CIRO's enforcement capacity with respect to other matters and, concomitantly, enabling respondents to resolve allegations with less expense and to focus on remedial initiatives in the conduct of their businesses. As settlements reflect negotiations and compromises between CIRO Staff and the respondent concerning the facts and sanctions on which the parties agree, CIRO's Rules require that a settlement agreement must be considered and accepted by a hearing panel before it becomes effective.

[5] Rule 8215 authorizes Staff to settle a proceeding through a settlement agreement that contains the facts, contraventions, sanctions and costs agreed to by both Staff and the respondent and provides that the settlement agreement becomes effective and binding on the parties only when it is accepted by a hearing panel after a settlement hearing.[6] CIRO's rules are thus designed to ensure that settlements agreed to by Staff and respondents satisfy CIRO's disciplinary goals and are in the public interest.

[6] A hearing panel may accept or reject a settlement agreement, but may not require its modification. A panel's decision to accept or reject a settlement must be based on the facts contained in the settlement agreement, any additional facts the parties agree to disclose in the settlement hearing, and the sanctions to which the parties agree in the settlement agreement or in the hearing. A panel may not require disclosure of additional facts, as such disclosure is prohibited unless all parties to the settlement agreement consent to it;[7] nor may a panel impose a sanction.

[7] As settlement agreements involve compromise, they may omit facts on which Staff and the respondent do not agree because of difficulties in proving them or because of a respondent's refusal to admit them. There "are almost always facts that play a role in the settlement" that are not disclosed to the panel in the settlement agreement or otherwise.[8] Although a few hearing panels have held that Staff has the same obligation as a prosecutor in connection with a plea-bargained joint submission in a criminal proceeding to disclose any additional facts that may be material to a panel's acceptance or rejection of a settlement agreement,[9] such an obligation would be inconsistent with the settlement regime in the IDPC Rules.

[8] In a criminal proceeding, the trial judge determines and imposes the sentence; the sanctions agreed in a plea bargain, if accepted, are imposed by the court. This is not the regime in the IDPC Rules. As provided in Rule 8215(5), a hearing panel either accepts or rejects a settlement agreement containing the sanctions to which the parties have agreed; if the hearing panel accepts a settlement agreement, the agreed sanctions are

[4] Investment Dealer and Partially Consolidated (**IDPC**) Rules, Rule 1400.
[5] *Re Hildebrandt* 2025 CIRO 5, para. 62.
[6] IDPC Rules 8215(2) and (6).
[7] IDPC Rule 8428(6).
[8] *Re Ho*, 2018 CanLII 11774 (MFDAC), para. 24.
[9] See *Re Scotia Capital* 2017 IIROC 48, paras. 13-17; *Re Dai* 2024 CIRO 33, paras. 38-58 and 72. Both decisions followed *R. v. Anthony-Cook*, 2016 SCC 43, para. 54, which states that counsel should "provide the court with a full account of the circumstances of the offender, the offence, and the joint submissions without waiting for a specific request from the trial judge."

deemed to have been imposed under Rule 8200.[10] If the settlement agreement is not accepted, the panel, unlike a judge who rejects a plea bargain, does not impose the sanction it considers appropriate. Rather, Rule 8215(8) provides that the parties may agree to another settlement agreement, which must then go before another hearing panel for acceptance, or Staff may proceed to a disciplinary hearing in which the allegations and charges must be proved. Only in the latter case does a panel have authority to impose a sanction, if the allegations are proved.

[9] Rule 8428(6), although a "procedural rule,"[11] is thus central to the settlement regime in the IDPC Rules. As a settlement agreement is the parties', Rule 8428(6) implements the understanding that the only sanctions in issue are those to which the parties agree and that the only facts that may be considered by a hearing panel are those agreed to by the parties. This confinement is also reflected in settlements, which usually include Rule 8428(6) as a term of the settlement agreement.[12]

[10] There is no presumption that the facts are complete or that there is no other information that, if disclosed, might affect a panel's decision.[13] It is the panel's responsibility to ask about any facts that the panel considers it must have before it can accept the settlement agreement.[14] Any such request will necessarily be based on the settlement agreement and other agreed facts presented by the parties.

[11] If the parties do not disclose facts that a hearing panel considers necessary to determine the acceptability of a settlement agreement, or do not agree to modify a sanction that the panel thinks necessary for the agreement's acceptability, the panel will have no alternative but rejection. As summarized in *Re Donnelly*:

> ... a panel in a hearing to consider a settlement agreement has only two options under IIROC rules: to accept the agreed settlement with its penalties because the panel agrees that the penalties are acceptable, or to reject the agreed settlement because the agreed penalties are not acceptable or because the panel has not been given enough information for it to come to a determination that the agreed penalties are acceptable. [15]

[12] A hearing panel may thus ask the parties for further information that it thinks would assist in its evaluation of a settlement agreement or may invite the parties to reconsider the agreed sanctions to make the penalties acceptable.[16]

[13] At the beginning of the settlement hearing on May 16, 2025, the Panel read to the parties a number of questions arising out of the Panel's review of the facts and agreed sanctions in the Settlement Agreement and asked them to consider providing additional information. The hearing was then adjourned to permit the parties to consider the Panel's questions. When the hearing resumed, the parties provided additional information in response to some of the questions, which is reflected in these reasons. The Settlement Agreement is attached as an Appendix.

[14] After receiving and considering the parties' oral submissions, the Panel informed the parties that it had decided, with some reluctance, to accept the settlement agreement, with reasons to follow.

III. THE FACTS

[15] In its carefully crafted Settlement Agreement, Canaccord admitted that between May 2021 and September 2023 (the **relevant period**), contrary to IDPC Rule 1400, it failed to act as a gatekeeper in opening and facilitating trading in accounts for Crito LLP (**Crito**), a United Kingdom registrant, without appropriately

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[10] IDPC Rule 8215(7).

[11] *Re Dai*, para. 56; *Re Ber* 2022 IIROC 8, para. 15 (procedural exception to IDPC Rule 8215(5)).

[12] See, e.g., Settlement Agreement, para. 114.

[13] See *contra*, *Re Scotia Capital*, paras. 16-17; *Re Dai*, paras. 59-61. Counsel, of course, have an obligation of candour; they may not misrepresent any facts.

[14] Such facts commonly relate to harm caused to clients or investors; see, e.g., *Re National Bank Financial Inc.* 2018 IIROC 9, paras. 22 and 34-36; see also *Re Scotia Capital*, para. 17.

[15] 2016 IIROC 23, para. 11.

[16] See, e.g., *ibid.*, para. 12.

taking into account Canaccord's applicable policies and procedures.[17] Although Canaccord's policies and procedures identified red flags that are commonly associated with manipulative, deceptive and other abusive trading, all of which were present in the Crito accounts, and required ongoing monitoring of its clients and their trading activities,[18] its traders and their supervisor consistently failed to report these red flags to Canaccord's compliance department and its compliance department failed to detect or take steps to investigate red flags that were or should have been apparent in materials presented to it.

A. Opening Accounts

[16] In May 2021, when it opened an account for Crito,[19] Crito informed Canaccord that it was registered with the U.K. Financial Conduct Authority (**FCA**) and associated with a U.S. broker-dealer, Crito LLC (**Crito LLC**). Crito represented that it acted as an introducing broker and clearing agent primarily for GEL Direct Trust (**GEL**) and intended to use its account to trade for GEL's underlying clients in low-priced securities that were listed or traded over the counter in the U.S.; Crito told Canaccord that it could not trade through Crito LLC and identified Stuart Jeffery (**Jeffery**), who was also a registered representative with Crito LLC, as having authority to instruct Canaccord concerning trading in its accounts.[20]

[17] The Panel was informed that when opening the Crito accounts, Canaccord obtained information concerning Crito, Crito LLC and Jeffery's relationship to Crito. The Settlement Agreement states that GEL was created and managed by Jeffery and another Crito LLC registrant, but was not itself registered.[21] It also states that Canaccord failed to identify or adequately address when it opened the Crito accounts that GEL, an unregistered U.S. entity, was trading low-priced securities into U.S. markets through a U.K. regulated entity (Crito), when Crito had a related, U.S. based registered broker-dealer.[22] It appears that Canaccord did not obtain GEL's constating trust document and thus, as the Panel was informed, did not know when GEL was created.[23] Staff said that the fact that Canaccord was not aware of when GEL was created was not relevant to its gatekeeping obligations.

[18] The Settlement Agreement says a number of red flags "were or ought to have been identified at the time the Crito accounts were opened and should have been properly addressed."[24]

B. Trading Activities

[19] The Crito accounts were used primarily, "almost exclusively", to sell large volumes of low-priced securities previously obtained by GEL's underlying clients from penny-stock issuers at substantial discounts below market prices in private placements and through conversion of securities or the exercise of warrants and not deposited in the Canaccord accounts, but held by custodians in the U.S.[25]

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[17] Settlement Agreement, paras. 15 and 107. Canaccord's admission that it contravened Rule 1400 is limited to trading in low-priced securities in these accounts; see para. 107.
[18] *Ibid*., paras. 97-99.
[19] Canaccord subsequently opened four additional accounts for Crito; *ibid*., para. 23. The Panel was told in the hearing that the additional accounts resulted from changes in custodians in the U.S. and that in effect they were a single account. Nevertheless, the opening of these accounts provided an additional opportunity, and an obligation, to monitor the trading that had occurred and that would continue in the new accounts. The admission in Settlement Agreement, para. 11, applies to the opening of the Crito accounts, but does not disclose when the new accounts were opened; see paragraph 18, below.
[20] Settlement Agreement, paras. 4-6 and 18-20.
[21] *Ibid.*, paras. 8, 10(a) and 20.
[22] *Ibid.*, paras. 10(a) and 11; see also para. 26 (traders identified need to scrutinize trading and individuals associated with account and GEL's underlying clients).
[23] In may be that Canaccord also did not know that Jeffery created and managed GEL, see *ibid*., paras. 8 and 20, but the Settlement Agreement does not say this.
[24] *Ibid*., para. 11; see also note 19, above.
[25] *Ibid*., paras. 7, 10(c)-(d) and 24.

