Re Haywood Securities Inc.

IN THE MATTER OF:

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

and

Haywood Securities Inc.

2025 CIRO 58

Canadian Investment Regulatory Organization
Hearing Panel (Pacific District)

Heard: December 4, 2025 in Vancouver, British Columbia
Decision: December 4, 2025
Reasons for Decision: December 9, 2025

Hearing Panel:
Linda J. Murray, Chair, Bruce Maranda, and David Duquette

Appearances:
Kathryn Andrews, Senior Enforcement Counsel
Dana Prince, for Haywood Securities Inc.

REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT

INTRODUCTION

[1] On November 14, 2025, the Canadian Investment Regulatory Organization (CIRO) issued a Notice of Application for a hearing requesting that the hearing panel accept a settlement agreement (Settlement Agreement) between Enforcement Counsel and Haywood Securities Inc. (the Respondent) pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the **Investment Dealer Rules**).

[2] The Respondent admitted that it contravened UMIR 7.1 and UMIR Policy 7.1 by failing to adequately supervise end-of-day high/low close trades and high bid/low offer orders for issuers trading on the Canadian Securities Exchange (CSE) during 2014 to October 2022 (the **Relevant Period**).

[3] In the Settlement Agreement, the Respondent agreed to the following sanctions:

(a) a fine of $100,000; and

(b) payment of costs in the amount of $5,000.

[4] The issues for this Hearing Panel to determine, pursuant to Investment Dealer Rule 8215, were whether:

(a) the facts admitted by the Respondent in the Settlement Agreement amounted to misconduct and breached the Rules; and

(b) whether to accept the Settlement Agreement.

BACKGROUND

[5] The relevant facts are set out in Part III, paragraphs 3 to 27 of the Settlement Agreement, which is attached as Schedule A to this Decision.

[6] In addition to the facts set out in the Settlement Agreement, at the hearing, Enforcement Counsel and counsel for the Respondent advised the Hearing Panel of an additional fact. With regard to paragraph 26 of the Settlement Agreement and the admission by the Respondent that its conduct was inadvertent, the parties advised that there was no evidence during CIRO staff's investigation that the Respondent's conduct was other than inadvertent.

ANALYSIS

DO THE AGREED FACTS CONSTITUTE MISCONDUCT

[7] The Respondent is a CIRO Dealer Member and UMIR Participant with its head office in Vancouver, British Columbia.

[8] UMIR 7.1 and Policy 7.1 set out general and specific requirements regarding the Respondent's trading supervision obligations to help prevent and detect violations as a market gatekeeper. The Respondent must ensure that it has supervisory systems, policies and procedures in place that are reasonably designed to ensure that its business activities comply with UMIR and the Policies. The requirements include periodic audit functions.

[9] During the Relevant Period, the Respondent relied upon a third party service provider to provide a report (a HiLo Report) which the Respondent used in conjunction with other reports and procedures to comply with its supervisory obligations to detect and prevent potentially manipulative trading activity. The Respondent inadvertently failed to notice that the HiLo Report ceased to include trading data for CSE issuers for the Relevant Period.

[10] The issue with the HiLo report was brought to the Respondent's attention in August 2022 when CIRO requested information for a review of trading activities in specific CSE issuers during March and April 2021 and June 2022 (the **Review Period**). During the Review Period, the Respondent executed 20 trades for one CSE issuer resulting in upticks against the last board lot trade price, most orders were for 500 shares, with four orders entered within the last half hour of daily trading.

[11] Reviews by the Respondent and CIRO regarding the CSE issuers in question confirmed the Respondent's failure to supervise end of day high/low close trades and high bid/low offer orders, and failure to identify potentially manipulative trading in at least one CSE issuer during the Review Period.

[12] The Respondent admitted that the conduct was not insignificant as CSE issuers formed a large part of its business during the Review Period.

ACCEPTANCE OF THE SETTLEMENT AGREEMENT

ROLE OF THE HEARING PANEL IN A SETTLEMENT AGREEMENT HEARING

[13] The role of a hearing panel when considering a settlement agreement is well established. The hearing panel does not determine whether it would have imposed the same sanctions as those agreed by the parties through negotiation or a hearing panel after a contested hearing.

[14] Previous cases emphasize the importance of negotiated settlements to the efficiency of the administrative process and to the overall public interest. The role of a hearing panel when considering a settlement agreement is to determine whether the proposed sanctions fall within the criteria set in previous cases and if so, to accept the negotiated settlement.

