Re Deeb and Hampton Securities

IN THE MATTER OF:

The Investment Dealer and Partially Consolidated Rules and the Dealer Member Rules

and

Peter Michael Deeb and Hampton Securities Limited

2026 CIRO 07

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: August 11, 2025, in Toronto, Ontario
Decision and Reasons (Liability): April 14, 2025
Decision and Reasons (Sanctions and Costs): February 3, 2026

Hearing Panel:
Christopher Bredt, Chair
William Donegan, Industry Representative
Zahra Bhutani, Industry Representative

Appearances:
Sylvia Samuel, Senior Enforcement Counsel
Michael A. M. Mantle, Enforcement Counsel
Joseph Groia and Kevin Richard, for Peter Michael Deeb and Hampton Securities Limited

REASONS FOR DECISION ON SANCTIONS AND COSTS

INTRODUCTION

[1] The Notice of Hearing and Statement of Allegations in this proceeding allege the following contraventions:

i. Contravention 1 - Between January 2020 and April 2020, Peter Deeb (**Mr. Deeb**) engaged in a trading practice in client and firm inventory accounts that is contrary to Investment Dealer and Partially Consolidated (**IDPC**) Rule 1400.

ii. Contravention 2 - Between January 2020 and April 2020, Hampton Securities Limited (**Hampton**) failed to keep and maintain a proper system of books and records and provide records of trading activity contrary to Dealer Member Rules 17.2 and 200.

iii. Contravention 3 - Between January 2020 and September 2020, Peter Deeb failed to promote compliance by Hampton with regulatory requirements contrary to Dealer Member Rule 38.5.

[2] Following a lengthy hearing, we found that the Canadian Investment Regulatory Organization (**CIRO**) had established all the contraventions alleged. In our reasons on liability[1], we found that Mr. Deeb's trading activities in Hampton's average price accounts and other firm inventory accounts constituted a serious violation of CIRO's Rules and did not meet the high standard of ethics and conduct required of a regulated person; Hampton's record keeping was clearly inadequate; and finally, as the Ultimate Designated Person (**UDP**) of

[1] *Re Deeb* 2025 CIRO 18 (**Liability Decision**)

Hampton, Mr. Deeb failed to promote compliance by Hampton with regulatory requirements contrary to Dealer Member Rule 38.5. His conduct was unacceptable conduct for a UDP who has the obligation to promote a culture of compliance at his firm and is expected to set the tone from the top.

[3] A hearing on sanctions and costs was held on August 11, 2025, and our decision was reserved. These are our reasons and our order on sanctions and costs.

EVIDENCE AT THE SANCTIONS AND COSTS HEARING

[4] The evidence and findings of fact made during the liability phase of this matter are set out in our Liability Decision and will not be repeated here. Below we summarize the additional evidence entered at the sanctions and costs hearing.

[5] Both parties submitted evidence by way of affidavit in advance of the hearing. Neither party elected to cross-examine on the affidavits. The evidence was primarily directed at the question of how much Mr. Deeb and Hampton (the **Respondents**) profited from the impugned trading.

[6] CIRO Enforcement Staff (Staff) filed three affidavits: two affidavits from Dan McVicker, a Manager of Investigations in the Enforcement Department of CIRO and an affidavit from Ricki Ann Newmarch, the Enforcement Litigation National Coordinator with Enforcement Department of CIRO.

[7] The Respondents also filed three affidavits: two affidavits from Mr. Deeb and an affidavit from Olga Juravlev, the current CFO at Hampton.

[8] The McVicker affidavit of May 16, 2025 (**the First McVicker Affidavit**) analyzed the profits and commissions made by the Respondents on the impugned trading and concluded:

- Deeb's trading in the YZ inventory account resulted in a profit to Hampton of $1,069,487;
- Hampton received commissions on UPRO allocations from the VY average price account to the CD Account on February 25/26, 2020, totalling approximately $52,898 (US$39,430);
- Hampton received commissions on the Brompton Split Banc and Telus new issues trading and the short selling totalling $102,822;
- Hampton received commissions on UPRO trading for the CD Account from March 2, 2020 to March 6, 2020, and on March 20, 2020, totalling $24,715.

[9] The First McVicker Affidavit also advised that Hampton was designated at Early Warning Level 2 from August 2019 until April 2021. This resulted in several restrictions on Hampton's capital and increased reporting requirements.

[10] The Deeb affidavit of May 28, 2025 (**the First Deeb Affidavit**) responded to the First McVicker Affidavit. In his affidavit, Mr. Deeb gave evidence that:

- he did not benefit from trading in the YZ Account. The YZ Account is a Hampton proprietary account, and all trading was for the benefit of the firm;
- he is a salaried employee at Hampton, and does not earn any commission, remuneration, or percentage on trading in fee-based accounts at Hampton. He did not receive or earn any commission, remuneration, or percentage on trading in the CD Account;
- he did not earn any commission, remuneration, percentage, or benefit from trading in the Brompton or Telus new issues;
- Hampton is a small independent firm. Hampton's current RAC is approximately $480,000;
- since the 2021 Business Conduct and Compliance (**BCC**) report, Hampton has gone to extensive efforts to improve compliance and correct any deficiencies. CIRO recently completed a further BCC review. There was only one minor repeat deficiency found to be present in 2024, as Hampton was three months late in commencing its AML effectiveness testing. No issues were found with Hampton's AML system, and Hampton has resolved all the past issues.

[11] The affidavit of Ricki Ann Newmarch attached a bill of costs for CIRO which totalled $392,572.80.

[12] The McVicker affidavit of June 4, 2025 (**the Second McVicker Affidavit**) responded to the First Deeb Affidavit and contested Mr. Deeb's evidence that the CD Account was a fee-based account and he did not earn any commission, remuneration, or compensation on trading in the CD Account, as that evidence was not consistent with information and documents uncovered during CIRO Staff's investigation. The affidavit also contested Mr. Deeb's evidence about amounts of commissions and fees received from Brompton and Telus new issues.

[13] The affidavit of Olga Juravlev clarified certain of the evidence from Hampton's records. In particular, the Juravlev affidavit stated:

- there were errors in Hampton's records regarding the recording of ticket charges to the CD Account, those errors have been corrected, and the result is that Mr. Deeb did not earn any commissions on the impugned UPRO trades in the CD Account;
- for the new issue trading for Telus and Brompton in February/March 2020, she reviewed Hampton's records to determine the amounts received by Hampton from these new issues in the CD Account. For the new issue trading in the CD Account in February 2020, there was a total amount of $70,000 for Telus and $34,800 for Brompton applied to Mr. Deeb's grid. These amounts reflect the difference between the price the securities were received at from the lead underwriter and the price the securities were sold to the client. These amounts were split between Mr. Deeb and Hampton, with 50% going to Mr. Deeb and 50% going to Hampton. The total amount of commission allocated to Mr. Deeb on the new issue trading in February 2020 was $52,400. In March 2020, $50,950 was received in relation to the new issue trading in the CD Account in February, which was split 50/50 with Hampton, such that $25,475 was allocated to Mr. Deeb.
- amounts for trade errors, write offs, an expense for Mr. Deeb's assistant's salary, other expenses, and registration fees were deducted from any payout to be made to Mr. Deeb each month. For February and March 2020, these amounts exceeded the amounts that were to be paid out to Mr. Deeb from his grid.