[20] Between May 2021 and September 2023, the relevant period, the Crito accounts were consistently among Canaccord's institutional top revenue generating accounts. Their sales generated over $1 billion for GEL's underlying clients and over $6 million in commissions for Canaccord.[26]

[21] When the Crito account was opened in May 2021, the primary trader for Crito's accounts (**Trader 1**) and another trader (**Trader 2**), who were "senior Canaccord traders," expressed concerns about Crito and said that its trading and GEL's clients needed to be scrutinized.[27] Within weeks they identified various red flags from internet searches relating to GEL's underlying clients, their trading in the Crito accounts and the potential for manipulative trading, and they informed their managing director of their concerns.[28] Although they and their managing director recognized the potential for money laundering and "illicit activity" with respect to sales of securities of two issuers in June 2021, they did not report the red flags or these concerns to Canaccord's compliance department when approval for the transactions was requested.[29]

[22] In early June 2021, Canaccord's compliance department reviewed a list of the securities that Crito proposed to trade, which Trader 1 had forwarded because of concerns about trading in the over-the-counter market and the possibility of a red flag. Recognizing that some of the issuers of these securities had been the subject of fraud investigations by FINRA and that Canaccord had previously closed accounts that "trafficked in" them, the compliance department required completion of Canaccord's low-priced securities questionnaire for trades in such securities.[30] When it received requests for approval from Trader 1, the compliance department approved the proposed sales, without itself identifying the unreported red flags discovered by its traders, even though its compliance officers received and "in some instances reviewed" the documents that led to the traders' internet searches and concerns.[31] Crito's trading continued until September 2023, despite a civil action against GEL and Jeffery by the U.S. Securities and Exchange Commission (**SEC**) for selling penny stocks without being registered, using a business model like that followed in the Crito accounts, of which Canaccord became aware on November 21, 2022.[32]

[23] The Settlement Agreement outlines trading in securities of six issuers during the relevant period that comprised over 80 per cent of the sales by GEL's clients through Crito's accounts. A brief summary highlights Canaccord's admitted failures to fulfill its gatekeeping obligations.

[24] In connection with proposed sales of securities, Jeffery emailed documents to Trader 1 identifying the issuer, GEL's underlying client or clients and the manner in which the clients obtained the securities. The securities were commonly obtained from the issuer through the exercise of warrants without payment or at nominal cost,[33] and the proposed sales commonly involved millions of shares.[34]

[25] In early June 2021, Trader 2 obtained through Google and other internet searches various published articles stating that individuals identified in the documents had criminal and regulatory records.[35] Although this information was disclosed to Trader 1 and the traders' managing director, Trader 1 did not disclose it when he sent the documents to Canaccord's compliance department and requested approval for the trades. He also followed this practice in connection with later requests relating to securities of other issuers.[36]

[26] Although Canaccord's compliance department had identified red flags with respect to the list of securities held by Crito, and although they were sent and sometimes reviewed documents by Trader 1 relating to the securities proposed to be sold, the proposed sales were approved. As the Settlement Agreement does not say that compliance officers discovered the information obtained by Trader 2, it is reasonable to infer that

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[26] *Ibid*., para. 16, states that the sales totalled approximately $779,421,407.30 USD and that Canaccord received total commissions of $4,762,737.09 USD. During the relevant period the exchange rate for U.S. to Canadian dollars averaged approximately 1.3, which the Panel used to convert these amounts to Canadian dollars.
[27] *Ibid*., para. 26.
[28] *Ibid*., para. 29.
[29] *Ibid*., paras. 13, 47, 52, 55, 56, 62, 63 and 84.
[30] *Ibid*., paras. 27-28.
[31] *Ibid*., para. 14.
[32] *Ibid*., para. 8.
[33] See, e.g., *ibid*., paras. 42, 51, 68 and 74 ("cashless exercise of warrants"); and see para. 72 (exercise at $0.001 per share).
[34] See, e.g., *ibid*, paras. 41 (47,806,824 shares), 48 (21,782,833 shares), 54 (49,900,200 shares), 74-77 and 86.
[35] *Ibid*., paras. 43-46.
[36] See, *ibid*., paras. 63, 66 and 82-84.

similar internet searches were not conducted by them. In one case, the compliance department approved a transaction even though it had itself previously identified regulatory action by the SEC against the issuer's manager.[37]

[27] The red flags presented by the arrangement with Crito and by the trading in its accounts were to a large extent the types of conduct identified in Canaccord's policies and procedures manual. They involved the sale by high-risk clients with a history of criminal and regulatory violations of large volumes of low-priced shares of issuers with a history of market abuse, pursuant to an arrangement involving offshore entities. As a major concern with such transactions is the potential for manipulative trading, it may be suggestive of possible impropriety that the order for one of the proposed sales was received from Jeffery the same day that the issuer of the shares to be sold announced the acquisition of another corporation,[38] but the Settlement Agreement does not contain any information concerning the identification or any consideration of these events by Canaccord's traders or compliance department.[39] Nor does the Settlement Agreement indicate that Canaccord was aware of any information concerning actual manipulative or other fraudulent conduct by GEL or that there was any such conduct in connection with the trading in the Crito accounts.

[28] This is particularly important with respect to the action brought by the SEC in November 2022 against GEL, Jeffery and two others, in which the SEC alleged that the defendants were carrying on a business of selling penny stocks and other securities for GEL's clients without being registered. When Canaccord became aware of the SEC's action, "certain" of its employees, including Traders 1 and 2 and senior members of its compliance department, expressed reservations about continuing to do business with GEL. Nevertheless, "Canaccord determined that it would continue to work with Crito LLP since, in part, Crito LLP itself was not the subject of the SEC Complaint." Canaccord also "determined that Crito LLP (an FCA registrant), not GEL, was Canaccord's client and was aware of the fact that the allegations against GEL were that it was conducting a securities business without registration as a broker-dealer."[40] Canaccord removed Jeffery from day-to-day activities of the Crito accounts for a time, but later resumed dealing with him and received some emails from his GEL email account.[41]

[29] The Panel asked what other employees of Canaccord were involved, who made the decision to continue with Crito, and what other factors affected it.[42] The Panel was told that the traders and compliance officers were involved and that the decision to continue was a firm decision. No other persons were identified. With respect to relevant factors, counsel said that some considerations raised issues of solicitor-client privilege and could not be disclosed. Counsel emphasized that Crito was Canaccord's client, not GEL or the other defendants, that the allegations related to registration, that there was no allegation of market abuse and that the trading was open.

[30] The majority of Crito's trading during the relevant period occurred after Canaccord's decision to continue with the Crito accounts. Almost three-quarters of the total proceeds received by Crito were generated between November 21, 2022 and September 2023, when Canaccord stopped accepting trade orders in the Crito accounts.[43]

IV. STANDARD OF ACCEPTANCE

[31] The parties relied on the "established standard" applicable in CIRO settlement hearings.[44] This standard was articulated in 1999 in *Re Milewski*,[45] a contested penalty hearing of the Investment Dealers Association of Canada, as follows:

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[37] *Ibid.*, paras. 88 and 93-95.
[38] *Ibid.*, paras. 50 and 53.
[39] When asked, counsel did not say whether the compliance department addressed this.
[40] *Ibid.*, paras. 34-36. The implication is that there was no allegation of manipulative or abusive trading; see also para. 103.
[41] *Ibid.*, para. 37.
[42] The Panel also asked if Crito was identified in the SEC complaint and was told it was not. The Panel did not request a copy of the SEC's complaint; such a request would arguably be considered investigative and a hearing panel is not an investigative tribunal.
[43] *Ibid.*, paras. 38-39.
[44] See *Re Meehan* 2025 IIROC 27, para. 20.
[45] [1999] I.D.A.C.D. No. 17

> Although a settlement agreement must be accepted by a District Council before it can become effective, the standards for acceptance are not identical to those applied by a District Council when making a penalty determination after a contested hearing. In a contested hearing, the District Council attempts to determine the correct penalty. A District Council considering a settlement agreement 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. Put another way, the District Council will reflect the public interest benefits of the settlement process in its consideration of specific settlements.
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> This understanding is reflected in paragraph 20.26 of the By-laws which authorizes the District Council to "accept", rather than approve, a settlement agreement. In each case a District Council must determine appropriateness, but the standards applicable to its doing so in a settlement hearing differ from those in a contested hearing.[46]

[32] A hearing panel will accept a settlement agreement that is within a reasonable range of appropriateness, taking into account the benefits of settlements to the parties, to CIRO and its members and to the public interest, the nature of the settlement process, and the fact that Staff and the respondents have reached agreement. These factors relating to the public interest benefits of the settlement process affect a determination of reasonableness; a hearing panel will not reject a settlement unless it views the agreed penalty as "clearly falling outside a reasonable range of appropriateness."

[33] Staff also cited *Re Cavalaris*,[47] which equated the public interest considerations in *Milewski* with the standard adopted by the Supreme Court of Canada in *R. v. Anthony-Cook* to govern the rejection of a plea bargain by a trial judge in a criminal proceeding.[48]

[34] A number of subsequent decisions have described the *Anthony-Cook* standard as a fuller articulation of the principles in *Milewski*.[49] The Supreme Court, however, expressly rejected a reasonableness standard similar to the *Milewski* standard. It adopted a standard that it described as a "more stringent test,"[50] holding that a trial judge should not depart from a plea-bargained joint submission on sentence, "unless the proposed sentence would bring the administration of justice into disrepute or is otherwise not in the public interest" because it is "so unhinged from the circumstances of the offence and the offender that its acceptance would lead reasonable and informed persons, aware of all the relevant circumstances, including the importance of promoting certainty in resolution discussions, to believe that the proper functioning of the justice system has broken down."[51]

[35] This test was intended to address "a serious and difficult problem of congested courts and unreasonable delay in the criminal justice system," and can be viewed as a companion to the Supreme Court's *Jordan* decision, which imposed time limits for criminal trials that if not met, result in a stay of proceedings.[52] As the Supreme Court has acknowledged, considerations relating to the criminal process are not applicable to regulatory proceedings.[53] The *Anthony-Cook* standard, therefore, may not be applicable in regulatory proceedings, depending on the disciplinary process followed by the tribunal.[54] In light of the settlement regime in the IDPC Rules, this is the case in CIRO's proceedings.

