



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

RBC DOMINION SECURITIES INC.

AND

PETER FULLERTON

NOTICE OF HEARING

An initial appearance will be held before a hearing panel of the Canadian Investment Regulatory Organization (“CIRO”) pursuant to Rule 8200 of the Investment Dealer and Partially Consolidated Rules (the “Investment Dealer Rules”) to schedule a hearing in the matter of RBC Dominion Securities Inc. (RBC DS) and Peter Fullerton (the “Respondents”). The initial appearance and the hearing will be subject to Investment Dealer Rule 8400, as further referenced below, that governs the conduct of enforcement proceedings.

The initial appearance will be held by way of videoconference on Monday, February 09, 2026 at 10:00 a.m. MT

The purpose of the hearing will be to determine whether the Respondents have contravened CIRO requirements. The alleged contraventions are contained in the attached Statement of Allegations.

If the hearing panel finds that the Respondents contravened CIRO requirements alleged in the Statement of Allegations, the hearing panel may impose one or more of the following sanctions pursuant to section 8209 or 8210, as applicable, of the Investment Dealer Rules:

Dealer Member

- (i) a reprimand,
- (ii) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention,
- (iii) a fine not exceeding the greater of:
 - (i) \$5,000,000 for each contravention; and

- (ii) an amount equal to three times the profit made or loss avoided by the Dealer Member, directly or indirectly, as a result of the contravention,
- (iv) suspension of Membership in CISO or of any right or privilege associated with Membership, including a direction to cease dealing with clients, for any period of time and on any terms and conditions,
- (v) imposition of any terms and conditions on the Dealer Member's continued membership, including on access to a Marketplace,
- (vi) expulsion from membership and termination of the rights and privileges of Membership, including access to a Marketplace,
- (vii) a permanent bar to Membership in CISO,
- (viii) appointment of a monitor, and
- (ix) any other sanction determined to be appropriate under the circumstances.

Approved Person

- (i) a reprimand,
- (ii) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention,
- (iii) a fine not exceeding the greater of:
 - (i) \$5,000,000 for each contravention, and
 - (ii) an amount equal to three times the profit made or loss avoided by the person, directly or indirectly, as a result of the contravention.
- (iv) suspension of the person's approval or any right or privilege associated with such approval, including access to a Marketplace, for any period of time and on any terms and conditions,
- (v) imposition of any terms or conditions on the person's continued approval or continued access to a Marketplace,
- (vi) prohibition of approval in any capacity, for any period of time, including access to a Marketplace,
- (vii) revocation of approval,

- (viii) a permanent bar to approval in any capacity or to access to a Marketplace,
- (ix) permanent bar to employment in any capacity by a Regulated Person
- (x) any other sanction determined to be appropriate under the circumstances.

In addition, pursuant to section 8214 of the Investment Dealer Rules, a hearing panel may order the Respondents to pay any costs incurred by or on behalf of CIRO in connection with the hearing and any investigation related to the hearing.

The Respondents must serve a response to this Notice of Hearing in accordance with section 8415 within 30 days from the effective date of service of this Notice of Hearing. If the Respondents do not file a response in accordance with subsection 8415(1), the hearing panel may proceed with the hearing on its merits on the date of the initial appearance, without further notice to and in the absence of the Respondents, and the hearing panel may accept as proven the facts and contraventions alleged in the Statement of Allegations and may impose sanctions and costs.

If the Respondents file a response in accordance with subsection 8415(1), the initial appearance will be immediately followed by an initial prehearing conference, for which a prehearing conference form must be filed in accordance with subsection 8416(5).

The Respondents are entitled to attend the hearing and to be heard, to be represented by counsel or by an agent, to call, examine and cross-examine witnesses, and to make submissions to the hearing panel at the hearing.

DATED December 18, 2025.

“National Hearing Officer”
NATIONAL HEARING OFFICER
Canadian Investment Regulatory Organization
40 Temperance Street, Suite 2600
Toronto, Ontario, M5H 0B4



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STATEMENT OF ALLEGATIONS

Further to a Notice of Hearing dated December 18, 2025. , Enforcement Staff make the following allegations:

PART I – REQUIREMENTS CONTRAVENED

- (i) Between June 2017 and March 2022, RBC Dominion Securities Inc. (“RBC DS”) failed to establish, maintain, and enforce a system to supervise the futures trading activity of two Registered Representatives, Hongjia Liu and Regan Espeseth, contrary to Investment Dealer Rule 3900 (prior to January 1, 2022, Dealer Member Rules 38.1 and 2500).
- (ii) Between June 2017 and March 2022, the Respondent, Peter Fullerton, the designated futures supervisor, failed to adequately supervise the futures trading activity of Hongjia Liu and Regan Espeseth, contrary to Investment Dealer Rule 3900 (prior to January 1, 2022, Dealer Member Rules 1300, 38.1 and 2500).