[14] The Deeb affidavit of June 20, 2025 (**the Second Deeb Affidavit**) responded to the Second McVicker Affidavit. In his affidavit, Mr. Deeb gave evidence that:

- he did not receive commission on the CD Account. The only charges to the client CD were ticket charges in the amount of approximately $25 per transaction, which were charged to the client to cover National Bank Independent Network's (**NBIN**) transaction costs and related fees. Ticket charges are different from commission. Commission is a charge on the value of the transaction, whereas a ticket charge is a fixed charge to cover the expenses on the transaction. When the errors in the allocation of these ticket charges to the CD Account were discovered, they were corrected;
- he was not aware that some amounts related to the new issues for Telus and Brompton from the CD Account were applied to his grid and amounts for trade errors, write offs, his assistant's salary, other expenses incurred throughout the course of a deal, and registration fees were deducted from his payout. He did not disagree with the amounts applied to his grid as stated by Ms. Juravlev in her affidavit, although in the end, they were not paid out to him.

Findings of Fact

[15] Some of the evidence before us was not contested. The factual disputes relating primarily to the issue of how much Hampton and Mr. Deeb benefited form the impugned trading. Ms. Juravlev was not cross-examined on her affidavit, and there is no basis not to accept her evidence. Accordingly, we make the following findings of fact on the evidence before us:

[16] Hampton benefited from Mr. Deeb's impugned trading in the amount of $ 1,147,362. This is calculated as follows: $1,069,487 (trading in the YZ Account) plus $77,875 (Hampton's share of the Telus and Brompton new issues).

[17] Mr. Deeb did not benefit directly from the trading of UPRO in the CD Account. However, as the

controlling shareholder of HPC, Hampton's parent, he would have benefited indirectly. Mr. Deeb did personally benefit from the Telus and Brompton new issues in the amount of $77,875. This sum was applied to his grid and defrayed other expenses which were deducted from his payout.

[18] The total amount that the Respondents together benefited from the impugned trading was $1,225,237. This is calculated as follows: $1,069,487 (trading in the YZ Account) plus $77,875 (Hampton's share of the Telus and Brompton new issues) plus $77,875 (Mr. Deeb's share of the Telus and Brompton new issues).

LAW ON SANCTIONS

(i) Jurisdiction

[19] In our Liability Decision we found that Mr. Deeb and Hampton had violated CIRO's Rules. Pursuant to IDPC Rule 8210, this panel may impose one or more of the following sanctions on Mr. Deeb:

(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:

a. $5,000,000 for each contravention, and

b. 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) any other sanction determined to be appropriate under the circumstances

[20] IDPC Rule 8209 provides the panel with similar jurisdiction to impose sanctions on Hampton.

(ii) The Sanction Guidelines

[21] The determination of appropriate sanctions in any given case is fact-specific but is guided by the CIRO Sanction Guidelines (the **Sanction Guidelines**), including, as directed by the Sanction Guidelines, sanctions imposed in similar cases. The Sanction Guidelines provide a framework to guide the determination of sanctions, including sanctions principles to be applied in all cases (Part I), key factors commonly taken into consideration (Part II), and additional considerations that may be relevant to a particular case (Part III).

Sanction Guidelines – Part I Principles

[22] Penalties in CIRO enforcement proceedings are justifiable to the extent that they serve to protect the investing public from future harm. They must be forward looking, in the sense that they should be preventative in orientation, not retrospective or punitive[2]. In this regard, general deterrence is the central consideration:

> A penalty that is meant to deter generally is a penalty that is designed to keep an occurrence from happening; it discourages similar wrongdoing in others. In a word, a general deterrent is preventative. It is therefore reasonable to consider general deterrence as a factor, albeit not the only one, in imposing a sanction... The respective importance of general deterrence as a factor will vary according to the breach... and the circumstances of the person charged [.][3]

[23] The weight to be given general deterrence in any given case, therefore, must always be based on a thorough assessment of the character of the misconduct. Moreover, to be reasonable, a penalty in the

[2] *Pezim v. British Columbia (Superintendent of Brokers)*, 1994 CanLII 103 (SCC), [1994] 2 S.C.R. 557 at paras. 59, 68.
[3] *Cartaway Resources Corp. (Re)*, 2004 SCC 26 (CanLII), [2004] 1 S.C.R. 672 at para. 61.

regulatory context must be supported by a rational analysis that establishes the penalty as proportional to the misconduct.[4]

[24] The CIRO Sanction Guidelines provide a framework that should be considered when determining the appropriate sanctions. The principles are:

1. Sanctions are preventative in nature and should protect the public, strengthen market integrity, and improve business standards.
2. Sanctions should ensure that a respondent does not financially benefit as a result of the misconduct.
3. Sanctions should be more severe for a respondent with a prior disciplinary record.
4. For multiple violations, the total or cumulative sanction should appropriately reflect the totality of the misconduct
5. A respondent's ability to pay may be a relevant consideration when imposing a monetary sanction or costs.

Sanction Guidelines – Part II Key Factors

[25] The Sanction Guidelines provide a list of key factors that should be considered, where applicable, in fashioning an appropriate sanction. The factors relevant to this matter include:

(1) the scope of the misconduct, including the number, size, and character of the transactions at issue,

(2) whether the respondent engaged in numerous acts and/or a pattern of misconduct,

(3) whether the misconduct occurred over an extended period of time,

(4) whether the respondent's misconduct was intentional, willfully blind, or reckless,

(5) extent of harm to clients or other market participants,

(6) extent of harm to market integrity or the reputation of the marketplace,

[...]

(8) the respondent's prior disciplinary history (see Principle No. 3),

(9) the amounts the respondent obtained or attempted to obtain, or the loss the respondent avoided or attempted to avoid, as a result of the improper activity (see Principle No. 2),

(10) in the case of individuals, whether the respondent accepted responsibility for and acknowledged the misconduct to their employer or the regulator prior to detection and intervention by the Dealer Member or regulator,

(11) in the case of Dealer Members, whether the respondent accepted responsibility for and acknowledged the misconduct to the regulator prior to detection and intervention by the regulator,

[...]

(14) whether the respondent made voluntary acts of compensation, including voluntary disgorgement of commissions, profits, other benefits and/or payment of restitution to clients,

[...]

(16) whether the respondent attempted to delay CIRO's investigation, conceal information or their conduct from CIRO, or provided inaccurate or misleading information or testimony to CIRO,

[...]

(19) whether the respondent attempted to conceal their misconduct or to lull into inactivity, mislead,

[4] *Cartaway, supra*, at para. 64. *Canada (Minister of Citizenship and Immigration) v. Vavilov*, 2019 SCC 65 at paras. 14, 85.

deceive, or intimidate a client, regulatory authority or, in the case of an individual respondent, the Dealer Member with which they are/were associated,

(20) whether the respondent failed to heed regulatory guidance, or the Dealer Member's policies and procedures, with respect to the misconduct at issue.

