



**CIRO · OCRI**

Canadian Investment  
Regulatory  
Organization

Organisme canadien  
de réglementation  
des investissements

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

**AND**

**REGAN DONALD ERIC ESPESETH**

**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 Regan Donald Eric Espeseth (the “Respondent”).

**PART II – JOINT SETTLEMENT RECOMMENDATION**

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

**PART III – AGREED FACTS**

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

## Overview

4. Regan Espeseth (the “Respondent” or “Espeseth”), a futures trading advisor, engaged in discretionary trading across a significant portion of his futures book of business. Futures trading is high-risk trading. The discretionary conduct involved large volumes of high-risk, speculative futures trading.

## Background

5. Espeseth was a futures trading advisor. He did not advise in respect of any other trading in client accounts.
6. Between July 2020 and March 2022 (the “Relevant Period”) Espeseth engaged in discretionary trading in the futures accounts of 33 different clients (the “Clients”). He did so by entering certain trades on behalf of these clients without first confirming with them specifics as to one or more of the following elements of the trade: quantity, security, price, or timing. For JZ, one of the Clients, discretionary trading began when his account opened in October 2016 and continued until March 2022 (“JZ’s Relevant Period”).
7. The conduct took place while Espeseth was a Registered Representative at RBC Dominion Securities Inc.’s (“RBC DS”) Saskatoon branch. He was employed with RBC DS from June 2008 until his termination in June 2022. He has not worked in a CIRO registered capacity (or in any registered capacity) since June 2022.
8. The Clients represented part of Espeseth’s futures book, which had about 256 accounts. Of those, approximately 100 were active. However, the Clients represent most of the trading activity in his futures book.
9. While most of the Clients experienced significant gains, the trading approach was highly lucrative for Espeseth, regardless of client gains or losses. During the Relevant Period, he generated commissions that were often double or more than the next highest producing futures advisor at RBC DS.

10. Espeseth did have ongoing contact with the Clients. He discussed the trading strategy with each Client, as well as the Client's risk tolerance in respect of futures trading, in advance of the trading.
11. However, the Respondent did not receive advance approval for the specifics of each and every trade. Sometimes contact took place with the Clients at the end of a trading day. Often there was no contact with certain of the Clients within days of the trading. However, the Clients did receive daily trade confirmations by email, which detailed all of the activity in their accounts.
12. Espeseth's conduct eventually became known after an RBC DS internal investigation into his trading practices. During the investigation in March 2022, he admitted to engaging in discretionary trading in the Clients' accounts. He then subsequently self-reported his conduct to CIRO Staff.
13. Towards the end of the Relevant Period, during the internal investigation, Espeseth advised certain of the Clients that his conduct was being scrutinized and told them he would need to have more contact with them. RBC DS then instructed him not to communicate with his clients. As a result of clients continuing to reach out to Espeseth, he later directed certain of the Clients to use a messaging application with end-to-end encryption for communication.

#### **The Clients**

14. Most of Espeseth's clients were commodity producers who were familiar with hedging agricultural-based commodities and they sought out Espeseth for his futures trading expertise. Futures accounts at RBC DS are designated as hedging or speculative accounts. Many of the accounts opened by the Clients began as hedging accounts but were later approved as speculative. Most of the trading conducted by Espeseth was speculative in nature and involved a substantial number of non-grain commodities.

15. The size and assets of the Client accounts varied widely. Some of the Clients were trading in millions of dollars in assets. While the majority were smaller futures accounts, some as little as \$25,000, most of the Clients were large farming-based corporations.
16. Espeseth applied a similar trading strategy for all the Clients, with the size and number of trades varying. Most of the trading took place in five of the larger Client accounts.

**Active, Speculative, Trading Strategies**

17. The futures trading Espeseth was conducting on a discretionary basis was high-volume, high-risk, active trading. Of note:
  - i. The trading involved a large variety of commodities in various sectors that included energy, grains, livestock, precious metals, metals, and soft commodities such as sugar, cotton and coffee.
  - ii. The trading pattern involved significant volumes of trading, with a widespread pattern of buys and sells in the same commodities, with the same maturity dates, for very short-term periods.
  - iii. Consecutive trades were often placed at a rapid pace that was in certain cases inconsistent with client discussions about trade specifics.
  - iv. Many of the Clients were utilizing margin and often received margin calls. In several instances Clients needed to update their account information to increase margin limits.
  - v. The trading generated large commissions for Espeseth and RBC DS, and significant returns for the Clients.
18. During the Relevant Period, Espeseth entered approximately 23,458 orders for the Clients. Given the nature of the trading and the ongoing contact with the Clients, it is difficult to estimate the exact number of trades that were conducted on a discretionary basis.

### **Falsified Trade Tickets**

19. By 2019 Espeseth was submitting falsified trade tickets. The practice was implemented for efficiency reasons, but it also served to hide his conduct from RBC DS.
20. During the Relevant Period, RBC DS policies required advisors to manually complete trade tickets for all futures trades. Each trade ticket had four timestamps. They were required when:
  - i. the client was contacted for the order;
  - ii. the order was placed;
  - iii. the order was executed; and
  - iv. the order was confirmed with the client.
21. Mr. Espeseth circumvented RBC DS's timestamp process. Instead of entering timestamps during the trade process as required, he printed them at the end of the day in a format that resembled the manual timestamps. He would use the entry time logged on RBC DS's trading platform for all four times.
22. This resulted in the filing of trade tickets that indicated that clients were contacted by Espeseth in advance of placing orders in circumstances when the clients may not have been contacted.