PART II – RELEVANT FACTS AND CONCLUSIONS

Overview

1. Between June 2017 and March 2022 (the “Relevant Period”), RBC DS failed to establish, maintain, and enforce a system to supervise the futures trading activity of two Registered Representatives, Hongjia Liu (“Liu”) and Regan Espeseth

(“Espeseth”). Peter Fullerton (“Fullerton”), a designated futures supervisor, failed to adequately supervise each of Liu and Espeseth.

2. There are significant risks associated with futures trading, and these supervision failures allowed Liu and Espeseth to engage in widespread and prolonged periods of high-volume and high-risk discretionary trading across a significant portion of their trading in futures for clients.

Background

3. RBC DS is a Dealer Member with its head office located in Toronto, Ontario. The firm offers a diverse range of financial services and products to its clients. This includes futures contracts and futures options contracts trading services, in a wide range of commodities, for both hedging and speculative purposes. Generally, this type of trading is considered high-risk, and CRO and its predecessor rules in effect during the Relevant Period have imposed specific oversight requirements for such activities, in addition to the standard obligations applicable to all account supervision.
4. Examples of the requirements for specific oversight of this trading include: before initiating any transactions a designated supervisor must determine if the risk characteristics of a client’s intended strategy is appropriate and puts the client’s interest first; supervisors must then continue to ensure all recommendations continue to be suitable for the client and puts the client’s interest first; futures contracts and futures contract options trading must be reviewed to detect excessive day trading resulting in large numbers of contracts and to detect excessive commission activity.
5. RBC DS’ policies did not permit discretionary or managed retail futures accounts. This meant that advisors were expected to contact clients to confirm the four essential elements of a trade: timing, price, quantity, and security. The policies also

required advisors to manually complete trade tickets for all futures trades. Each trade ticket was to have four manual timestamps, which 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.

Liu and Espeseth

6. Both Liu and Espeseth engaged in discretionary trading across a significant portion of their futures trading for clients and were using high-risk strategies in executing large quantities of futures transactions. While both advisors engaged in similar discretionary trading conduct, there was no connection between Liu and Espeseth or their clients.
7. Liu was employed in the Vancouver branch of RBC DS. He admitted to engaging in discretionary trading in the futures accounts of 23 of his clients between June 2017 and December 2019 (the “Liu Review Period”).
8. Espeseth was employed at the Saskatoon branch of RBC DS. He admitted to engaging in discretionary trading in the futures accounts of 33 of his clients between July 2020 to March 2022 (the “Espeseth Review Period”). For one of these clients, Espeseth admitted the discretionary trading had begun when the account was opened in 2016. Of significance, the Espeseth Review Period began shortly after Liu admitted to RBC DS supervisors that he had been trading on a discretionary basis.
9. During the Relevant Period, Liu and Espeseth entered a combined total of 63,393 orders. A significant portion of these orders were conducted on a discretionary basis. Espeseth and Liu’s trading generated substantial commissions. RBC DS received a net payout of approximately \$6,862,431 (50%) of the \$13,724,862 commissions generated by Liu and Espeseth from the futures trading.

10. Throughout the review periods, Liu and Espeseth's commissions far exceeded the next highest producing futures advisors, at times by more than double. The commissions generated, and the corresponding trading volume, could not have been achieved if Liu and Espeseth had been contacting clients as required. The trade data demonstrates that orders were often entered only minutes or seconds apart.
11. No effective supervisory steps were taken during the Liu Review Period and Espeseth Review Period until the end of the respective 31-month and 21-month review periods. For Liu, supervisory steps were taken after a client threatened to commence legal action against RBC DS for unauthorized and unsuitable trading in their accounts. Similarly for Espeseth, an internal investigation was initiated after RBC DS' U.S. compliance team expressed concerns about Espeseth's personal trading.