Sanction Guidelines – Part III Additional Considerations

[26] Part III of the Sanction Guidelines provides additional considerations and confirms that sanctions should be tailored to the misconduct at issue in each case. This necessitates a review of the nature of the misconduct, the degree of responsibility by the respondent, and determining the relevant aggravating or mitigating factors.

[27] With respect to fines, the Guidelines note that the amount of the fine should be commensurate with the seriousness of the misconduct. A fine should not be viewed as a "licensing fee" or "cost of doing business".

[28] With respect to suspensions, the Guidelines provide that hearing panels may impose suspensions on Dealer Members and individual respondents for any period of time and on any terms and conditions. A suspension should be considered where, among other things:

- there has been one or more serious contraventions;
- there has been a pattern of misconduct;
- the respondent has a prior disciplinary history;
- the contraventions involved fraudulent, willful and/or reckless misconduct; or
- the misconduct in question has caused some measure of harm to investors, the integrity of a marketplace or the securities industry as a whole.

[29] Further, the Guidelines provide that where the contravention relates to a respondent acting in a supervisory capacity, it may be appropriate to suspend the respondent from acting in any supervisory capacity for a period of time, and from all registered activities when the supervisory failings are so severe as to call into question the respondent's general fitness to act in any registered capacity.

SUBMISSIONS OF THE PARTIES

(i) CIRO Enforcement Staff Submissions

[30] Enforcement Staff submitted the following sanctions are warranted in respect of Mr. Deeb:

a. a fine of $500,000;

b. disgorgement of $1,249,922 ($1,069,487 + $180,435);

c. Mr. Deeb be suspended as the UDP of Hampton Securities Limited, effective the earlier of: (i) the date upon which Hampton appoints a new UDP and Chief Executive Officer (**CEO**); or (ii) 90 days from the date of this decision;

d. Mr. Deeb be suspended and prohibited from serving or being approved or registered as a Registered Representative (as defined in s. 1201 of the IDPC Rules) with any Dealer Member or in any capacity with a Dealer Member or Regulated Person for a period of two years;

e. Mr. Deeb be prohibited from serving or being approved or registered as an Executive or Supervisor (as those terms are defined in s. 1201 of the IDPC Rules) of any Dealer Member or Regulated Person, or any corporation or entity of which a Dealer Member or Regulated Person is a subsidiary for a period of three years except as permitted in subparagraphs (c)(i) and (c)(ii) above;

f. Hampton may not delegate to Mr. Deeb any supervisory tasks or procedures (whether pursuant to s. 3907 of the IDPC Rules or otherwise) during the time that he is prohibited from being registered or approved as a Registered Representative, Executive, or Supervisor;

g. following his suspension (per subparagraphs (d) and (e) above), Mr. Deeb must successfully complete the Director Executive Examination prior to being approved or registered by CIRO to

serve as an Executive or Supervisor;

h. following his suspension (per subparagraphs (d) and (e) above), Mr. Deeb must successfully complete the conduct training prior to becoming approved or registered with CIRO in any capacity;

i. following his suspension (per subparagraphs (d) and (e) above), if Mr. Deeb becomes employed in a registered capacity, he will be subject to Strict Supervision for a period of twenty-four months.

[31] Enforcement Staff submitted the following sanctions are warranted in respect of Hampton:

a. a fine of $1,000,000;

b. the following terms and conditions be imposed on Hampton's registration:

i. within ninety (90) days of the date of this decision, Hampton will appoint a new CEO and UDP to replace Mr. Deeb;

ii. effective immediately and until a new UDP is registered with CIRO, the Chief Compliance Officer (**CCO**) of Hampton shall provide monthly to Hampton's board of directors a written report of concerns, if any, related to compliance with the CIRO requirements and, in respect of the CCO's obligations under s. 3912 of the IDPC Rules, the CCO shall report to Hampton's board of directors until a new UDP is appointed;

iii. Effective immediately and until a new UDP is registered with CIRO, the Chief Financial Officer (**CFO**) of Hampton shall provide monthly to Hampton's board of directors a written report of concerns, if any, related to compliance with the CIRO financial requirements and, in respect of the CFO's obligations under s. 3913 of the IDPC Rules, the CFO shall report to Hampton's board of directors until a new UDP is appointed;

iv. Hampton shall retain a third-party consultant to review its practices and policies and procedures, including related to trading in its average price accounts and inventory accounts, obligations to maintain books and records, and the maintenance of a proper audit trail.

[32] Enforcement Staff reviewed the principles set out in the Sanction Guidelines and submitted that Mr. Deeb has been found liable for two violations, which are, in part, related. The sanctions requested are proportionate to the total misconduct and not excessive. The sanctions address the contraventions individually but remain proportional to the overall misconduct.

[33] Enforcement Staff then turned to the Key Factors in Part II of the Sanction Guidelines and submitted as follows:

- Scope of Misconduct (Number, Size, and Character Transactions) – Mr. Deeb's trading involved high risk securities; the misconduct involved sizeable transactions, both in terms of volume of trading and the associated monetary value of the transactions; accordingly, the sanctions should reflect the volume of trading and monetary value of Mr. Deeb's trading in recognition of the risks to which others were exposed as a result of Mr. Deeb's misconduct.
- Impact on Risk Adjusted Capital (**RAC**) – Mr. Deeb's trading put Hampton into a RAC-negative position on more than one occasion. To the extent that Mr. Deeb's trading put Hampton into a RAC-negative position, this is an aggravating factor given the central importance of RAC; Inaccurate Monthly Financial Report (**MFR**) filings inhibit CIRO's ability to carry out its oversight related to related to capital requirements, a key area in protecting the integrity of capital markets.
- Capital Requirements - A key area in protecting the integrity of capital markets. Hampton was designated in early warning level 2 as of August 31, 2019, and remained in early warning level 2 until April 2021. Hampton's record keeping fell below the standard required by the CIRO Rules. Hampton's failure to maintain a proper audit trail of Mr. Deeb's trading activity, including its

impact on Hampton's RAC, is serious.