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[46] *Ibid.,* pp. 9-10.

[47] See *Re Cavalaris* 2017 IIROC 4, paras. 15-19.

[48] *R. v. Anthony-Cook,* 2016 SCC 43.

[49] See, e.g., *Re Ber* 2022 IIROC 8, para. 12; *Re Dai* 2024 CIRO 33, paras. 21 and 32.

[50] *R. v. Anthony-Cook*, paras. 30-31. The decision in *Re Dai* treats the reasonableness test quoted in paragraph 30 of *Anthony-Cook* as essentially the same as the *Milewski* standard, but fails to note the Supreme Court's rejection of this standard in paragraph 31; see *Re Dai*, para. 36.

[51] *R. v. Anthony-Cook*, paras. 32 and 34.

[52] *Re Jacob* 2017 IIROC 17, para. 28; *Re Ho*, 2018 CanLII 11774 (MFDAC), para. 26; see also *R. v. Jordan*, 2016 SCC 27.

[53] See, e.g., *Law Society of Saskatchewan v. Abrametz*, 2022 SCC 29, para. 48 (refusing to apply *Jordan* to regulatory proceedings which are not intended to punish an offender); *CIRO Sanctions Guidelines*, May 14, 2025, p. 4 ("Sanction Guidelines") (Principle 1: sanctions are preventive, not punitive); *cf. Re Carrigan* 2024 CIRO 70.

[54] See, e.g., *Re Wing*, 2018 ONSEC 25 (CanLII), paras. 4-12; see also *Bradley v. Ontario College of Teachers*, 2021 ONSC 2303 (Div. Ct.) (*Anthony-Cook* standard applicable where tribunal substituted its own sanction).

[36] The settlement process in IDPC Rule 8215 differs from the criminal process. Unlike a criminal prosecution in which the sanction is imposed by the judge, a hearing panel in a settlement hearing cannot impose a sanction; a sanction that is imposed under CIRO's Rules must be agreed to by the parties in a settlement agreement that is accepted by a hearing panel or must be imposed by a panel based on its findings following a hearing on the merits of Staff's allegations. Thus Rule 8215(8) provides that where a settlement agreement is rejected by a hearing panel, the terms of the proposed settlement do not become public and the parties may enter another settlement agreement, which will be subject to acceptance by another panel, or Staff may proceed to a disciplinary hearing. In order to ensure that the parties not present the same settlement agreement to a second panel, Rule 8215(8) also requires that the initial hearing panel's reasons for rejecting a settlement agreement, although otherwise confidential, must be made available to a hearing panel that considers a subsequent settlement agreement based on the same or related allegations and charges. CIRO's settlement process thus differs, as well, from that of other self-regulatory bodies which allow a hearing panel to impose an alternate penalty and which must apply the standard adopted in the *Anthony-Cook* decision to plea-bargained joint sanction submissions.[55]

[37] In most cases the result will not differ, but in view of the requirements in Rule 8215 that a settlement agreement be conditioned on and is only effective upon acceptance by a hearing panel and that a settlement agreement is confidential unless and until it is so accepted, the participation of industry members in hearing panels, and the responsibility of a hearing panel to consider the public interest, the *Milewski* standard is less stringent than the one required to reject a plea bargain in criminal proceedings.[56]

[38] Although a settlement agreement and the agreed sanctions will rarely be found to be clearly outside a reasonable range of appropriateness, this is not a deferential standard. Rule 8215 requires acceptance of a settlement agreement by a hearing panel. While a hearing panel recognizes the benefits of settlements and takes into account the settlement process and the parties' agreement, the reasonableness standard it applies is not the same as the deference accorded by courts when reviewing the decisions of primary decisionmakers such as administrative tribunals or corporate directors.[57]

[39] In a settlement hearing, the hearing panel is the primary decisionmaker. A decision concerning the acceptability of a settlement agreement is the panel's responsibility; its consideration of whether the settlement agreement adequately addresses the public interest cannot be fulfilled by deferring to the agreement of the parties.[58]

[40] The range of appropriateness and its reasonableness are determined in light of CIRO's Sanction Guidelines, which are intended to assist hearing panels in deciding whether to accept settlements, as well as in determining appropriate sanctions in contested proceedings.[59] Thus, protection of the public interest requires consideration of the conduct admitted by a settling respondent with respect to specific deterrence of the respondent, general deterrence of similar conduct by others, the proportionality of the agreed sanctions to the respondent's contravention and the harm caused investors in light of industry expectations, prior hearing panel decisions and the settlement process.[60]

[41] In view of the fact that decisions of hearing panels rejecting a settlement agreement are not made public and remain confidential, a hearing panel cannot look to prior cases in which a settlement was rejected. It must rely on its own judgment in determining whether the sanctions in the settlement agreement under consideration clearly fall outside a reasonable range of appropriateness in light of the facts before it, its own experience and understanding of industry expectations and applicable CIRO requirements, the Sanction Guidelines and the benefits of the settlement process.

V. ACCEPTABILITY OF THE SETTLEMENT AGREEMENT

[55] See, e.g., *Bradley v. Ontario College of Teachers,* 2021 ONSC 2303 (Div. Ct.).
[56] See, e.g., *Re Jacob* 2017 IIROC 17, paras. 24-30; *Re M Partners Inc. and Isenberg* 2018 IIROC 25, paras. 20-27; *Re Crane* 2019 IIROC 14, para. 36; *Re Small* 2021 IIROC 28, paras. 8-14 (rejecting criminal standard); *Re Canaccord Genuity Corp*. 2024 IIROC 18, paras. 41-45.
[57] See *Re Electrovaya Inc*., 2017 ONSEC 25, paras. 6-8.
[58] See, e.g., *Re RBC Dominion Securities and Benson* 2021 IIROC 30, para. 21; and see paragraph 64, below.
[59] See Sanction Guidelines, p. 2.
[60] See, e.g., *ibid*., p. 4 (Principle 1).

[42] The sanctions agreed to in the Settlement Agreement are significant; they total $2,800,000, comprised of a $600,000 fine and disgorgement of $2,200,000, plus costs of $50,000. In light of the receipt of over $6,000,000 in commissions from Crito's trading, however, the amount of the sanctions does not alone demonstrate that they are within a reasonable range of appropriateness. In particular, the Panel had difficulty with the fact that $2,200,000 in disgorgement is approximately a third of the commissions obtained by Canaccord during the relevant period.

[43] The purpose of CIRO discipline is to protect the integrity of the securities market and improve the business standards of its members and their employees. The Sanction Guidelines thus emphasize deterrence; as CIRO's sanctions are preventive in nature, they should be sufficient to deter future misconduct by a respondent and by others who might engage in similar activities by leading them to "expect that they will be held accountable through enforcement action."[61]

[44] An essential element of these goals is the principle that a person who contravenes CIRO's rules should not be allowed to benefit from the contravention. Accordingly, a hearing panel will usually require a respondent to disgorge amounts obtained as a result of a contravention.[62] In addition, more severe sanctions, usually including a higher fine, will be imposed on a respondent who has previously been disciplined for similar or other misconduct.[63]

[45] To assist in the application of these principles, the Sanction Guidelines list twenty "key factors" that may be considered by a hearing panel in determining sanctions. Those applicable to the facts admitted by Canaccord relate to the nature of its misconduct, including the number, size and character of the transactions, the period of time over which they occurred, whether they demonstrate a pattern of conduct, whether they were intentional or reckless, and whether Canaccord's employees failed to heed its own policies and procedures with respect to it.[64] Also relevant are the extent of harm to clients, other market participants, market integrity or the reputation of a marketplace, as well as mitigating factors such as acceptance of responsibility for and self-reporting of misconduct and the voluntary adoption of corrective measures to avoid its recurrence.[65]

A. Aggravating Factors

[46] Canaccord's gatekeeping failures were, as Staff submitted, reckless. They allowed substantial volumes of low-priced securities of risky issuers to be sold into the market by GEL's clients over more than a two-year period, despite obvious red flags of the types identified in Canaccord's policies and procedures, and Canaccord received commissions aggregating over $6,000,000. Although Canaccord's traders flagged Crito's list of securities for its compliance department after the opening of Crito's initial account, they and their managing director failed to inform the compliance department of further red flags connected to sales by GEL's clients in June 2021, the month after the account was opened. Their failures were compounded by the compliance department's failure to identify these red flags before approving the sales, despite having initially identified the questionable history of the issuers of the securities and despite receiving and sometimes reviewing documentation that itself contained red flags concerning the proposed sales. The same types of failure by Canaccord's traders and compliance department continued throughout the relevant period.

[47] These failures are underscored by Canaccord's allowing trading by GEL's clients to continue for almost a year after it learned of the SEC's action against GEL and Jeffery, during which period Canaccord received over $4,500,000 in commissions.[66] Although the SEC did not allege that GEL's sales were manipulative, part of a pump-and-dump scheme, or otherwise fraudulent, it did allege that GEL and Jeffery were contravening U.S.