(i) Liu's Trading and Commissions

12. Liu's strategy was aggressive. He took a "one-size-fits-all" approach to his futures clients, writing naked futures contracts and receiving premiums for the contracts sold. This was a very high-risk strategy whereby the maximum profit was the premium received for writing the contract, but the maximum loss was potentially unlimited.
13. During Liu's Review Period, all but one of the 23 clients suffered losses, for a combined amount of \$8,722,250 in losses, inclusive of commissions. These losses ranged from 15% to 94% of the value of the clients' futures account holdings.
14. Liu's commissions significantly exceeded those of other futures advisors at RBC DS. At times, Liu's commissions were more than double the next highest producing RBC DS futures advisor. His trading peaked in 2018 with 9,367 orders generating \$4,158,885 in gross commissions.

15. During the 31-month Liu Review Period, Liu's trading generated approximately \$7,476,476 in gross commissions. Liu's net payout was 50% with approximately \$3,738,238 being retained by RBC DS.
16. Liu's commissions were a result of 22,965 orders, not including cancellations and modifications. In many cases, these orders were entered at a rapid pace, often within seconds or minutes of each other, leaving little or no time to contact clients. For Liu, 72% to 75% of the orders for clients were placed within five minutes of each other and 60% to 67% of the orders were placed within one minute.
17. On particularly active days, Liu entered well over 100 orders a day. At times he was averaging one order every three minutes. Examples include:
 - i. November 3, 2017: there were 179 orders averaging one every 2.53 minutes.
 - ii. August 27, 2018: there were 183 orders averaging one every 2.93 minutes.
 - iii. January 4, 2019: there were 142 orders averaging one every 4.99 minutes.

(ii) Espeseth's Trading and Commissions

18. Espeseth's trading strategy involved a widespread pattern of buys and sells in the same commodities, with the same maturity dates, for very short-term time periods. This trading was profitable for the majority of the 33 clients.
19. Like Liu, Espeseth's commissions significantly exceeded those of other futures advisors at RBC DS. At times, his commissions were more than double the next highest producing RBC DS futures advisor. His trading peaked in 2021 with 24,350 orders generating \$4,096,936 in gross commissions.
20. While Espeseth led a team of associates, his own trading was responsible for the bulk of the approximately \$6,248,386 in gross commissions generated during the

21-month review period. The net payout for these commissions was 50% with approximately \$3,124,193 being retained by RBC DS.

21. During this time, Espeseth entered approximately 40,433 orders, not including cancellations or modifications. Like Liu, orders were entered at a rapid pace, often within seconds or minutes of each other, leaving little or no time to contact clients. For Espeseth, 74% to 77% of the orders for different clients were placed within five minutes of each other and 48% to 62% were placed within one minute.
22. On particularly active days, Espeseth would trade for extended periods of time, continually entering orders at a rapid pace. On eight occasions he exceeded 300 orders in a day and on three occasions he exceeded 400 orders. Examples include:
 - i. January 19, 2021: there were 276 orders averaging one every 2.18 minutes.
 - ii. January 28, 2021: there were 336 orders averaging one every 1.71 minutes.
 - iii. March 4, 2021: there were 268 orders averaging one every 2.96 minutes.
 - iv. February 10, 2022: there were 319 orders averaging one every 1.78 minutes; and
 - v. March 1, 2022: there were 425 orders averaging one every 2.34 minutes.
23. In addition to the trading noted above, Espeseth was conducting extensive trading in his own accounts, often in the same commodities. This was a concern raised repeatedly by the designated Tier 2 supervisor. This trading prompted an inquiry from RBC DS's U.S. compliance team.

(iii) Espeseth's Branch Manager & Falsified Trade Tickets

24. Espeseth's Branch Manager was not a designated or qualified futures supervisor for Espeseth's futures trading. However, he was part of the overall supervision

system. The Branch Manager undermined RBC DS's supervision structure when he allowed Espeseth and his team to circumvent RBC DS' trade ticket timestamp policy.

25. As previously noted, RBC DS' policies required advisors to manually complete trade tickets for all futures trades and each trade ticket was to have four manual timestamps.
26. As early as 2019, Espeseth's team replaced the manual trade ticket timestamps with an automated electronic system. The system was produced in Microsoft Excel by the Assistant Branch Manager with the Branch Manager's knowledge.
27. Instead of entering timestamps manually as required, tickets were printed at the end of the day in a format that resembled the manual timestamps. The trade entry time from the CQG trading platform was used for all four separate timestamps. These changes resulted in Espeseth submitting falsified trade tickets that indicated clients were being contacted in circumstances when they were not. The Branch Manager should have been aware that these changes would result in trade tickets with false information.
28. The Branch Manager failed to inform any RBC DS supervisors of this deviation from policy. This included a March 23, 2022, email from the Branch Manager where he confirmed to Fullerton that he had discussed timestamp requirements with Espeseth's team. RBC DS did not become aware of how trade tickets were being falsified until Enforcement Staff's investigation.