- Numerous Acts or Pattern of Misconduct – Mr. Deeb's trading was not an isolated event. There was a pattern of accumulating in the VY Account instead of allocating promptly out. Mr. Deeb's conduct showed a pattern of improperly obtaining access to credit from NBIN, first for the CD Account and then for Hampton in the YZ Account.
- Whether Misconduct Occurred Over Extended Period of Time - The misconduct occurred over the course of three months (eight months in the case of Mr. Deeb's failure to promote compliance with regulatory requirements). With respect to Mr. Deeb's failure as UDP, there were six repeated deficiencies identified in the 2021 BCC Examination Report that went back several years, including Hampton's inability "to locate and provide critical supervisory records when requested."
- Whether Respondent's Misconduct Was Intentional, Willfully Blind, or Reckless - In the case of Mr. Deeb's breach of IDPC Rule 1400, Mr. Deeb's conduct was intentional. Further, Mr. Deeb was aware of the losses on the positions in the VY Account and took no steps to ensure that Hampton's MFRs accurately reflected its financial position.
- Extent of Harm to Clients or Other Market Participants - NBIN bore the credit risk of Mr. Deeb's trading in Hampton's average price accounts. The risk to NBIN crystallized in a significant loss of approximately $1.9 million, which was charged to Hampton and impacted Hampton's RAC. Although Mr. Deeb eventually accepted personal responsibility for the loss, the harm was done. In addition to the credit risk to NBIN, Mr. Deeb's trading put Hampton's capital at risk, which therefore put Hampton's clients at risk.
- Extent of Harm to Market Integrity or Reputation of the Marketplace – Mr. Deeb's misconduct in this case is necessarily harmful to the integrity and reputation of the marketplace, as it calls into question the "very high standard of financial probity" to which members of the securities industry are held.
- The Respondent's Prior Disciplinary History – Mr. Deeb has a prior disciplinary history, having previously been found liable for failing to maintain proper books and records in 2013[5]. Mr. Deeb's conduct in this matter was markedly more serious than the findings made in the prior disciplinary decision.
- Amounts Obtained or Attempted or Loss Avoided – Mr. Deeb's improper trading resulted in financial benefit to himself and Hampton, whether directly or indirectly. Mr. Deeb should be required to disgorge the amounts obtained, including gains on improper trading in the YZ Account from which he benefited indirectly (as directing mind of Hampton) and commissions on other trading as detailed above from which he benefited directly (based on the commission split between him and Hampton) and indirectly (as directing mind of Hampton).
- Whether Respondent Attempted to Delay Investigation, Conceal Information or Conduct, or Provided Inaccurate or Misleading Information or Testimony – Mr. Deeb was dishonest and misled CIRO as to whether the UPRO trading in the VY Account was for an actual client. Further, Mr. Deeb used the VY Account to shield his improper trading from compliance review.
- Whether Respondent Failed to Heed Regulatory Guidance - There exists regulatory guidance (GN-3800-21-009) on the proper use of average price accounts. The failure to allocate trades on a daily basis was inconsistent with Guidance Note GN-3800-21-009.

[34] Enforcement Staff then addressed Part III of the Sanction Guidelines and submitted that as the contraventions related to Mr. Deeb acting in the capacity of UDP, it is appropriate that he be suspended from acting as UDP. The breach of Rule 1400 and the findings related to that contravention call into question Mr. Deeb's general fitness, making it appropriate that he be suspended from all registered activities. Further, for the period of time that Mr. Deeb is suspended from acting as UDP but not from other registrable activity, it is

[5] *Re Deeb* 2013 IIROC 8

appropriate, in light of Mr. Deeb's role at Hampton, that terms be imposed (or a qualified consultant be put in place at Hampton) while Mr. Deeb serves his UDP suspension to ensure the smooth transition of responsibility and to ensure that Mr. Deeb is not incentivized to engage in UDP activities during the period of suspension.

[35] With respect to similar cases for Contravention #1, Mr. Deeb's failure to observe high standards in ethics and conduct, Enforcement Staff relied on *Northern Securities*[6] and *Re Connacher*[7]. For similar cases for Contravention #3, Mr. Deeb's failure as UDP, Enforcement Staff relied on *Northern Securities*[8], *Re Gravitas & Creed*[9] and *Re Global Maxfin Capital & El-Bouji*[10]. For similar cases for Contravention #2, Hampton's failure to maintain proper books and records, Enforcement Staff relied on *Re TD Waterhouse Canada*[11].

[36] On the issue of disgorgement, Enforcement Staff submitted that the jurisprudence has established that a particular respondent may be ordered to disgorge funds obtained in contravention of securities law regardless of whether that respondent personally received any of the funds. Accordingly, Enforcement Staff is requesting an order for disgorgement by Mr. Deeb of the amounts obtained as a result of Mr. Deeb's misconduct, whether directly or indirectly, as the directing mind of Hampton.

(ii) Respondents' Submissions

[37] The Respondents submit that the appropriate sanctions in this matter are:

a. for Mr. Deeb's contravention of Rule 1400, a fine of $40,000; for Mr. Deeb's contravention of Rule 38.5, a fine of $50,000; rhus, a total fine as against Mr. Deeb in the amount of $90,000; and

b. for Hampton's contravention of Rules 17.2 and 200, a fine in the amount of $35,000.

[38] At the outset of the Respondents' submissions, they reviewed the general principles applicable to sanctions. The determination of the appropriate sanction is discretionary and depends on the facts of the particular case. The purpose of sanctions in a regulatory proceeding is to protect the public interest by deterring future conduct that may harm the capital markets. Deterrence can be achieved if a sanction strikes an appropriate balance by addressing a regulated person's specific misconduct but is also in line with industry expectations. The panel's responsibility is to individualize the penalty to the precise circumstances of the particular case.

[39] The Respondents then turned to an analysis of the appropriate sanctions for each of the Contraventions.

[40] The Respondents' submissions on Contravention #1 can be summarized as follows:

- Contrary to Enforcement Staff's assertions that the scope of Mr. Deeb's misconduct justifies the significant penalties they seek to impose on him, Mr. Deeb's trading does not warrant such extreme sanctions.
- In cases involving egregious misconduct such as fraud and theft from clients - conduct which is much worse than in this case - the fines imposed have been less than 10% of what Staff is seeking here. The impugned transactions occurred for a relatively short period spanning approximately three months, from January to March 2020, with some of the trading activities occurring on just a few days.
- There were discrepancies in the reporting that Hampton and NBIN were receiving from Credit Suisse during this time, and these discrepancies are a factor that must be considered when determining the appropriate sanctions.
- There was no harm to client CD and ultimately, no harm to Hampton or to NBIN. Mr. Deeb accepted personal responsibility for the loss. He accepted responsibility to indemnify Hampton for the loss that was incurred, prior to intervention from the regulator and ultimately paid for the

[6] 2012 IIROC 63
[7] 2011 IIROC 28
[8] *Supra*, note 6
[9] 2023 CIRO 30
[10] 2016 IIROC 09
[11] 2020 IIROC 9

entire loss, which are mitigating factors to be considered in the determination of the appropriate penalty.

- It is conceded that Mr. Deeb has a prior discipline history as he was found liable for the contravention of two rules in 2013[12]. However, these contraventions were relatively minor, isolated incidents. This discipline history should not be given much weight as an aggravating factor.
- What occurred and how it occurred was markedly different in *Re Northern Securities*[13] than in this case. The cases are not analogous, and the conduct found to have occurred in *Re Northern Securities* is much more serious than that found to have occurred in this case. Penalties ordered in that case would be punitive and improper if applied to this case.
- In *Re Connacher*[14], the other case cited by Enforcement Staff in support of its position, the respondent's misconduct was egregious and not comparable at all to the conduct of Mr. Deeb.
- The purpose of a disgorgement order is to ensure a respondent does not benefit financially from his or her misconduct and to remove any incentive to engage in non-compliance with the regulatory requirements. Mr. Deeb has fully indemnified Hampton for the losses. Mr. Deeb has not financially benefited from the misconduct. He has ultimately suffered the loss. There is no basis for imposing disgorgement on Mr. Deeb.
- Hampton is owned by HFC, which is a public company. It has an experienced board of directors. The concept of a "directing mind" is not applicable in a situation such as this. Hampton is not Mr. Deeb's personal holding company, or his *alter ego*. It is a dealer that is owned by a public company. There is no basis to order disgorgement against anyone else for amounts received by Hampton alone.
- None of the cases that Enforcement Staff have cited in support of their request for a $500,000 fine plus disgorgement have involved a scenario where the respondent has already indemnified any losses. Where a respondent has already paid for losses incurred, the resulting fine should take those amounts into account.
- Suspension is considered in situations where there have been serious contraventions, including contraventions involving fraudulent, willful, and/or reckless misconduct, or some measure of harm caused to investors, the integrity of a marketplace, or the securities industry as a whole. Suspension is reserved for situations where there has been demonstrable harm resulting from the respondent's conduct, not just a risk of harm. No such harm resulted from the conduct in this case. A suspension would be punitive and not proportionate to the conduct in the circumstances.