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[61] *Ibid*., p. 4 (Principle 1).
[62] *Ibid*., pp. 4-5 (Principle 2).
[63] *Ibid*., p. 5 (Principle 3).
[64] *Ibid*., pp. 7-8 (factors 1-4 and 20).
[65] *Ibid*., factors 5, 6, 11 and 13.
[66] See Settlement Agreement, paras. 16, 33, 34 and 38. The Settlement Agreement states that Crito's accounts generated over $573,000,000 for Crito's underlying clients after November 21, 2022, which is approximately 73 per cent of the approximately $779,421,407.30 generated during the full relevant period. This percentage of the total commissions received by Canaccord during the relevant period is over $4,500,000, when the U.S. amount in para. 16 is converted to Canadian dollars at a rate of 1.3; see note 26, above.

securities laws by carrying on business as a broker-dealer without registration.[67] Canaccord should have realized that the Crito accounts were likely being used to assist GEL to act contrary to securities laws in the manner alleged by the SEC and should have investigated Crito's and GEL's relationship. As a result, its gatekeeping failures in November 2022 and thereafter were egregious.[68]

[48] Canaccord admitted similar gatekeeping failures in two previous settlements. In 2009, Canaccord failed adequately to supervise a registered representative who allowed over-the-counter trading by six Panamanian corporations beneficially owned by Europeans in shares of a U.S. corporation, the shares of which the SEC subsequently alleged were sold in a pump-and-dump scheme.[69] Between 2018 and 2021, Canaccord failed adequately to monitor direct electronic access trading by a client that engaged in wash trading.[70] This disciplinary history suggests a need for a significant sanction for Canaccord's gatekeeping failures in and after 2021.

B. Mitigating Factors

[49] The Settlement Agreement includes a section entitled "remedial measures and additional factors" that contains facts that Canaccord and Staff present as mitigating factors.[71] These factors require careful analysis in view of the agreed sanctions.

[50] The Settlement Agreement highlights the fact that Crito was "a registered dealer with regulatory obligations."[72] It implies that Canaccord was entitled to rely on Crito's obligations as a registrant with respect to acceptance of orders for GEL's clients and may explain, in part, its opening Crito's account without obtaining GEL's trust document or performing other KYC-type due diligence with respect to GEL and its underlying clients. It is particularly important because Canaccord's determination that Crito, not GEL, was its client, after it learned of the SEC's action against GEL and Jeffery in November 2022, was influenced by Crito's registration with the FCA.[73] The inclusion of Crito's registration as a mitigating factor, without qualification, suggests that the Settlement Agreement was carefully drafted as a result of intensive negotiation.

[51] In the Panel's view, Crito's status as a registrant is a mitigating factor with respect to Canaccord's gatekeeping failures in the opening of Crito's initial account and, possibly, in allowing some of the trading in Crito's accounts up to November 2022. When it learned of the SEC's action against GEL, however, Canaccord should have investigated further, for example, by obtaining GEL's trust document, even though Crito was a registrant.[74] There is no indication in the Settlement Agreement or the facts provided to the Panel that it did. Crito's registration, therefore, is not a mitigating factor with respect to Canaccord's gatekeeping contraventions after November 21, 2022.

[52] Nor is the fact that Canaccord terminated its relationship with Crito in November 2023 or ceased to accept orders from Crito in September 2023.[75] Although it asked, the Panel was not told why Canaccord ended its relationship with Crito. Without that information, the closing of the account is neutral.

[53] Like Crito's registration, the fact that Canaccord obtained documentation in respect of trading by GEL's underlying clients in "certain pink sheet securities addressing share ownership, tradability and insider status" is not an unmitigated mitigating factor.[76] The documents obtained by Canaccord's traders and forwarded to its

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[67] Settlement Agreement, paras. 31-32 and 103.
[68] See Sanction Guidelines, p. 7 (factor 4: intentional or reckless).
[69] *Re Canaccord Genuity* 2014 IIROC 3, pp. 3-4; *Re Steer* 2015 IIROC 9.
[70] *Re Canaccord Genuity Corp* 2024 CIRO 18. Staff referred to an additional settlement in which Canaccord admitted having failed to establish a system of controls and supervision to ensure that clients in managed accounts did not pay fees based on securities for which it received trailer fees; *Re Canaccord Genuity* 2021 IIROC 35. In the Panel's view, the conduct admitted in this settlement was not analogous to gatekeeping and is not relevant to this Settlement Agreement.
[71] Settlement Agreement, paras. 100-106.
[72] *Ibid*., para. 100.
[73] *Ibid*., paras. 35-36.
[74] The Settlement Agreement does not admit this obligation, but in the Panel's view it arose from the facts that are admitted, including the fact that Jeffery was a defendant in the SEC action.
[75] See Settlement Agreement, para. 102. The relevant period addressed in the Settlement Agreement ends in September 2023; see para. 16. The Panel was informed that Canaccord ceased to accept orders from Crito in that month, but for technical reasons, the account was not closed until November 2023.
[76] *Ibid*., para. 101.

compliance department when Trader 1 sought approval of proposed trades seem to have accompanied the due diligence and low-priced security compliance questionnaires that were required by the compliance department for trades in securities on the list that Jeffery provided to Trader 1 in June 2021.[77] These questionnaires, as the Panel was informed in the hearing, were generally required by Canaccord for some pink sheet securities and for sales of shares that exceeded five per cent of the public float. This requirement and the receipt of due diligence documents relating to proposed trades are mitigating factors. But the failure by the compliance department to read and follow up on information contained in them relating to GEL's underlying clients and the manner in and prices at which they obtained shares from the issuers undermines their mitigating effect. Rather, these compliance department failures are a core element of Canaccord's admitted contravention.

[54] Canaccord and Staff treat as a mitigating factor the fact that the SEC did not allege that GEL and Jeffery engaged in market manipulation or abuse or that the underlying trading by GEL's clients was unlawful.[78] As stated above, in the Panel's view this is not a mitigating factor with respect to Canaccord's gatekeeping failures following November 21, 2022.[79] It is relevant, however, with respect to the determination of appropriate sanctions; although the red flags that were or should have been apparent suggest the possibility of manipulative conduct,[80] the Settlement Agreement does not disclose that there was any manipulative or otherwise improper trading by GEL's underlying clients. The fact that the SEC did not allege any such misconduct in its action against GEL and Jeffery is significant in so far as it relates to the consequences of Canaccord's gatekeeping failures.

[55] Harm caused by a respondent's contravention to clients, investors and other market participants, or to the market, is among the most important factors relating to sanctions. A gatekeeping contravention that permits manipulation or other fraudulent trading is indicative of stronger sanctions,[81] for example, where the contravention permits wash trading or trading in furtherance of a pump-and-dump scheme.[82] The fact that there was no allegation of manipulative trading or market abuse by GEL's underlying clients in the SEC's complaint or the Settlement Agreement supports the submissions by both parties that Canaccord's contravention relates only to gatekeeping. Although the absence of identified harm is not a mitigating factor, it is relevant to a determination of reasonableness with respect to the sanctions in the Settlement Agreement.

[56] Canaccord did not report its gatekeeping failures to CIRO,[83] but it "voluntarily and proactively" engaged in "extensive remediation efforts" to ensure its employees and compliance personnel fulfill their gatekeeper obligations and implemented policies and procedures to ensure its own ongoing compliance. These include the adoption of "advanced screening tools and other red flag detection methods," enhanced "client onboarding procedures" and anti-money laundering surveillance and supervision, and training of its "front-line staff" concerning gatekeeper obligations. Canaccord engaged external consultants and advisers to ensure that these remediation measures "are robust and holistic."[84]

[57] Remediation of this nature is a significant mitigating factor. When undertaken proactively and conscientiously, it demonstrates a respondent's recognition of its regulatory responsibilities and an acknowledgment of its regulatory failures. By thus focusing on compliance with its obligations and its future conduct, a member firm's voluntary remediation efforts may substantially address the specific deterrence sought by CIRO's Sanction Guidelines.

[58] Staff and Canaccord also agree that by entering the Settlement Agreement, Canaccord "has saved CIRO the time, resources, and expenses associated with conducting a contested hearing."[85] While this is the case with

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[77] *Ibid*., paras. 27-28; see paragraph 22, above.
[78] *Ibid*., para. 103.
[79] See paragraph 51, above
[80] See, e.g., Settlement Agreement, para. 63.
[81] Sanction Guidelines. p. 7 (factors 5 and 6).
[82] See, e.g., *Re Canaccord Genuity* 2014 IIROC 3, p. 4 (pump-and-dump scheme); *Re Canaccord Genuity Corp*. 2024 CIRO 18 (wash trades).
[83] See Sanction Guidelines, p. 7 (factor 11). The Settlement Agreement suggests that Canaccord did not self-report. This was confirmed in the hearing. The Panel was told that Canaccord did not self-report, but counsel refused to tell the Panel how this matter came to CIRO's attention.
[84] Settlement Agreement, paras. 104-105.
[85] *Ibid*., para. 106.

all settlements,[86] it is a significant mitigating factor in this instance in view of the potential length and complexity of the hearing that would be required to address the arrangements, issuers, clients and course of conduct over the almost two and a half year period described in the Settlement Agreement.

C. Sanctions

1. Fine

[59] Staff described the agreed fine of $600,000 as significant. This characterization is reasonable in light of the fines in the two settlements to which Canaccord previously agreed.[87] In 2014, Canaccord agreed to a global fine of $750,000 for failing to ensure that clients who purchased securities in private placements qualified as purchasers under the accredited investor prospectus exemption and for failing to supervise the branch managers in four of its offices with respect to retail sales activities involving excessive and unsuitable trading and, in one case, gatekeeping obligations.[88] Canaccord's gatekeeping contravention was only one of five supervisory failures. As the fine was part of a global sanction, the amount attributed to Canaccord's gatekeeping failure was an unidentified part of the $750,000, likely significantly less.

[60] The fine in Canaccord's 2024 settlement was $475,000 for failures to detect wash trades by a direct electronic access client of a firm it acquired, both prior to and after the acquisition. In accepting the settlement agreement, the panel stated that the fine was at the high end of the range.[89] In both of these cases, Canaccord engaged expert advisers and adopted procedures to ensure that its contraventions would not be repeated.