### **Lack of Candor with Supervisors**

23. Espeseth was aware his discretionary conduct was contrary to RBC DS policies and CIRO (formerly IIROC) rules. Despite being reminded by RBC DS supervisors that price, size, timing, and security, must be agreed with the client prior to every order as early as January 2019, Espeseth did not admit to engaging in discretionary trading in the Clients' accounts until March 2022. This was during the RBC DS internal investigation into his trading practices. He then subsequently self-reported his conduct to CIRO Staff.

### **Lack of Safeguards**

24. Nothing in the account documents or Espeseth's notes provide the normal safeguards pertaining to discretionary or managed accounts. Of note:
- i. While Espeseth has completed his Level I and II of the CFA Program, he is not a qualified Portfolio Manager.
  - ii. There is no documentation indicating that the Clients understood they were granting Espeseth discretionary authority over their account, or whether they understood Espeseth was supposed to be contacting them about the specifics of each trade in advance.
  - iii. Similarly, there is nothing to indicate clients wanted to actively trade to the extent they did.

### **The Clients' Account Performances & Espeseth's Commissions**

25. The discretionary trading resulted in Espeseth generating significant commissions. Gross commissions for the Clients during the Relevant Period were approximately \$4,467,940. Espeseth's net payout for these commissions was 50% or approximately \$2,233,970, a portion of which Espeseth paid out to his associates over the Relevant Period.
26. The futures strategy implemented in the Clients' accounts was lucrative for the majority of the Clients, with two accounts incurring declines during the Relevant Period. As of March 31, 2022 the total net realized gains for the Clients' accounts was \$15,239,079 and the total net liquidating value was \$17,023,118. Of the two accounts with losses, one was a smaller account (approximately \$31,000) with over 90% losses, and the other belonging to client JZ.

### **Client JZ**

27. JZ opened a futures account in October 2016, and it remained open until Espeseth left RBC DS in June 2022. All trading conducted in JZ's account was done on a discretionary

basis, with Espeseth only discussing broad strategies with him. According to Espeseth, JZ indicated to him from the beginning of the relationship in 2016 that he did not want to be contacted prior to each trade. JZ's account suffered large losses while producing large commissions. These commissions often represented a substantial percentage of the average equity in JZ's account

28. JZ was a sophisticated client familiar with securities trading, however, he had no experience in futures trading and relied on Espeseth's expertise. While JZ was aware Espeseth was trading in his account, JZ did not appreciate the amount of trading Espeseth would be conducting or that he could suffer such significant losses so quickly.
29. From the outset, Espeseth engaged in a high-volume trading strategy. Within three months JZ's account declined by \$372,115 of which \$100,170 was commissions. Within four months of the account opening it declined by over \$500,000. JZ would continue to add money to his account, however his account would continue to decline.

#### **JZ's Account Performance & Espeseth's Commissions**

30. During JZ's Relevant Period, he invested approximately \$1,093,198 (net \$32,749 withdrawals) into his futures account. The account's net liquidating value in March 2022 was \$151,745.41, a decline of approximately 86%. Total commissions charged to JZ for the period were \$263,690 Espeseth's net payout for these commissions was 50%, or approximately \$131,845.

#### **Disgorgement & Sanctions**

31. The percentage of orders entered on a discretionary basis was significant. The parties agree that the totality of the sanctions, which includes the requirement Espeseth disgorge an amount of \$600,000, is fair and reasonable in all the circumstances. Of significance:
  - i. Espeseth has not been subject of prior CIRO disciplinary proceedings.

- ii. Only one client complaint was received from Client JZ in relation to the conduct at issue.
- iii. Espeseth has not been registered in any capacity since his termination from RBC DS in June 2022.
- iv. The Clients received daily trade confirmations by email, which detailed all of the activity in their accounts.
- v. Espeseth self-reported his regulatory concerns to CIRO in the spring of 2022.
- vi. The amount of the sanction reflects the personal financial circumstances of Espeseth.
- vii. The parties recognize the difficulty of obtaining the exact number of trades which were conducted on a discretionary basis.

#### **PART IV – CONTRAVENTIONS**

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

i. **Contravention 1:**

Between October 2016 and March 2022, the Respondent engaged in discretionary trading in the futures accounts of clients, contrary to Dealer Member Rule 1300.4.

#### **PART V – TERMS OF SETTLEMENT**

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

- i. A fine in the amount of \$75,000;
- ii. Disgorgement of commissions in the amount of \$600,000;
- iii. Costs payable to CIRO in the amount of \$20,000.

34. If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Enforcement Staff and the Respondent.

#### **PART VI – STAFF COMMITMENT**

35. 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.
36. 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**

37. This Settlement Agreement is conditional on acceptance by the hearing panel.
38. 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.
39. 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.

40. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules of CIRO and any applicable legislation to any further hearing, appeal and review.
41. 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.
42. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.
43. 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.
44. 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.
45. 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**

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

DATED this 16<sup>th</sup> day of July 2025.

“Witness”  
Witness

“Regan Donald Eric Espeseth”  
Regan Donald Eric Espeseth

“Tayen Godfrey”  
Tayen Godfrey  
Senior Enforcement Counsel on  
behalf of CIRO Enforcement Staff

The Settlement Agreement is hereby accepted this 19th day of August, 2025, by the following Hearing panel:

Per: “Richard Yaffe”  
Chair

Per: “Annette Stephens”  
Industry Member

Per: “James Samanta”  
Industry Member