[41] The Respondents' submissions on Contravention #2 can be summarized as follows:

- The $1,000,000 fine proposed by Enforcement Staff as against Hampton is drastically out of line with similar cases. The case cited by Staff in support of such an egregious cost award, *Re TD Waterhouse Canada*[15], is clearly distinguishable from this case.
- When considering deterrence in the imposition of sanctions, consideration should be given to ensuring that the sanctions are proportionate, bearing in mind the size of the Dealer Member, the firm's financial resources, the nature of the firm's business and the number of individuals associated with the firm. Hampton's RAC currently sits at approximately $480,000. A fine of double the entire RAC of Hampton would be inappropriate and punitive.
- Since the 2021 BCC Examination Report was completed, Hampton has undertaken extensive changes to correct any deficiencies and improve its compliance team. After receiving the 2021 BCC Examination Report, Hampton engaged in extensive communications back and forth with

[12] *Re Deeb* 2013 IIROC 8
[13] *Supra*, note 6
[14] *Supra*, note 7
[15] *Supra*, note 11

the BCC team until it received a closing letter notifying Hampton the audit was closed, and the BCC team had received all the responses and was satisfied with Hampton's efforts. Hampton's voluntary efforts to rectify the issues with the books and records is a mitigating factor. Enforcement Staff's proposal to have Hampton retain a third-party consultant to review its practices, policies and procedures is unnecessary.

- Reference was made to *Re Interactive Brokers Canada Inc*[16], and *Re Pollitt & Co*[17], in support of the submission that a fine closer to $35,000 would be appropriate in the circumstances, given that Hampton has only been found liable for one contravention. Such a penalty would be proportionate to the misconduct at issue, and in line with decisions with somewhat similar facts.

[42] The Respondents' submissions on Contravention #3 can be summarized as follows:

- Enforcement Staff relies on the 2021 BCC Examination Report as an aggravating factor that warrants a more severe penalty, however, the deficiencies identified in the 2021 BCC Examination Report have all been resolved by Hampton. Hampton's efforts to employ subsequent corrective measures and revise all of its policies and procedures to avoid reoccurrence of misconduct is a mitigating factor that warrants a less severe penalty. The appropriate fine against Mr. Deeb with respect to Contravention #3 would be a fine in the amount of $50,000.

- Any suspension from acting as the UDP of Hampton is disproportionate and punitive in the circumstances. The Sanction Guidelines provide that where the contravention relates to a respondent acting in a supervisory capacity, it may be appropriate to suspend the respondent from acting in any supervisory capacity for a period of time when failings are so severe as to call into question the respondent's general fitness to act in any registered capacity. In this case, it would not be appropriate to suspend Mr. Deeb as the UDP of Hampton.

- Hampton has worked diligently to remedy the deficiencies associated with the 2021 BCC Examination Report, including those associated with Mr. Deeb's role as the UDP. Mr. Deeb has taken the necessary steps to ensure he is adequately performing his role as the UDP. The most recent 2024 BCC Report demonstrates that earlier issues have been remedied. Mr. Deeb has been adequately performing his role as the UDP for several years now. There is no legitimate purpose to now suspend Mr. Deeb from his role as the UDP, and to do so would be a disproportionate penalty.

APPROPRIATE SANCTIONS IN THIS MATTER – CONTRAVENTIONS #1 AND #3 PERTAINING TO MR. DEEB

(i) Overview

[43] Here we summarize the conduct of Mr. Deeb that resulted in our finding him liable for Contraventions #1 and #3.

[44] Commencing in June 2019, Mr. Deeb's trades in UPRO for the CD Account were put through the VY Account but not ticketed out to the CD Account or not ticketed in full on the day of the trade. This improper use of the VY Account accelerated after the margin available in the CD Account was reduced in July 2019 and continued into March 2020 when the market crash created a $1.9 million loss. On February 25, 2020, when the UPRO position flattened, approximately US$104,000,000 of UPRO buys and US$104,000,000 of UPRO sells were allocated out of the VY Account to the CD Account, not as a single buy or a single sell, but instead as many small lots. The failure to allocate trades in UPRO on a daily basis and the failure to allocate trades in UPRO on a basis consistent with the actual trades was in breach of Hampton's polices. Mr. Deeb was concealing this improper practice from compliance review at Hampton by allocating the trades at a low value that would not attract supervisory review.

[45] For much of the period from December 31, 2019 to February 24, 2020, the CD Account did not have sufficient margin to support the trading in UPRO that took place. For example, on February 6, 18, and 19, 2020,

[16] 2009 IIROC 30 at paras 2-13
[17] 2023 CIRO 23 at para 25

the accumulated UPRO position in the VY Account exceeded US$4,000,000, requiring margin (US$1,057,827, US$1,003,087, and US$1,519,651 respectively), far in excess of what the CD Account could carry. As the carrying broker, NBIN was bearing the credit risk for trading in the VY Account. Mr. Deeb's trading and failure to ensure that UPRO trades were allocated daily resulted in improper access to credit. Again, Mr. Deeb was concealing this improper practice from compliance review at Hampton by allocating the trades at a low value that would not attract supervisory review.

[46] A review of the losses on the UPRO position in the VY Account, starting February 25, 2020, and the margin required on those positions compared to Hampton's RAC indicates that, on February 25, 2020, and most days thereafter, including at February and March month ends, Hampton would have been RAC-negative. Mr. Deeb was aware of the large UPRO losses and took no steps to ensure that the MFRs accurately reflected Hampton's financial position.

[47] Mr. Deeb was dishonest and misled CIRO as to whether the UPRO trading in the VY Account was for an actual client. Initially, he had advised CIRO that the underlying client was "an Abu Dabi [sic] client". Later, in a memo dated April 24, 2020, that Mr. Deeb emailed to CIRO on April 29, 2020, it was suggested that the UPRO orders had been entered for a client that was a "Sovereign Wealth Fund." In fact, there never was a client and Mr. Deeb ultimately accepted personal responsibility for the improper trading.

[48] Mr. Deeb impeded the CIRO investigation by providing false information to CIRO about the roles of Credit Suisse and NBIN in the $1.9 million loss that was incurred. On April 23, 2020, in response to CIRO inquires, Mr. Deeb advised that "we have been gathering and reviewing this data ourselves as we have serious issues with NBIN's involvement in the process and are considering our legal options. Throughout the month of March, we were receiving incorrect settlement and position reports from NBIN, as well as from Credit Suisse and likely Position Watch that certainly played a role in the problem". It is notable that there is no evidence that by April 23, 2020, the Respondents had raised these issues with NBIN and Credit Suisse or that there were any issues with NBIN and Credit Suisse reports in March 2020, as opposed to the earlier issues. Although Mr. Deeb advised that he needed to obtain data from NBIN and Credit Suisse, there is no evidence that he made any effort to obtain the data in March, April or May 2020. Ultimately, CIRO had to obtain the NBIN and Credit Suisse information directly from them.