[61] In the Panel's view, both of these settlements involved contraventions similar to the contravention admitted in the Settlement Agreement. Nevertheless, they should not be given substantial weight in this case. As stated in the Sanction Guidelines, prior discipline may indicate that sanctions previously imposed for similar contraventions did not deter repetition by the respondent and that more severe sanctions are necessary to do so.[90] The 2014 settlement related to conduct in 2009 to 2011; as Crito's account was not opened until 2021, the inference concerning its lack of specific deterrence is weak. Conversely, the sanction under the 2024 settlement does not present an issue of its adequacy as a deterrent because Canaccord's gatekeeping failures during the relevant period in this case ended in 2023, before the sanction was imposed. As a result, the $600,000 fine should be based primarily on the facts contained in the Settlement Agreement.

[62] In the Panel's view, the agreed facts indicate a more serious contravention than in either of the prior settlements. They demonstrate an ongoing reckless disregard of Canaccord's policies and procedures that permitted an extended period of contraventions of its gatekeeping obligations by its traders, their managing director and its compliance department. Canaccord's remediation efforts affect the need for specific deterrence; but they do not address general deterrence. In light of the many red flags that were ignored, the fact that Crito's accounts were among Canaccord's top revenue generating institutional accounts during the relevant period, and the amount of the commissions they produced, the Panel would have considered a fine greater than $600,000 in a contested hearing. This is not its function, however, with respect to consideration of a Settlement Agreement in which the public interest in settlements must be taken into account when it determines the reasonableness of an agreed sanction. In these circumstances, in the Panel's view, taking into account the fines in Canaccord's two earlier settlements and Canaccord's voluntary remediation, the $600,000 fine is within a reasonable range of appropriateness.

2. Disgorgement

[63] The amount to be paid by Canaccord as disgorgement presents difficulties with respect to the acceptability of the Settlement Agreement. The $2,200,000 agreed amount is approximately a third of the commissions received by Canaccord from trading in the Crito accounts and less than half of the commissions received after November 21, 2022. It obviously reflects a compromise between Canaccord and Staff. The Settlement Agreement does not explain how the $2,200,000 amount was reached, but simply says that Staff

[86] See, e.g., *Re Canaccord Genuity Corp*. 2024 CIRO 18, para. 51.
[87] The decisions accepting these settlements were the only precedents provided to the Panel that involved a member firm's gatekeeping obligations.
[88] *Re Canaccord Genuity* 2014 IIROC 3; see paragraph 48, above.
[89] *Re Canaccord Genuity Corp*. 2024 CIRO 18, paras. 60-61.
[90] Sanction Guidelines, p. 5 (Principle 3).

and Canaccord agree that it is "a reasonable approximation of the amounts obtained by Canaccord as a result of its failure to discharge its gatekeeper obligation."[91]

[64] Counsel informed the Panel that the disgorgement amount was the most controversial issue in their negotiation of the Settlement Agreement and "would have been a contentious and resource-intensive issue to litigate at a contested hearing."[92] They said that it followed a long back and forth, and they submitted that as it satisfied the parties, the Panel should respect their compromise and rely on their conclusion that the amount is reasonable. The Panel does not agree with this submission, as it in essence requires a hearing panel to defer to the parties' agreement. The fact that a settlement was negotiated by experienced counsel, as the Settlement Agreement was, indicates only that the compromises reflected in the settlement agreement were likely reached on a fair and informed basis, which gives some support to their reasonableness.[93] It does not, however, affect the Panel's obligation; it remains the Panel's responsibility to determine whether the Settlement Agreement and the sanctions it contains should be accepted in accordance with the standard in *Milewski*.[94]

[65] The purpose of disgorgement under CIRO's rules is to deter misconduct by ensuring that a respondent does not benefit from its contravention.[95] Canaccord and Staff rely on the British Columbia Court of Appeal's *Poonian* decision, which held that Staff must prove a "reasonable approximation" of the amount obtained as a result of a contravention, after which the burden shifts to the wrongdoer to demonstrate that another amount is appropriate.[96] In light of the admission that Canaccord failed to fulfill its gatekeeper obligations contrary to IDPC Rule 1400 when it opened the Crito accounts,[97] the holding in *Poonian* would require Canaccord to demonstrate why all of the over $6,000,000 in commissions that resulted from trading in those accounts should not be disgorged. In a contested hearing, a panel would ordinarily require disgorgement of the full amount of the commission so obtained, unless Canaccord demonstrated a basis for a lesser amount. The Panel asked, therefore, for an explanation of the basis on which the $2,200,000 was determined.

[66] In response, counsel disclosed two types of consideration that informed their compromise. They first addressed the basis on which the commissions that Canaccord received as a result of its contravention were to be determined. The Settlement Agreement does not say what Canaccord should have done in response to the red flags that were or should have been perceived or when it should have taken action. There is no agreement that Crito's initial account should not have been opened; nor is there agreement that Crito's accounts should have been closed at any time prior to November 2023.[98] Canaccord's traders recognized that Crito's trading should be monitored when or shortly after the account was opened, as did its compliance department, but the Settlement Agreement does not admit that Canaccord's compliance department should have discovered the red flags that its traders and their managing directors failed to disclose. Nor does it say whose conduct constituted Canaccord's contravention. In addition, counsel said there was no agreement on which trades triggered its gatekeeping obligations, noting that there were purchases, as well as sales, in Crito's accounts and that some sales may not have raised a gatekeeping deficiency.[99]

[67] In a contested hearing in which the facts in the Settlement Agreement were proved, a hearing panel might make these determinations, but it cannot make such findings when considering a settlement agreement in which its focus is the reasonableness of the agreed sanctions in light of the facts that are agreed.

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[91] Settlement Agreement, para. 17.
[92] Settlement Submissions of CIRO Enforcement Staff, May 16, 2025, para. 17.
[93] See, e.g., *Re Canaccord Genuity* 2021 IIROC 35, para. 32; *Re Ho*, 2018 CanLII 11774 (MFDAC), para. 25.
[94] See paragraphs 31-32, 38-39 and 43, above.
[95] See, e.g., *Poonian v. British Columbia Securities Commission*, 2017 BCCA 207, paras. 81-82 ("*Poonian*"); *Re Shields* 2021 IIROC 31, paras. 27 and 32; Sanction Guidelines, pp. 4-5 (Principle 2).
[96] See *Poonian*, paras. 79, 129 and 139.
[97] Settlement Agreement, para. 11.
[98] The Settlement Agreement addresses these questions in three paragraphs. In para. 11, it says that red flags were not properly addressed when the accounts were opened; in para. 13, it says that Canaccord's traders did not escalate red flags or their concerns to the compliance department and did not "cease to trade for the Crito Accounts"; and in para 34, it says that "certain Canaccord employees, including the Traders and senior members of Compliance expressed reservations about continuing to do business with GEL." The manner in which this question is addressed demonstrates that the Settlement Agreement is itself a negotiated document that was carefully drafted.
[99] Counsel for Canaccord referred to Settlement Agreement, paras. 86-88, as an example.

[68] Counsel told the Panel that their compromise also took into account issues relating to the determination of the benefit received by Canaccord, mainly costs incurred by it in connection with the execution of transactions, such as exchange and pass-through fees, fees paid to FINRA, and costs incurred by Canaccord in connection with its remediation efforts. In a contested hearing, a hearing panel cannot take such expenses into account when determining the amount to be disgorged. The amount obtained as a result of a contravention is the full amount received, not the respondent's profit or net profits.[100] This is especially so with respect to remediation costs which are a cost of carrying on business and an element of the firm's overhead. Such expenses, however, may be part of the negotiations between Staff and a respondent and may be factored into a compromise in a settlement concerning the amount of disgorgement.

[69] Neither CIRO's Rules nor its Sanction Guidelines require disgorgement of all funds obtained as a result of a contravention without regard to the circumstances. Under IDPC Rule 8210 (c)(iii), a hearing panel may order disgorgement of "any amount obtained" as a result of a contravention. Both the imposition of disgorgement and the amount to be disgorged are thus matters of discretion, as the Sanction Guidelines make clear.[101] The question for a panel, therefore, is when as a matter of principle, it should exercise this discretion to order disgorgement of less than the full amount obtained by a respondent. In a contested hearing, a panel may, for example, deduct from the amount obtained any amounts returned to investors by the respondent;[102] it may even decide that disgorgement should not be ordered.[103] In a settlement hearing, the settlement process constitutes an element of the public interest which a panel may consider with respect to the reasonableness of the amount of disgorgement to which the parties have agreed.

[70] In light of the striking nature and number of red flags that were or should have been identified by Canaccord's traders, their managing director, and Canaccord's compliance department throughout the relevant period, the volume of trading in the Crito accounts, and the commissions earned by Canaccord from that trading both before and after Canaccord learned of the SEC's action against GEL and Jeffery, disgorgement of $2,200,000 is at the very low end of the spectrum of reasonableness, and possibly beyond it. But these factors are balanced to some degree by Canaccord's remediation efforts, the fact that there is no evidence that the trading by GEL's underlying clients was manipulative or otherwise fraudulent, the explanations provided by experienced counsel, and the benefits of the settlement in avoiding a lengthy and costly contested hearing. Taking all of these factors into account, the parties' compromise in agreeing on this amount does not, in the Panel's judgment, result in the Settlement Agreement clearly falling outside a range of reasonableness.

VI. DECISION

[71] The agreed sanctions (the fine of $600,000 and disgorgement of $2,200,000) total $2,800,000.[104] Although this is a significant amount, it is still much less than the commissions received by Canaccord. It is necessary, therefore, to consider the adequacy of the sanctions as a whole, particularly with respect to deterrence.