Failure to Supervise

29. RBC DS failed to establish, maintain, and enforce an adequate system of supervision for futures and futures options trading, which included failing to ensure the role of supervisors was effective or that they were effectively discharging their obligations.

30. Fullerton, a designated supervisor and head of Tier 1 supervision repeatedly failed to take supervisory steps in the face of red flags.
31. The magnitude of the commissions, both in absolute terms and in how they significantly exceeded those of other futures advisors, the volume of trades, and the rapid pace at which orders were entered by both Liu and Espeseth, could have, and should have, been flagged and prompted corrective action by RBC DS and Fullerton given the regulatory requirements for futures and futures options trading.
32. In addition to the systemic failures of the supervision system, RBC DS, Fullerton, and supervisors, knew, or ought to have known, of red flags that should have prompted further inquiries into Liu and Espeseth's trading. They should have been particularly alive to potential issues with Espeseth's trading, given its similarities to Liu's trading activity and the fact that Liu had recently admitted that he had traded on a discretionary basis.

RBC DS' Supervision Failures

33. RBC DS failed to establish, maintain, and enforce an adequate supervisory system for futures and futures options trading. Key deficiencies included the narrow scope and limited effectiveness of Tier 1 and Tier 2 reviews, a lack of communication between supervisors, and the failure to ensure supervisory responsibilities were properly carried out.
34. RBC DS employed a two-tier supervisory structure for futures trading. Both Tier 1 and Tier 2 supervision were conducted centrally from the head office in Toronto. There were no designated futures supervisors located at branches where Liu and Espeseth worked.
35. Certain supervisory tasks, such as collecting trade tickets and maintaining phone records, were delegated to the respective Branch Managers. These Branch Managers were used to communicate supervisory and compliance concerns to both

Liu and Espeseth. However, the Branch Managers were not proficient in or approved to supervise futures trading and did not have access to any of RBC DS' futures order entry or back-office systems.

(i) Tier 1 Issues

36. Tier 1 was responsible for the bulk of the supervision. It was overseen by Fullerton, who had been the Designated Futures and Options Principal since 2013 (the “Principal Supervisor”) and remained so throughout the Relevant Period. He was assisted by two Alternate Designated Futures and Options Principals (the “Alternate Principal Supervisors”) who conducted daily trading reviews and credit reviews for futures trading. Alternate Principal Supervisors would escalate issues to Fullerton.
37. Tier 1’s supervision was focused on excess margin and deficit balances in client accounts. If the client was in an excess position this would be deemed satisfactory, and no further concerns would be raised. Supervisors generally did not consider suitability of the trading or trading strategies. When they did, they failed to take appropriate follow-up measures.
38. Tier 1 supervision based on daily trade reviews was ill-designed to detect patterns of trading by Liu and Espeseth. Alternate Principal Supervisors reviewed the Equity Run Report which generated information for all futures accounts on a client-by-client basis. It was a PDF document that could span more than 2,500 pages and the data could not be sorted.
39. In this report the total volume of trading, the pace at which orders were entered, and trading patterns were not easily identifiable, and no substantive review was completed on the sequencing of client orders. Further, it was not possible to review the succession of trades or easily identify batch trades where the same commodities traded in a set of client accounts.

40. Tier 1 supervisors never reviewed reports with timestamps and instead relied on manually completed trade tickets. When trade tickets did present evidence of rapid trading, as with Liu, there was a lack of follow-up. Tier 1 supervisors did not have direct access to the data in RBC DS' electronic trading platform (the CQG system), but they could have requested trading reports or had Liu or Espeseth access it.

(ii) Tier 2 Issues

41. Tier 2 reviews were conducted by the Market Surveillance Wealth Management Compliance Group in Toronto. Unlike Tier 1, the Tier 2 supervision reports did include electronic trade data which indicated the time trades were entered. However, supervision during the Espeseth Review Period focused only on client priority and front running. This was a particular concern for Espeseth who conducted large amounts of personal trading, often in the same commodities as his clients.