[49] While we accepted that there were discrepancies in the reporting that Hampton and NBIN were receiving from Credit Suisse, we did not accept that the discrepancies were an adequate explanation for the conduct of the Respondents.

[50] Mr. Deeb's trading in UPRO, AMZN, and JPM in the YZ Account between March 10 and March 25, 2020 required significant margin, particularly in comparison to Hampton's month end RAC. Further, when the margin requirements for the AMZN, JPM, and UPRO trading in the YZ Account are considered in conjunction with the existing UPRO position in the VY Account and margin required for the UPRO position, the positions taken together would have exceeded Hampton's RAC from March 9, 2020 through to March 30, 2020. There was insufficient margin to support the trading that took place. Mr. Deeb's trading resulted in improper access to credit.

[51] During the month of February 2020, Mr. Deeb traded in two new issue offerings, Brompton Split Banc (**Brompton**) and Telus for the CD Account in the Hampton Canadian dollar average price account (**VX Account**). In both cases, Mr. Deeb also engaged in short selling these securities in advance of the new issue closing. However, the CD Account did not have sufficient margin for the short sales and could not buy the new issues without the proceeds from the short selling. Given the existing UPRO position in the VY Account, including the losses and margin required, the Brompton and Telus trading, though profitable, required margin greater than was available in the CD Account. Thus, Mr. Deeb's trading resulted in improper access to credit.

[52] From March 2 to March 6, 2020, Mr. Deeb purchased and sold additional UPRO for the CD Account. These trades were not put through the VY Account but were instead ticketed to the CD Account on the dates of the trades and resulted in a total profit of approximately US$171,000. However, the records of Credit Suisse show that these UPRO positions required greater margin intraday than was available to the CD Account. Again, Mr. Deeb's trading resulted in improper access to credit.

[53] On March 20, 2020, Mr. Deeb traded in shares of AMZN, which trades were allocated to the CD Account

from the VY Account. The AMZN trading required margin far in excess of what was available to the CD Account. Mr. Deeb's trading resulted in improper access to credit. Further, the failure to allocate trades on a basis consistent with the actual trades is in breach of Hampton's polices. The small allocations were done to avoid compliance review at Hampton.

[54] The 2021 BCC Examination Report concluded that there were significant deficiencies related to Mr. Deeb's role as UDP: "Hampton's Ultimate Designated Person (UDP) had not adequately performed his responsibilities under securities law, as evidenced by the significant and repeat deficiencies specifically set out in this report. Peter Deeb, in his capacity as UDP, in addition to his role as Acting Chief Compliance Officer (CCO) during March 2020 to September 2020, did not meet his responsibilities to establish an adequate compliance system to supervise the activities of the firm and ensure compliance with securities legislation by the firm and the individuals acting on its behalf."

(ii) Sanction Guidelines – Part I Principles

[55] We accept that any sanctions we order are preventative in nature and should protect the public, strengthen market integrity, and improve business standards. In this regard, general deterrence is a central factor. To achieve this, sanctions should be significant enough to prevent and discourage future misconduct by the respondent (specific deterrence) and to discourage others from engaging in similar misconduct (general deterrence). When considering specific and general deterrence in the imposition of sanctions, consideration should be given to ensuring that the sanctions are proportionate, bearing in mind the extent and seriousness of the misconduct and the impact that the sanctions will have on the respondent.

[56] We should ensure that the Respondents do not benefit from their misconduct. In this case, Mr. Deeb has a prior discipline record and that is a factor we should consider. Further, as there are multiple violations in this case, the total or cumulative sanctions should appropriately reflect the totality of the misconduct. Where there are multiple violations, the overall sanction imposed should not be excessive or disproportionate to the gravity of the total misconduct.

[57] Finally, the Respondents' ability to pay may be a relevant consideration when imposing a monetary sanction or costs. In this regard, we note that Mr. Deeb did not provide evidence relating to his ability to pay.

(iii) Sanction Guidelines – Part II Key Factors

[58] In this section we review the key factors that are relevant to fixing the sanctions for Mr. Deeb.

<u>The scope of the misconduct, whether the respondent engaged in numerous acts and/or a pattern of misconduct and whether the misconduct occurred over an extended period of time.</u>

[59] The first three factors are intertwined. The misconduct occurred over an extended period. The improper use of the average price accounts began in June 2019, accelerated after the margin available to the CD Account was reduced in July 2019 and continued in the YV Account after the $1.9 million loss in the VY Account occurred in early March 2020. Considering the number, size, and character of transactions at issue, we note that the scope of the misconduct was significant. The trading here involved UPRO, a high-risk security, and the transactions were large, both in terms of the volume of trading and the monetary value of the transactions. Mr. Deeb's trading evidenced a pattern of misconduct. He frequently obtained improper access to credit and concealed his misconduct by allocating trades at a low value to avoid supervisory review.

[60] Mr. Deeb's dishonest dealings with CIRO also evidence a pattern of misconduct. Initially, in March 2020, he advised CIRO that there is "an Abu Dabi [sic] client" for whom he was making the trades. In April 2020, he advised that the client was a "Sovereign Wealth Fund". Both of those statements were false – there never was a client. Further, although Mr. Deeb advised CIRO that he was making efforts to obtain data from NBIN and Credit Suisse, there is no evidence that he made any effort to do so. Ultimately, CIRO had to obtain the NBIN and Credit Suisse data directly from them.

[61] Mr. Deeb's failure as UDP was extensive. He failed to conduct himself in the manner to be expected of a UDP responsible for the conduct of Hampton. He failed by example to promote compliance by Hampton with the CIRO requirements and securities laws. In addition to the conduct summarized above, there were six repeated deficiencies identified in the 2021 BCC Examination Report that went back a number of years, including Hampton's inability "to locate and provide critical supervisory records when requested."

Whether the respondent's misconduct was intentional, willfully blind, or reckless

[62] Much of Mr. Deeb's misconduct was intentional, including his trading practices and his dealings with CIRO. Further, he was clearly aware of the large losses in the VY Account and took no steps to ensure that Hamptons' MFRs accurately reflected its financial position.

Extent of harm to clients or other market participants

[63] For much of the relevant period, the CD Account did not have sufficient margin to support the UPRO trading. As the carrying broker, NBIN was bearing the credit risk for the trading in the average price accounts. This risk was fully exposed when NBIN crystallized the $1.9 million loss. Although Mr. Deeb ultimately accepted personal responsibility for the loss, the risk of harm to NBIN was there. Further, Mr. Deeb's trading put Hampton's capital at risk and thus put Hampton's clients at risk.

Extent of harm to market integrity or the reputation of the marketplace

[64] The conduct of Mr. Deeb, both in his personal capacity and as UDP of Hampton, clearly harmed market integrity and the reputation of the marketplace. Mr. Deeb's conduct in intentionally breaching the rules governing average price accounts and his dishonest dealing with CIRO is inimical to the obligation to promote a culture of compliance at his firm and to set the tone from the top.