[72] In addressing this question, the factors that the Panel took into account with respect to the fine and disgorgement, when viewed separately, must also be considered with respect to the sanctions taken together. From a deterrence perspective, Canaccord's voluntary remediation efforts, which have established new policies and training, monitoring and supervision processes to ensure compliance with its gatekeeper obligations, are most important. In view of their adoption, and the benefit of the settlement in removing the need for a resource-intensive contested hearing, the monetary sanctions in the Settlement Agreement are sufficiently substantial to address specific deterrence; and by demonstrating to other member firms that they "should

[100] See, e.g., *Poonian*, paras. 84-88; *cf. Re Mark Allen Dennis*, 2012 ONSEC 24, paras. 42-45.
[101] *Poonian*, para. 138; Sanction Guidelines, p. 5 (Principle 2: "sanction should require disgorgement of some or all of any amounts obtained").
[102] See, e.g., *Re Shields* 2021 IIROC 31, paras. 27 and 32.
[103] See, e.g., *Re Onstad*, 2025 BCSECCOM 227, paras. 120-122 (disgorgement disproportionate and not in public interest); but see also *Re Diaz*, 2021 ONSEC 24 (CanLII).
[104] The Settlement Agreement also requires Canaccord to pay $50,000 in costs, but costs are not treated as a sanction under Rule 8214; see *Re Shields*, para. 56.

expect that they will be held accountable" for similar failures, these sanctions also sufficiently provide general deterrence.[105]

[73] For all of these reasons, the Panel, with some reluctance, accepted the Settlement Agreement on May 16, 2025. As the Panel indicated during the hearing, its decision to accept the Settlement Agreement was a close call. A close call, however, is not "clearly ... outside a reasonable range of appropriateness."[106]

DATED 24th day of July 2025

"Philip Anisman"
Philip Anisman
Chair
"Leo Ciccone"
Leo Ciccone
Industry Representative
"Charles Macfarlane"
Charles Macfarlane
Industry Representative

[105] Sanction Guidelines, p. 4 (Principle 1); see paragraph 43, above.
[106] See paragraphs 31 and 32, above.

CIRO · OCRI
Canadian Investment Regulatory Organization
Organisme canadien de réglementation des investissements

IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES

AND

CANACCORD GENUITY CORP.

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 Canaccord Genuity Corp. (the "Respondent" or "Canaccord").

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. Beginning in May 2021, Canaccord opened accounts (the "Crito Accounts") for Crito Capital LLP ("Crito LLP"), a United Kingdom entity registered with the Financial Conduct Authority ("FCA"). Canaccord was aware that Crito LLP was associated with Crito Capital LLC ("Crito LLC"), a broker-dealer registered with the United States Securities and Exchange Commission ("SEC") and a Financial Industry Regulatory Authority ("FINRA") member.

5. Prior to the opening of the accounts, Crito LLP represented to Canaccord:

   a. that it operated as an introducing broker and clearing agent, primarily for GEL Direct Trust ("GEL"), which in turn had various underlying clients; and

   b. it wanted to trade through accounts at Canaccord because, while it had the requisite permissions from the FCA to receive and transmit orders, it did not yet have permission to do the same through its U.S.-based broker dealer, Crito LLC.

6. At the time of account opening, Crito LLP identified Stuart Jeffery as having authority to give trading instructions to Canaccord on behalf of Crito LLP. He was Canaccord's primary contact person for trading in the Crito Accounts and a registered representative of Crito LLC.

7. The primary activity in the Crito Accounts consisted of selling various low-priced securities listed or traded over-the-counter in the U.S. (collectively, the "Low-Priced Securities") on behalf of various underlying clients.

8. On November 21, 2022, Canaccord became aware of a civil complaint by the SEC against GEL, Jeffery and two other related defendants (the "SEC Complaint"), alleging that that they were "engaged in the business of selling penny stocks and other securities for the accounts of GEL's customers without being registered as brokers or being associated with a registered broker." The SEC Complaint stated that: "GEL's business model is to act as an introducing broker. Among other actions, GEL: (a) takes possession of its customers' penny stocks; (b) finds executing brokers willing to sell the stocks in the market; (c) directs the executing brokers on completing the sales; and (d) facilitates the settlement of the trades and disbursement of proceeds to its customers." The SEC Complaint stated that GEL was a trust created by Jeffery and another individual, both of whom were employed and registered with Crito LLC.

9. Despite these allegations, Canaccord continued to execute trades on behalf of Crito LLP.

10. Canaccord failed to identify or adequately address, among others, the following red flags when it opened the Crito Accounts and when it engaged in trading activity in the Crito Accounts:

a. GEL, an unregistered entity, was U.S. domiciled (along with most of its underlying clients) and was trading the Low-Priced Securities into the U.S. markets, through Crito LLP, a U.K.-based regulated entity when Crito LLP had a related U.S.-based and FINRA-regulated broker-dealer;

b. Information contained in documentation provided to Canaccord ought to have raised further questions about the underlying clients, a number of which had previous regulatory actions against them in various jurisdictions, the source of the securities and the legitimacy of the Crito Accounts' trading activity;

c. The trading activity consisted almost exclusively of selling large volumes of Low-Priced Securities for Cash On Delivery/Delivery Against Payment (COD/DAP) accounts which had no deposits or transfers; and

d. The acquisition by certain underlying clients of the Low-Priced Securities was by way of debt conversion, private placement or private transaction. In some cases, these acquisitions had characteristics of transactions in which the underlying clients bought convertible notes or other securities from penny stock issuers and converted the notes or other securities into newly issued shares of stock that were heavily discounted from the prevailing market price. The underlying clients then sold that stock in the market through the Crito Accounts.

11. A number of these red flags were or ought to have been identified at the time the Crito Accounts were opened and should have been properly addressed. Others arose at various times while the Crito Accounts traded at Canaccord and either were not identified or were not properly addressed.

12. In some instances, Canaccord's traders and staff identified potential red flags with respect to the trading activity by certain of Crito LLP's underlying clients and reports of regulatory proceedings against certain of them as set out below.

13. While they messaged each other about this information, the traders did not escalate all of their potential concerns or information about the red flags with members of Canaccord's compliance department ("Compliance") nor did they cease to trade for the Crito Accounts.

14. The red flags were not otherwise identified by anyone else at Canaccord, including senior members of Compliance who had access to, received, and in some instances reviewed, documents that included information that formed the basis of the Canaccord traders' concerns. In cases where concerns were identified by Compliance, further inquiries should have been made to ensure that appropriate steps had been taken to address the concerns.

15. Dealer Members are relied on, and required to, act as gatekeepers to the capital markets to help prevent and detect illegitimate, abusive or fraudulent practices. In the manner set out herein, Canaccord failed to act as a gatekeeper in the opening of the Crito Accounts, the facilitation of the trading in the Crito Accounts, and in failing to appropriately take into account its policies and procedures relevant to the accounts and activity.

16. During the period May 2021 to September 2023 (the "Relevant Period"), the trading activity in the Crito Accounts consisted of roughly 5,943 sells and 278 buys of which the bulk were trades on the NASDAQ or over-the-counter market. The sales generated proceeds of approximately $779,421,407.30 USD for underlying clients of Crito LLP (the "Crito Trading"). Canaccord received total commissions of $4,762,737.09 USD from the Crito Trading. The Crito Accounts were consistently among the top revenue generating accounts for Canaccord's institutional accounts during the Relevant Period.

17. Enforcement Staff and Canaccord agree that a reasonable approximation of the amounts obtained by Canaccord as a result of its failure to discharge its gatekeeper obligation is $2.2 million, which will be disgorged.

Crito LLP and GEL

18. Crito LLP was incorporated in April 2013 in the U.K. and is regulated by the FCA.

19. Crito LLC was incorporated in the U.S. and has been a broker dealer registered with the SEC and a member of FINRA since 2012. Canaccord understood that, during the Relevant Period Crito LLC did not have authorization to facilitate trading for Crito LLP in the U.S. Crito Holdings LLC and its Managing Partner were the primary owners of Crito LLC.

20. GEL is a trust created by Jeffery and another individual, which they managed. GEL was not registered with the SEC in any capacity.

The Underlying Clients

21. Crito LLP's underlying clients included:

    a. Esousa Holdings LLC ("Esousa") - MW is Esousa's Managing Member.

    b. Acuitas Capital LLC ("Acuitas") - TP is Acuitas' Managing Member.

    c. Iliad Research and Trading LP ("Iliad") - JF is Iliad's President. JF was also the President of Streeterville Capital LLC ("Streeterville").

    d. GenCap Fund I LLC ("GenCap") - AD is GenCap's Managing Member. AD is also the Managing Partner of GPL Ventures LLC ("GPL").

22. Further information about these underlying clients is set out below in relation to the trading activity in the Low-Priced Securities.

The Crito Accounts

23. In May 2021, Crito LLP opened a COD/DAP account with Canaccord. It subsequently opened three additional COD/DAP accounts and one cash account. Securities were not received by Canaccord in the COD/DAP accounts but were held by custodians in the U.S. The securities held in the cash account were Low-Priced Securities listed on the NASDAQ and the NYSE.

24. The Crito Accounts were used primarily to sell Low-Priced Securities previously acquired by the underlying clients.

25. Jeffery had authority to give trading instructions on behalf of Crito LLP and was Canaccord's primary contact person for the Crito Accounts. Jeffery was registered as a broker with Crito LLC from September 2020 to September 2023 and had previously been registered in the securities industry in various capacities and with various firms since 2006.

Account Opening and Documentation

26. Immediately after the first Crito Account was opened, two senior Canaccord traders ("Trader 1", who was the primary trader for all activity in the Crito Accounts, and "Trader 2," collectively, the "Traders"), messaged each other regarding concerns about Crito LLP

and identifying the need to scrutinize the trading and individuals associated with the Crito Accounts and the underlying clients.

27. On June 1, 2021, Jeffery provided Trader 1 with a list of securities Crito LLP held with its U.S.-based custodian that it proposed to trade through Canaccord. Trader 1 forwarded this email to Compliance and stated "I just want to make sure there isn't a redflag with this client/positions anywhere. They have settled every time... I'm just not very familiar with otc/pink and I want to make sure we as a firm is comfortable with this."

28. On June 3, 2021, Compliance replied to Trader 1 and advised "We reviewed the holdings in the account statement you had sent and have made the determination that going forward, the customer would need to complete the due diligence questionnaire prior to initiating a sell transaction with us. Some of these names have not only been the subject of FINRA fraud investigations but we have closed several accounts that have trafficked in these names and they seem to move around to different places in order to try and sell their securities." Compliance also provided a "Low-Priced Security Compliance Review" form (a "Low-Priced Security Questionnaire") that would need to be completed for trades in these securities.