(iii) Lack of Communication between Tier 1 and Tier 2

42. Tier 1 and Tier 2 supervision failed to effectively communicate with one another. Tier 1 supervisors, including Fullerton, were not always aware of the queries or concerns identified by the client priority reviews at Tier 2. Instead, they sent them directly to the Branch Managers.

Failure to Supervise Liu

43. Throughout the Liu Review Period repeated concerns were raised about his trading activity. However, no meaningful supervisory steps were taken, and there were no substantive inquiries into how he could be trading at such a volume and producing such large commissions. Liu's trading pattern remained relatively the same throughout the review period.

(i) October 2017 Trade Ticket Review

44. In October 2017, a trade ticket review for Liu revealed that 19 separate client accounts all purchased various numbers of contracts of the same T-Bond call options at the same strike price, with the same premium paid, expiring in December 2017. Of note, 18 of the 19 accounts executed orders in a period of less than 5 minutes.
45. According to the Alternate Principal Supervisor who conducted the ticket review, she did not have any concerns about discretionary trading, just whether trade tickets were being filled out correctly.

(ii) March 2018 Stop Orders

46. On March 6, 2018, Liu's Branch Manager emailed him asking if he understood certain RBC DS policies, including those around speaking to clients prior to order entry and client trading strategy. Liu responded within one hour confirming he understood the policies.
47. After that email, Liu modified stop orders for 24 separate accounts within two minutes. Further, on March 7, 2018, Liu entered new stop orders for 24 separate accounts within three minutes. Subsequently, Liu's trading pattern did not change.

(iii) Liu Directed Away from Futures Trading

48. At some point in 2018, supervisors suggested Liu move his clients toward more traditional investments and in December 2018 his commission structure was reduced. Despite this, Liu continued trading similarly to how he had been, up until the threat of a lawsuit from a client.

Failure to Supervise Espeseth

49. Most of the queries of Espeseth's trading raised by Tier 2 supervisors were focused on his personal trading and potential front running issues. Despite the many similarities to Liu's trading, and the fact that Liu had just admitted to discretionary

trading, Tier 1 supervisors did not examine Espeseth's trading in light of this known fact.

50. Tier 1 supervisors were aware that the trading activity in Espeseth's client accounts had increased. However, they failed to conduct a substantive review of his trading, nor did they seek any further trade information or look at trade tickets, as they had with Liu.
51. Fullerton made email inquiries of Espeseth, as set out below, but again, no substantive supervisory steps were taken:
 - i. January 26, 2021: noting how many clients appear to be following a similar strategy and that Espeseth needs to be contacting clients prior to each order about price, quantity, timing and security. Espeseth responded that he was in very close contact with all his grain futures clients. This was immediately followed by days when Espeseth entered 197 and 336 orders;
 - ii. February 25, 2021: Fullerton congratulated Espeseth on almost \$450,000 in gross commissions for the month of January. There were no inquiries on how he was able to generate those commissions while contacting clients; and
 - iii. March 21, 2022: Fullerton referenced a phone call and indicated he had concerns about gaps in the order taking process. He went on to remind Espeseth of the four timestamps for trade tickets and the four components of a trade that needed to be discussed with clients (price, quantity, timing, and security).
52. The March 21, 2022, email was sent after Espeseth admitted on a call he was engaging in discretionary trading. The call was precipitated by the U.S. compliance

team raising concerns with Espeseth's trading. Fullerton did not initiate the trading concerns.

53. Despite the size of commissions, the volume of trading, and the similarities to Liu's trading, no additional steps were taken to ensure that Espeseth was contacting his clients about the specifics of each order.
54. As the Principal Supervisor for futures and options trading at RBC DS, Fullerton oversaw the Tier 1 supervision for both Liu and Espeseth during the entire 58-month Relevant Period.
55. Tier 1 made up the bulk of the supervision and the trading reviews for these advisors. During this time the issues that were flagged and brought to Fullerton should have prompted further inquiries and supervisory steps, as set out above. However, Fullerton took no timely or substantive supervisory steps or actions. In both Liu and Espeseth's cases, effective steps to identify and detect potential misconduct were ultimately precipitated by external factors. Throughout the Relevant Period, inquiries were sent to both Liu and Espeseth, but the circumstances of their trading warranted additional steps being taken. In all the circumstances, Fullerton failed to discharge his supervisory obligations.

DATED at Toronto , Ontario this December 18, 2025.