[15] Enforcement Counsel referred the Hearing Panel to *Re Melville*[1] , *Re Donnelly*[2] , and *Re Canaccord Genuity Corp.*[3] . Collectively, those hearing panels, and others including *Re Milewski*[4] , reviewed the standard to be applied by hearing panels when reviewing a settlement agreement, and note that a settlement agreement should be accepted if the agreed sanctions:

(a) are fair and reasonable as proportional to the seriousness of the contraventions, considering all

[1] 2014 IIROC 51
[2] 2016 IIROC 23
[3] 2025 CIRO 37
[4] [1999] IDACD No. 17

relevant circumstances;

(b) are within an acceptable range taking into account previous cases; and

(c) would serve as a specific and general deterrent.

[16] The panel in *Re Canaccord* also noted (para.4) that settlements are in the public interest as they avoid costly hearings, potentially increase CIRO's enforcement capacity and ability to focus on other matters, and allow respondents to focus on the conduct of their businesses and on remedial measures.

[17] Enforcement Counsel referred to the CIRO Sanction Guidelines and referenced the following general principles and relevant factors in determining whether the proposed sanctions were appropriate:

(a) CIRO's mandate as a national self-regulatory organization with a mandate to strengthen market integrity and public confidence, and to maintain efficient and competitive capital markets.

(b) The purpose of the Sanction Guidelines is to assist CIRO staff and respondents in negotiating settlements, and hearing panels in determining whether to accept settlement agreements which include appropriate sanctions.

(c) Although the Sanction Guidelines are not mandatory, they provide a summary of principles and key factors (which are not exhaustive), including mitigating and aggravating factors, which panels may take into account when exercising discretion consistently and fairly.

(d) In general, sanctions are preventive in nature and should (Sanction Guidelines, Part I):

i. protect the public, strengthen market integrity, and improve business standards;

ii. be an effective general and specific deterrent;

iii. be proportionate given the seriousness of the conduct and impact upon the respondent;

iv. reflect industry expectations; and

v. be similar to other cases with similar facts and circumstances.

(e) Sanction Guidelines, Part II includes key factors in determining sanctions in this case including:

i. scope of the misconduct and extended period of time– The supervisory issue was not a one-off occurrence but extended over a period of about eight years. The issue did not come to the Respondent's attention in any annual systems checks but was brought to the Respondent's attention by CIRO staff during a trading review. Trading in CSE issuers was a large part of the Respondent's business during the Review Period.

ii. nature of the conduct – the Respondent's misconduct in failing to ensure proper supervision was inadvertent.

iii. potential harm to market integrity – between March 1 and April 23, 2021, the Respondent executed 20 trades in a CSE issuer. These trades resulted in upticks, most orders were for 500 shares, and four orders were entered within the last half hour of trading.

iv. prior disciplinary history – the Respondent has no prior disciplinary history.

v. internal disciplinary measures – the Respondent imposed internal disciplinary sanctions against one of its registrants.

vi. subsequent corrective measures – by November 2022, the Respondent took remedial measures to update its supervisory review, including: (1) reviewing CSE market data; (2) changing vendor reports; and (3) since June 2025, using additional trading reports to identify potentially deceptive or manipulative trading activity. The Respondent also implemented an annual internal audit to test for disruptions in data services.

[18] Enforcement Counsel referred to a number of cases dealing with supervisory principles including:

(a) *Re IPC Securities Corporation*[5] ;

(b) *Re Credit Suisse Securities (Canada) Inc.*[6] ;

(c) *Re Pope & Company*[7] ;

(d) *Re Scotia Capital Inc.*[8] ; *and*

(e) *CIBC World Markets Inc.*[9] .

[19] Enforcement Counsel noted that while all cases turn on their particular facts, the supervisory issues in the Respondent's case were similar to those of the other cases. Enforcement Counsel noted that the Respondent's conduct and the proposed sanctions fell within the range of those cases. The *Re Pope* and *Re IPC* cases (with fines of $65,000 and $30,000 respectively) were at the lower end of the range due to shorter time frames for the misconduct. The other three cases (*Re Scotia*, *Re CIBC* and *Re Credit Suisse*) with fines of $150,000 were at the higher end of the range as the conduct in those three cases was more egregious due to extended time frames and the need for increased vigilance required for direct market access platforms.

[20] Respondent's Counsel noted that the Respondent did otherwise conduct end-of-the day and month trading reviews, albeit there were issues with its review regarding CSE-traded issuers, while in some of the other more egregious cases cited no trading reviews were conducted by those respondents. He also pointed out that in the *Re Scotia* and *Re CIBC* cases, there were previous events or violations. The Respondent's Counsel emphasized that the Respondent has been in business since the 1980s and has no previous disciplinary history.