29. In June of 2021, the Traders exchanged Bloomberg messages questioning the trading activity in the Crito Accounts as well as Jeffery's registration history. They identified concerns with respect to the character of the underlying clients, the potential for manipulative activity with respect to trading in the Low-Priced Securities and whether they should continue with Crito LLP as a client. Certain of these concerns were raised to their managing director.

30. Despite these concerns that arose within weeks of the Crito Accounts being opened, Canaccord proceeded to enter trades in the Crito Accounts.

The SEC Complaint

31. As set out above, on November 17, 2022, the SEC filed the SEC Complaint against GEL, Jeffery and two other related defendants (the "GEL Defendants"), alleging that that they were "engaged in the business of selling penny stocks and other securities for the accounts

of GEL's customers without being registered as brokers or being associated with a registered broker."

32. The SEC Complaint further stated that "[f]rom approximately June 2019 to at least May 2022, [GEL] used this business model to execute more than 19,000 trades of more than 300 billion shares of stock of more than 400 issuers on behalf of approximately 60 customers. These trades generated more than $1.2 billion in trading proceeds for GEL's customers."

33. During the time period outlined in the SEC Complaint, the Crito Accounts at Canaccord had executed 2,582 trades for more than 2.3 billion shares of 233 issuers, including issuers of Low-Priced Securities. These trades generated more than $125 million in proceeds for Crito LLP.

34. On November 21, 2022, Canaccord became aware of the SEC Complaint.

35. Initially, certain Canaccord employees, including the Traders and senior members of Compliance expressed reservations about continuing to do business with GEL. Despite these initial reservations, Canaccord determined that it would continue to work with Crito LLP since, in part, Crito LLP itself was not the subject of the SEC Complaint.

36. Canaccord further determined that Crito LLP (an FCA registrant), not GEL, was Canaccord's client and was aware of the fact that the allegations against GEL were that it was conducting a securities business without registration as a broker-dealer.

37. For a period of time, Canaccord removed Jeffery from the day-to-day activities of the Crito Accounts and another Crito LLP employee assumed trading authority for Crito. However, Canaccord later resumed dealing with Jeffery, including taking trading instructions from him and receiving some emails from his GEL email account.

38. From November 22, 2022 (after Canaccord became aware of the SEC Complaint) until September 6, 2023, the Crito Accounts at Canaccord executed trades for more than 3.8 billion shares of 118 issuers, including issuers of Low-Priced Securities. These trades generated more than $573 million in proceeds for Crito LLP.

39. In September 2023, Canaccord stopped accepting trade orders in the Crito Accounts, and in November 2023, Canaccord terminated its relationship with Crito LLP.

40. On August 27, 2024, the U.S. District Court for the Southern District of New York entered final judgments against the GEL Defendants. Without admitting or denying the allegations, the GEL Defendants consented to the final judgments which, among other things, bar them from participating in any offerings of a penny stock and to pay civil penalties totaling $946,000.

Trading Activity - Naked Brand Group Limited

41. On June 3, 2021, Jeffery, on behalf of Crito LLP, emailed documents to Trader 1 for Canaccord to sell 47,806,824 shares of Naked Brand Group Limited which was a "leading e-commerce business in intimate apparel" that traded on the NASDAQ under the ticker symbol "NAKD".

42. The documents indicated that these NAKD shares were owned by Esousa and were acquired following an April 2021 cashless exercise of warrants. These warrants had been acquired by Esousa by way of an amended share purchase agreement in March 2021. The amended share purchase agreement indicated that Esousa, Streeterville and Acuitas all acquired shares and warrants of NAKD at this time, although it did not indicate the number of shares or warrants, or the amounts paid by these underlying clients to acquire these NAKD securities.

43. After reviewing the documents, Trader 2 emailed Trader 1 an article from ValueWalk which stated that MW (Esousa's Managing Member) had previously been incarcerated for embezzlement, was barred from the banking and brokerage industries and then started what ValueWalk considered to be a highly promotional investor relations firm..." Trader 2 indicated this article was found following a google search.

44. Minutes later, Trader 2 emailed Trader 1 a link to a 2006 article from Barron's entitled "A Dubious Inheritance" which indicated that in 1997, MW had pleaded guilty to diverting $20.8 million in assets from Chase Manhattan Bank and served 11 months in federal prison.

45. In a Bloomberg chat the same day, Trader 2 provided Trader 1 with a link to a SEC litigation release dated September 3, 2020, outlining allegations against JF, Iliad and other related companies. The SEC alleged that JF and his companies had acquired and sold more than 21 billion shares of penny stocks without being registered, resulting in profits of more than $61 million.

46. Trader 2 also noted that two of the three individuals (MW, JF and TP) listed on the March 2021 share purchase agreement provided by Crito LLP had criminal convictions.

47. Trader 1 forwarded the Jeffery email and attachments to Compliance. Compliance did not identify any concerns with the underlying clients. The links that noted MW's previous conviction or JF's SEC charges were not forwarded to Compliance.

48. On June 8, at Canaccord's request, Crito LLP provided a completed, Low-Priced Security Questionnaire for the NAKD shares. The Low-Priced Security Questionnaire indicated that Esousa held 21,782,833 NAKD shares which had been acquired by way of private placement and that the intention was for "opportunistic sales", to "maximize profit" and to "sell into strength."

49. On June 9, 2021, Canaccord approved the NAKD shares for sale. However, no NAKD shares were sold at this time.

50. On November 8, 2021, Jeffery, on behalf of Crito LLP, emailed documents to Trader 1 for Canaccord to sell 22,709,005 shares and 7,996,832 shares of NAKD.

51. The documents indicated that these NAKD shares were owned by Esousa and were acquired following separate April 2021 and June 2021 cashless exercises of warrants, which had been acquired by way of the same March 2021 amended share purchase agreement noted above.

52. Trader 1 forwarded the original email and attached documents to Compliance. Approval to trade the shares was provided the same day.

53. On November 8, 2021, NAKD announced that it had acquired the outstanding stock of privately held Cenntro Automotive Group, a "commercial EV technology company".

54. On November 18, 2021, Jeffery, on behalf of Crito LLP, emailed documents to Trader 1 for Canaccord to sell an additional 49,900,200 shares of NAKD. The documents indicated that these NAKD shares were owned by Esousa and were acquired pursuant to a private placement on November 9, 2021. The documents also indicated that Esousa had been issued 98,995,818 NAKD shares within the past year, all of which had been sold, excluding the current deposit.

55. On November 19, 2021, Trader 1 forwarded this email and attachments to Compliance. Approval to trade the shares was provided.

56. After the approval was received, Trader 1, Trader 2 and their managing director exchanged further emails in the context of the sales of NAKD shares referencing the potential for money laundering. Compliance was not copied on these emails. Trader 1 and 2 have advised that these emails were satirical.

57. On December 31, 2021, Naked Brand Group Limited changed its name to Cenntro Electric Group and its symbol on the NASDAQ was changed to "CENN".

58. Between November 9, 2021 and January 31, 2022, Canaccord sold 70,844,744 shares of NAKD/CENN in the Crito Accounts for total proceeds of $53,863,159.88 USD.

Trading Activity - BORQS Technologies Inc.

59. On June 8, 2021, Jeffery, on behalf of Crito LLP, emailed documents to Trader 1 for Canaccord to sell 4,159,718 shares of BORQS Technologies Inc. ("BORQS"). BORQS was a "global leader in embedded software and products for the 'Internet of Things'" that traded on the NASDAQ under the ticker symbol "BRQS".

60. The documents indicated that BRQS shares were owned by Esousa and were acquired following the conversion of a $4,000,000 USD Convertible Note on June 4, 2021. The documents indicated that the BRQS Convertible Note was acquired by Esousa in February 2021.

61. The Low-Priced Security Questionnaire provided by Crito LLP indicated that Esousa owned 4,159,718 shares and 5,847,953 warrants acquired by way of private placement and that the trading strategy was to "maximize sale price while reducing investment risk."

62. Trader 1 forwarded these documents to Compliance and received approval to sell the BRQS shares on June 9, 2021.

63. After the approval was received, Trader 1, Trader 2 and their managing director exchanged further emails referencing potential illicit activity with respect to the sale of BRQS shares. Compliance was not copied on these emails. Trader 1 and 2 have advised that these emails were satirical.

64. Between June 15, 2021 and April 4, 2022, Canaccord sold 16,180,378 shares of BRQS in the Crito Accounts for total proceeds of $11,336,647.10 USD.

Trading Activity - Mullen Automotive, Inc.

August 2021-September 2022

65. Mullen Automative, Inc. ("MULN") is a "Southern California-based electric vehicle company that operate[d] in various verticals of business focused within the automotive industry". On November 9, 2021, MULN completed a reverse merger with Net Element, Inc ("Net Element"). Net Element was a "technology group in mobile commerce and payment processing." Net Element traded on the NASDAQ under the ticker symbol "NETE". Following the merger, the company traded on the NASDAQ under the ticker symbol "MULN".

66. Net Element was the subject of the ValueWalk article referenced above that noted MW had been incarcerated. The article also noted that, based on SEC filings "NETE recently received investments from two entities: Esouosa [sic] Holdings and Cobblestone Capital Partners LLC" and that the Managing Director of Esousa is MW's wife and the Managing Member of Cobblestone Capital Partners LLC is MW's sister.

67. Between August 3, 2021 and September 26, 2022, Canaccord received and sold a total of 30,053,930 shares of NETE/MULN pursuant to a prospectus in the Crito Accounts for total proceeds of $25,612,775.46 USD. There is no indication of which underlying clients traded these shares.

September 2022 - February 2023

68. On September 27, 2022 Jeffery, on behalf of Crito LLP, emailed documents to Trader 1 for Canaccord to sell 6,140,243 shares and a further 29,064,336 shares of MULN. The documents indicated that these MULN shares were owned by Acuitas and were acquired following an August 2022 cashless exercise of warrants.