The respondent's prior disciplinary history

[65] Mr. Deeb does have a prior discipline history, having been found liable for two contraventions in 2013[18]. One of these contraventions was a minor record keeping, the other a failure to provide access to certain books and records; both were relatively minor and isolated. The contraventions found here are markedly more serious.

The amounts the respondent obtained or attempted to obtain, or the loss the respondent avoided or attempted to avoid, as a result of the improper activity

[66] Both Hampton and Mr. Deeb profited from some of the impugned trading. Hampton benefited from Mr. Deeb's impugned trading in the amount of $1,147,362. Mr. Deeb benefited from the Telus and Brompton new issues trading in the amount of $77,875. The total amount that the Respondents together benefited from the impugned trading was $1,225,237.

In the case of individuals, whether the respondent accepted responsibility for and acknowledged the misconduct to their employer or the regulator prior to detection and intervention by the Dealer Member or regulator

[67] Mr. Deeb did not accept responsibility for and acknowledge the misconduct to either Hampton or CIRO prior to detection and intervention by CIRO. Instead, he was dishonest in responding to CIRO.

Whether the respondent made voluntary acts of compensation, including voluntary disgorgement of commissions, profits, other benefits and/or payment of restitution to clients

[68] Mr. Deeb accepted personal responsibility for the $1.9 million loss, and compensated Hampton. This is a factor in his favour.

Whether the respondent attempted to delay CIRO's investigation, conceal information or their conduct from CIRO, or provided inaccurate or misleading information or testimony to CIRO; whether the respondent attempted to conceal their misconduct or to lull into inactivity, mislead, deceive, or intimidate a client, regulatory authority or, in the case of an individual respondent, the Dealer Member with which they are/were associated

[69] These two factors are intertwined. As set out in more detail above, Mr. Deeb was dishonest and misled CIRO as to whether the UPRO trading in the VY Account was for an actual client. Further, Deeb impeded the CIRO investigation by providing false information to CIRO about the roles of Credit Suisse and NBIN in the $1.9 million loss that was incurred. The CIRO investigations were delayed as ultimately CIRO had to obtain records of Hampton's UPRO trading in the VY Account directly from NBIN and Credit Suisse.

[18] *Supra*, note 12

[70] The fact that Mr. Deeb is the UDP of Hampton exacerbates the seriousness of the conduct here. Again, we note that Mr. Deeb's conduct in intentionally breaching the rules governing average price accounts and his dishonest dealing with CIRO is inimical to the obligation of the UDP to promote a culture of compliance at his firm and to set the tone from the top.

[71] *In Morrison (Re)*[19], the hearing panel wrote the following, which is apposite to this case:

> The securities industry is a business of trust and confidence. Approved Persons must above all conduct themselves with trustworthiness and integrity, and act in an honest and fair manner in all their dealings with the public, their clients, and the securities industry as a whole. Approved Persons have agreed to abide by and comply with the Association's By-laws, and that includes the duty to cooperate in any investigation. As was said in *Re Stewart* (supra), there is a general principle that the requirement to cooperate in any investigation is fundamental to maintaining an efficient, competitive market environment, and also to maintain the integrity of the securities system and protect the public interest.

[72] The duty to be honest with and cooperate with the regulator is fundamental to the regulatory scheme and to the public interest. In considering the appropriate sanctions in this matter, it is important to make clear to Mr. Deeb and other potential wrongdoers that these duties are not optional.

Whether the respondent failed to heed regulatory guidance, or the Dealer Member's policies and procedures, with respect to the misconduct at issue in the VY Account

[73] The failure to allocate trades in UPRO on a daily basis and the failure to allocate trades in UPRO on a basis consistent with the actual trades was in breach of Hampton's polices.

(iv) Sanction Guidelines – Part III Additional Considerations

[74] As noted above, Part III of the Sanction Guidelines provides additional considerations and requires that sanctions should be tailored to the misconduct at issue in each case. This necessitates a review of the nature of the misconduct, the degree of responsibility by the respondent, and determining the relevant aggravating or mitigating factors. Here we will review as additional considerations, disgorgement, aggravating or mitigating factors and similar cases.

Disgorgement

[75] The Sanction Guidelines mandate that disgorgement should be ordered, when applicable, to ensure that the respondent does not financially benefit from the misconduct and to remove any incentive to engage in non-compliance with regulatory requirements.

[76] IDPC Rule 8209 provides as follows:

> Sanctions for Dealer Members
>
> (1) If, after a hearing, a hearing panel finds that a Dealer Member has contravened Corporation requirements, securities laws, or other requirement relating to trading or advising in respect of securities, futures contracts, or derivatives, the hearing panel may impose one or more of the following sanctions:
>
> ...
>
> (ii) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention,

It is significant to note that there is no requirement that the "amount obtained" be obtained by a respondent in the proceedings.

[77] In *Re Feng*[20], the Ontario Capital Markets Tribunal stated that when considering whether a disgorgement order is appropriate, the following non-exhaustive list of factors applies:

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[19] 2009 IIROC 4 at para 51

[20] 2023 ONCMT 43 at para 54

a. whether an amount was obtained by a respondent as a result of the non-compliance with Ontario securities law;

b. the seriousness of the misconduct and whether that misconduct caused serious harm, whether directly to original investors or otherwise;

c. whether the amount obtained as a result of the non-compliance is reasonably ascertainable;

d. whether those who suffered losses are likely to be able to obtain redress; and

e. the deterrent effect of a disgorgement order on the respondents and on other market participants.

[78] Enforcement Staff are asking that a disgorgement order be made as against Mr. Deeb that would include the amounts that Hampton benefited from the impugned trading ($1,147,362) in addition to the amounts that Mr. Deeb benefited personally from the impugned trading ($77,875). No disgorgement order has been sought as against Hampton.

[79] The Respondents submit that disgorgement as against Mr. Deeb is not available for amounts that Hampton received. Hampton is owned by HFC, which is a public company. It has a very experienced board of directors. The Respondents submit that the concept of a "directing mind" is just not applicable in a situation such as this. Hampton is not Mr. Deeb's personal holding company, or his *alter ego*. It is a dealer that is owned by a public company. There is no basis to order disgorgement against anyone else for amounts received by Hampton alone. The Respondents further submit that if disgorgement were to be ordered, it should only include the net profits from the impugned trading. Enforcement Staff have not taken into account in the amounts sought to be disgorged the very significant losses from trading that were incurred in April 2020.

[80] The evidence that we have before us is that Mr. Deeb started Hampton as a two-person shop in 1996 and has been Hampton's UDP since its inception. He has voting control of HFC, Hampton's ultimate parent. It is apparent from the evidence at the liability hearing that he is the directing mind of Hampton.

[81] Enforcement Staff relied upon a number of cases in which disgorgement was ordered against an individual respondent in circumstances where the benefit received was by a corporation that the individual "directed and controlled".