[21] Counsel jointly submitted that the Hearing Panel should accept the Settlement Agreement as being in the public interest, and that the proposed sanctions fall within a reasonable range of appropriateness and previous cases, given the Respondent's specific circumstances.

PANEL CONSIDERATIONS

[22] The Respondent's failure to meet its supervisory obligations during the Relevant Period amounted to serious misconduct.

[23] The Respondent admitted its misconduct, instituted remedial measures to prevent recurrence, and imposed internal disciplinary measures on one of its registrants.

[24] The parties were represented by experienced counsel.

[25] The Hearing Panel accepted the joint submissions of counsel that it was in the public interest to accept the Settlement Agreement given the specific facts of this case. The Hearing Panel took into account the authorities and submissions of counsel regarding its role and the recommended sanctions in making its determination to accept the Settlement Agreement. The Hearing Panel advised that its written reasons would follow shortly.

[26] The Hearing Panel noted that the Relevant Period for the Respondent's admitted failure to supervise spanned 2014 to 2022 (about eight years), while the admitted facts regarding trading issues in one or more CSE issuers were limited to the much shorter Review Period (March 1 to April 23, 2021) for about 20 trades.

[27] The Hearing Panel noted the narrow parameters upon which it approved the Settlement Agreement. Whether similar sanctions are appropriate in other cases will depend upon the specific facts of each particular case. For example, the Respondent admitted that trading in CSE issuers was a large part of its business during the short Review Period in 2021. However, there was no information provided regarding whether it was a large part of the Respondent's business for the balance of the eight year Relevant Period; the extent of the Respondent's trading in CSE issuers for the balance of the Relevant Period; the extent of any similar end of day trading in other CSE issuers; any potential losses; or value of commissions earned.

[28] The Hearing Panel emphasizes the importance of the obligation of registrants to properly supervise all

[5] 2010 IIROC 24
[6] 2011 IIROC 10
[7] *2012* IIROC 14
[8] *2013 IIROC 38*
[9] *2022 IIROC 5*

third party contractors and delegated functions, to have in place appropriate internal audit and follow up procedures and supervisory staff training, and to do regular reviews of these functions to ensure registrants comply with their gatekeeper functions.

CONCLUSION

[29] The Hearing Panel determined that the agreed sanctions met the CIRO Sanction Guidelines and:

(a) were fair and reasonable considering all the relevant circumstances;

(b) were within an acceptable range taking into account similar cases; and

(c) would serve as a specific and general deterrent in the public interest.

[30] The Hearing Panel unanimously accepted the Settlement Agreement and ordered the following sanctions:

(a) a fine of $100,000, and

(b) payment of costs in the amount of $5,000.00,

to be paid by the Respondent immediately upon acceptance of the Settlement Agreement unless otherwise agreed between Enforcement Counsel and the Respondent.

DATED at Vancouver, British Columbia, this 9th day of December 2025.

"Linda J. Murray"

Linda J. Murray, Chair

"Bruce Maranda"

Bruce Maranda

"David Duquette"

David Duquette

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 UNIVERSAL MARKET INTEGRITY RULES

AND

HAYWOOD SECURITIES INC.

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 Haywood Securities Inc. (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. During 2014 to October 2022 (the "Relevant Period"), the Respondent used a report known as the High/Low Closing Report (the "HiLo Report") to comply with its supervisory obligation to detect and prevent potentially manipulative trading activity such as high closing.

5. The Respondent relied upon a third party service provider for its HiLo Report. Unbeknownst to the Respondent, during the Relevant Period, the third party service provider stopped including any information on the HiLo Report relating to trading activity for issuers trading on the Canadian Securities Exchange (the "CSE").

6. The deficiencies with the HiLo Report only came to the Respondent's attention when CIRO's Trade Review and Analysis department requested information from the Respondent in August 2022 regarding trading activity in a CSE issuer.

7. Staff's review commenced upon receiving information from CIRO's Trade Review and Analysis department and consisted of reviewing potentially manipulative trading activity at the Respondent during March 2021, April 2021 and June 2022 (the "Review Period.")

8. CSE issuers made up a large part of the Respondent's business during the Review Period. There were numerous CSE buy and sell trades by the Respondent in the last half hour of the trading day during the Review Period.

9. The Respondent's and Staff's review of the trading activity in the queried CSE issuers revealed that the Respondent failed to supervise end of day high/low close trades and high bid/low offer orders in CSE listed issuers during the Review Period and further, failed to identify potentially manipulative trading in at least one of the queried issuers.