69. Trader 1 was also advised by Jeffery that Acuitas had the ability to purchase up to an additional 228,000,000 shares of MULN.

70. Between September 27, 2022 and February 28, 2023, Canaccord sold a total of 527,023,847 shares of MULN in the Crito Accounts for total proceeds of $151,161,952.50 USD.

March 2023 – September 2023

71. On March 1, 2023, the SEC charged TP and Acuitas with insider trading in shares of a company in respect of which TP was Executive Chairman.

72. On July 10, 2023, Trader 1 emailed Compliance a Pre-Funded Warrant agreement certifying that Acuitas was entitled to purchase 178,617,525 shares of MULN at a purchase price of $0.001.

73. On July 11, 2023, Trader 1 emailed Compliance to advise that additional shares of MULN were anticipated to be received in the Crito Accounts. Trader 1 advised that the underlying clients were Esousa, an MW trust, and Acuitas.

74. On July 11, 2023, Trader 1 emailed Compliance four cashless warrant exercise notices for a total of 318,623,776 MULN shares (244,755,384, dated March 31, 2023; 8,333,333, dated May 17, 2023; 27,624,534, dated June 16, 2023; and 37,910,984, dated June 16, 2023) in the name of Acuitas.

75. On July 11, 2023, Compliance approved the Crito Accounts to receive 177,000,000 shares of MULN on behalf of Acuitas.

76. On July 28, 2023, Compliance approved the Crito Accounts to receive an additional 113,160,366 MULN shares on behalf of Esousa and 102,617,525 MULN shares on behalf of Acuitas.

77. On August 24, 2023, Compliance approved the Crito Accounts to receive an additional 10,000,000 MULN shares on behalf of Esousa and 10,000,000 MULN shares on behalf of Acuitas.

78. Between March 1, 2023 and August 31, 2023, Canaccord received and sold a total of 2,405,782,893 shares of MULN in the Crito Accounts for total proceeds of $400,769,017.99 USD.

79. In total, between August 3, 2021 and August 31, 2023, Canaccord received and sold 2,962,860,670 shares of MULN/NETE in the Crito Accounts for total proceeds of $577,543,745.95 USD. Canaccord also purchased 51,417,052 shares of MULN in the Crito Accounts at a total cost of $15,158,652.32 USD.

Trading Activity - Progressive Care Inc.

80. On July 28, 2021, Jeffery, on behalf of Crito LLP, emailed documents to Trader 1 for Canaccord to sell 8,038,585 shares of Progressive Care Inc. ("RXMD"), an OTC security. RXMD is a "health services and technology company".

81. The documents indicated that the RXMD shares were owned by Iliad and had been acquired by way of a debt conversion. The documents also indicated that Iliad had been issued 55,968,463 RXMD shares within the past year, of which 47,240,392 had been sold.

82. On July 29, 2021, Trader 2 sent Trader 1 a link to an internet article noting that, in September 2020, the SEC had commenced an enforcement action against JF (Iliad's President) for acting as a securities dealer without being registered. The article stated that the SEC alleged that JF and his companies had acted for years as securities dealers, but had failed to register with the necessary securities regulators. The article also stated that JF operated as a "toxic lender" (which is described in in paragraph 10(d) above), for years and that he had previously entered into a settlement with the SEC and had been barred from associating with any FINRA member.

83. On November 12, 2021, Jeffery re-sent the documents to Trader 1 to sell the 8,038,585 RXMD shares on behalf of Iliad.

84. Trader 1 forwarded the original email and attached documents to Compliance asking if they could continue to sell. Trader 1 did not provide Compliance with a link to the internet article. Compliance approved the Crito Accounts to receive and sell the RXMD shares on the same day.

85. Between July 19, 2021 and November 17, 2021, Canaccord sold 8,038,585 shares of RXMD in the Crito Accounts for total proceeds of $294,847.78 USD.

Trading Activity - Ilustrato Pictures International Inc.

86. On June 6, 2022, Jeffery, on behalf of Crito LLP, emailed documents to Trader 1 for Canaccord to sell 53,000,000 shares of Ilustrato Pictures International Inc. ("ILUS"), an OTC security. ILUS is a mergers and acquisitions company focused on acquiring and developing technology-based companies across the globe.

87. The documents indicated that the ILUS shares were owned by R Inc. and had been acquired by purchase of a $500,000 promissory note from GPL.

88. On June 7, 2022, Trader 1 forwarded the original email and attached documents to Compliance asking whether they could continue selling. Although there were no issues identified with R Inc., Compliance provided approval noting that "the previous holder of the promissory note (GPL Ventures) is facing charges from the SEC in relating to "toxic funding" and stock manipulation in some other securities. The current owner, [R Inc.] does not seem to have any negative news around it."

89. Between May 10, 2022 and July 31, 2023, Canaccord sold 187,685,000 shares of ILUS in the Crito Accounts for total proceeds of $12,401,334.58 USD.

Trading Activity - Trio Petroleum Corp.

90. On May 2, 2023, GPL, AD and related parties consented to a final judgment of an SEC Complaint, and agreed to various sanctions, including a bar from "participating in an offering of penny stock, including engaging in activities with a broker, dealer or issuer for the purposes of issuing, trading, or inducing or attempting to induce the purchase or sale of any penny stock", and disgorgement of $29,681,569 USD "representing profits gained

as a result of the misconduct." AD was also liable for a civil penalty in the amount of $3,500,000 USD.

91. On July 13, 2023, Jeffery, on behalf of Crito LLP, emailed documents to Trader 1 for Canaccord to receive and sell 349,923 shares of Trio Petroleum Corp. ("TPET"). TPET is a California-focused oil and gas exploration and development company.

92. The documents indicated that the TPET shares were owned by GenCap and had been acquired further to a warrant exercise on July 10, 2023. The agreement to exercise the warrant was signed by AD on behalf of GenCap.

93. The email and attached documents were forwarded to Compliance. Despite having earlier noted the SEC action with respect to AD and GPL, Compliance provided approval for the receipt and sale of shares by GenCap.

94. On July 18, 2023, Jeffrey, on behalf of Crito LLP, emailed documents for Canaccord to receive and sell an additional 349,924 shares of TPET. The documents included the same agreement to exercise the warrants that was signed by AD on behalf of GenCap.

95. The email and attached documents were forwarded to Compliance and approved noting that "this looks like the balance of the warrant exercise by Crito client GenCap".

96. Between July 24, 2023 and August 17, 2023, Canaccord received and sold 699,847 shares of TPET in the Crito Accounts for total proceeds of $558,424.79 USD.

Policies and Procedures

97. Canaccord's policies and procedures provided examples of potential red flags, including "the client seeks to deposit a large volume of shares in an obscure company particularly one traded on the OTC BB or pink sheets." The policies and procedures also identified high risk clients as those involved with "OTC Bulletin Board and pink sheet companies", "financial institutions with a history of regulatory violations", "clients with a history of regulatory investigations and/or fines", and "trading in securities with a history of market abuse, such as OTC Bulletin Board shares and other junior over-the-counter issues."

98. Canaccord's policies and procedures also required it to conduct ongoing monitoring of the business relationship with clients in order to:

a. detect any transactions that need to be reported as suspicious;

b. reassess the clients risk level based on their transactions and activities; and

c. determine if the transactions and activities are consistent with what is known about the client.

99. Finally, Canaccord's policies and procedures recognized that "offshore corporations are considered [Canaccord's] client type of highest risk" and that an indicator of potential money laundering that warrants further enquiries includes "the client is an institutional trader that trades large blocks of junior or penny stocks on behalf of an unidentified party."

Remedial Measures and Additional Factors

100. Crito LLP was a registered dealer with regulatory obligations.

101. Canaccord obtained documentation in respect of trading by clients of Crito LLP in certain pink sheet securities addressing share ownership, tradability and insider status.

102. Canaccord terminated its relationship with Crito LLP in November 2023.

103. It was not alleged in the SEC Complaint that the GEL Defendants engaged in market manipulation or abuse, or that the underlying trading was unlawful.

104. Canaccord has voluntarily and proactively undertaken extensive remediation efforts to ensure that its employees and Compliance personnel understand and comply with their obligations as gatekeepers and has implemented policies and procedures to ensure ongoing compliance with these obligations by Canaccord.

105. This includes, but is not limited to, the provision of training to its front-line staff concerning gatekeeper obligations in the securities industry, the implementation of enhanced anti-money laundering surveillance and supervision, the use of advanced screening tools and other red flag detection methods, and updating and enhancing client onboarding

procedures. External consultants and advisors were engaged by Canaccord to ensure that the remediation measures implemented are robust and holistic.

106. By entering into this Settlement Agreement, the Respondent has saved CIRO the time, resources, and expenses associated with conducting a contested hearing.

PART IV – CONTRAVENTIONS

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

a. Between May 2021 and September 2023, the Respondent failed to act as a gatekeeper to the capital markets in relation to the trading activity in low-priced securities listed or traded over-the-counter in the U.S. by Crito LLP, contrary to Investment Dealer Rule 1400.

PART V – TERMS OF SETTLEMENT

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

a. Fine in the amount of $600,000;

b. Disgorgement of $2,200,000; and

c. Costs in the amount of $50,000.

109. 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

110. 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.

111. 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

112. This Settlement Agreement is conditional on acceptance by the hearing panel.

113. 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.

114. 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.

115. 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.

116. 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.

117. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.

118. 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.

119. 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.

120. 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

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

122. An electronic copy of any signature will be treated as an original signature.

DATED this "16" day of "April", 2025.

"Anastasia Carter-Charles"

Witness

"Stuart Raftus"

Name: Stuart Raftus
On behalf of Canaccord Genuity Corp.

"Rob DelFrate"

Rob Del Frate

Enforcement Counsel on behalf of
Enforcement Staff of the
Canadian Investment Regulatory
Organization

The Settlement Agreement is hereby accepted this "16" day of "May", 2025 by the following Hearing panel:

Per: "Philip Anisman"
Chair

Per: "Leo Ciccone"
Industry Member

Per: "Charles Macfarlane"
Industry Member