Background

10. The Respondent is a CIRO Dealer Member with its head office located in Vancouver, B.C. and is a Participant under UMIR.

Respondent's supervisory system

11. The Respondent's compliance and supervisory system as set out in its Policies and Procedures Manual, is supplemented by its compliance matrix, which outlined tasks for compliance personnel and delegation of duties.

12. During the Relevant Period, the Respondent utilized various reports for its supervision, (which reports were referenced in its compliance matrix), including the HiLo Report. The HiLo Report was provided to the Respondent by a third party service provider.

The HiLo Report

13. The Respondent's compliance department used the HiLo Report as part of its review and supervision of trading activity. The HiLo Report was defined by the Respondent as a daily report showing any orders between a specific pre-determined time near to market close which improve the market price of a specific symbol and may be in violation of UMIR rules prohibiting manipulative practices.

14. The HiLo Report included market data such as closing price and the previous bid/ask spread to assist in identifying and monitoring potentially deceptive trades.

15. The HiLo Report, however, only captured data on the TMX exchanges, namely the TSX, TSX-V and Alpha. The HiLo Report did not capture data for any securities trading on the CSE and had not done so since 2014, a period of some eight years.

16. Although the Respondent used various other reports in its daily and monthly supervisory obligations, the Respondent advised that the HiLo Report was the primary report it used to identify and supervise potentially high closing activity.

17. During the Relevant Period, the Respondent did not have a system to test for partial disruptions in the data delivery from its third party service providers. Nor did the lack of CSE issuer data come to the Respondent's attention in any annual systems check.

CSE issuers were a large part of the Respondent's business

18. The lack of CSE data on the HiLo Report was not insignificant as CSE issuers formed a large part of the Respondent's business during the Review Period, in particular during 2021.

19. There were numerous buys and sells involving CSE issuers by the Respondent in the last half hour of the trading day during March and April 2021. There were large daily buy and sell volumes by the Respondent on the CSE in the last half hour of the trading day during March 2021.

CSE Trading activity during the Review Period

20. Between March 1, 2021 and April 23, 2021, a registrant at the Respondent executed 20 trades in a CSE issuer which resulted in an uptick against the last board lot trade price. Most of the orders were for 500 shares. Four of the orders were entered within the last half hour of the trading day.

Remedial Action by the Respondent

21. The Respondent advised Staff that by November 2022, it had updated its supervisory review including the Respondent's compliance matrix, to specifically include reviewing market data from the CSE, in order to review for high closing.

22. The Respondent further advised Staff that by November 2022, it had changed the vendor reports, to ensure inclusion of market data from the CSE, for its high close supervision.

23. Since June 2025 the Respondent has been using Position Watch (in conjunction with the HiLo Report and the Respondent's Daily Orders and Trades Report), to identify end of day trades that are potentially deceptive.

24. The Respondent has implemented an annual internal audit (commencing in calendar Q4) to test for any disruptions in its data services.

Other

25. The Respondent has no prior disciplinary history.

26. The Respondent advised Staff that its admitted conduct was inadvertent.

27. In December 2022, the Respondent imposed internal sanctions on one of its registrants, namely a fine of $5,000, an internal reprimand and the requirement of a successful re-write of the Trader's Training Course within six months, all which took place by June 2023, as requested by the Respondent.

PART IV – CONTRAVENTIONS

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

During 2014 to October 2022, the Respondent failed to adequately supervise end of day high/low close trades and high bid/low offer orders for issuers trading on the Canadian Securities Exchange, contrary to UMIR 7.1 and Policy 7.1.

PART V – TERMS OF SETTLEMENT

29. The Respondent agrees to the following sanction and costs:

    (i) A fine in the amount of $100,000.

    (ii) Costs in the amount of $5,000.

30. 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

31. 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.

32. 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

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

34. 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.

35. 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.

36. 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.

37. 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.

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

39. 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.

40. 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.

41. 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

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

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

DATED this "12" day of November, 2025.

"Haywood Securities Inc."
Respondent Haywood Securities Inc.

"Kathryn Andrews"
Kathryn Andrews
Senior Enforcement Counsel on behalf of
Enforcement Staff of the Canadian
Investment Regulatory Organization

The Settlement Agreement is hereby accepted this "4" day of "December", 2025 by the following Hearing panel:

Per: "Linda Murray"
Chair

Per: "Bruce Maranda"
Industry Member

Per: "David Duqette"
Industry Member