[82] The leading case is the decision of the Ontario Securities Commission in *Re Limelight*[21]. In that case, the OSC found that Limelight, Da Silva and Campbell ran a boiler room operation and illegally raised $2.75 million from 611 investors using high-pressure sales tactics. Da Silva and Campbell were the directing minds and principal shareholders of Limelight and committed illegal acts both personally and through their control or direction over Limelight and its salespersons. The OSC ordered disgorgement of the entire $2.75 million jointly from Limelight, Da Silva and Campbell. The OSC stated:

> In our view, individuals should not be protected or sheltered from administrative sanctions by the fact that the illegal actions they orchestrated were carried out through a corporation which they directed and controlled. In this case, Limelight, Da Silva and Campbell acted in concert with a common purpose in breaching key provisions of the Act.[22]

[83] *Re Limelight* was referred to and relied upon by the British Columbia Securities Commission (**BCSC**) in *Re Streamline Properties Inc*[23]. In that case, the BCSC imposed a disgorgement order amounting to the full amount raised as a result of the respondents' misconduct where the proceeds raised were used for the purpose of investment and not kept for personal gain by the respondents. The relevant provision of the British Columbia legislation was found to be identical to Ontario's disgorgement sanction provision. In imposing disgorgement, the BCSC stated:

> In the case before us, the respondents raised over $3.6 million in contravention of the Act, and caused significant harm to many investors, some of whom may face further losses beyond their investments. As stated in the Findings, the evidence is clear that Knight and Wiegel directed the affairs of the

[21] 2008 ONSEC 28 at paras 59-62

[22] *Ibid*.

[23] 2015 BCSECCOM 66

corporate respondents. [...]

> In light of the critical importance of investor protection, the fact that the proceeds raised were used for the stated purpose of the investments should not automatically reduce a section 161(1)(g) sanction. Whether the money raised was used for the stated purpose or not, the end result is the same – the investors have been denied the protections required by our securities laws and were harmed as a result of the misconduct.[24]

[84] In *David Charles Phillips et al*.[25], the OSC ordered disgorgement in a case where the respondents had defrauded investors by selling and overseeing sales of almost $19 million in securities while withholding certain information. The respondents in that proceeding had argued that the OSC could not order them to disgorge amounts that they had not actually obtained for themselves and when those amounts had gone to entities that were not named respondents in the Commission proceedings. This argument was not accepted by the OSC.

[85] The facts in *Phillips* were that the parent company of the companies that actually received the funds was FLG. FLG had a complex corporate structure comprised of about 161 limited partnerships and companies, with significant interrelationships among and a significant number of transactions and internal transfers between FLG entities. Phillips was the founder and CEO of FLG. He was FLG's directing mind, oversaw all aspects of its business and signed off on every sale of securities to investors. Wilson (another of the respondents) was a member of FLG's five-member senior management team. FLWM was the *de facto* parent company and the main operating entity of FLG. Phillips owned 100% of the common shares of FLWM and was the "driving mind" of FLWM. Wilson was a director of FLWM. Within FLWM, there were seven operating companies that provided all the advisory services for FLG. One of the seven operating companies within FLWM was FLSI, which was registered as an investment dealer under the Act and as a member with IIROC. Phillips was CEO, President, Secretary, a Director and UDP of FLSI. Wilson was a director of FLSI and Vice President, Sales. He oversaw a sales team and helped co-ordinate communications to investors.

[86] It is important to note that disgorgement was ordered not only as against Phillips, but also as against Wilson, even though Wilson was not the controlling shareholder of any of the companies and did not personally benefit. On appeal, the *Phillps* decision was upheld in the Divisional Court.[26] The Divisional Court gave a broad interpretation to section 127 of the *Ontario Securities Act,* which empowers the OSC to make disgorgement orders, as follows:

> On its face, the wording of the section is broad. Disgorgement can be ordered of "any amounts obtained. There is no limitation based on the individual's use of the funds obtained.[27]

IDPC Rule 8209 (1)(ii) is materially the same as section 127 of the *Ontario Securities Act*.

[87] More recently in *Re Feng*, the Ontario Capital Markets Tribunal stated that "even though a central purpose of disgorgement orders is to deprive wrongdoers of ill-gotten gains, a respondent wrongdoer who benefits only indirectly rather than directly cannot raise the indirect nature of the benefit as a shield to a disgorgement order."[28]

[88] In our view, given that Mr. Deeb is the controlling shareholder of HFC and the directing mind of Hampton, it is open to us to make a disgorgement order as against Mr. Deeb that would include the amounts that Hampton benefited from the impugned trading.

[89] Further, we do not accept the Respondents' submission that it is only the net profits that are subject to a disgorgement order.

[90] In *Re Pro-Financial Asset Management*[29]*,* the OSC held that the purposes of a disgorgement order are to ensure that respondents do not benefit from their breaches of the Act, and to deter the respondents and others

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[24] *Ibid.* at paras 52, 55.
[25] 2015 ONSEC 36
[26] *Phillips v. Ontario Securities Commission*, 2016 ONSC 790
[27] *Ibid.* at para 71
[28] *Supra* note 20 at para 66

[29] 2018 ONSEC 18

from engaging in similar misconduct. In order to achieve these purposes, "a disgorgement order is not limited to profit made, funds retained, or a net amount calculated by taking expenses or other deductions into account. The words "any amounts obtained" in the Act do not imply or compel any such limitation; rather, they make a respondent potentially liable to disgorge the total of all funds received as a result of non-compliance."[30]

Aggravating or Mitigating Factors

[91] There are a number of aggravating factors in this case. As described in detail in our discussion of the key factors, there was a pattern of misconduct over an extended period of time: trades were allocated at a low value to avoid supervisory review; the risk of harm was large both to NBIN and to Hampton; and a serious aggravating factor here is that Mr. Deeb was dishonest with CIRO and impeded its investigation.

[92] Mr. Deeb submits that there are a number of mitigating factors. Mr. Deeb repaid the $1.9 million loss, and we accept that this is in his favour. We do not accept that the fact that Hampton faced significant challenges in obtaining and retaining compliance staff during the onset of the pandemic is a mitigating factor for much of the conduct of Mr. Deeb. The trading being done in the average price accounts was being conducted in a manner to avoid supervisory review. Further, for the reasons set out in our liability decision[31], we do not accept that the discrepancies in the reporting that Hampton was receiving from Credit Suisse are an adequate explanation or mitigation of Mr. Deeb's conduct in this matter.

[93] The Respondents also submit that the issues raised in the 2021 BCC Report, which review was closed in August 2022, all reflect issues that took place in 2020. In the most recent 2024 BCC Report, there were no issues raised that pertain to the UDP or the culture of compliance at Hampton, and none of the significant issues raised in the 2021 BCC Report were noted as continuing to be an issue in the 2024 BCC Report. This is also a factor in their favour.

Similar Cases

[94] As was noted in our Liability Decision, there are similarities between the facts of this case and the IIROC decision in *Northern Securities (Re)*[32]. One of the key issues in *Northern Securities* was the use of an average price account to trade in circumstances where the underlying client account did not have the margin required to conduct the trades, and thereby improperly obtained access to credit. The individual respondent, Mr. Alboini, was a Registered Representative (**RR**), CEO, and UDP of Northern Securities Inc. (**NSI**). NSI was a type-2 introducing broker and Penson Financial Services Canada Inc. (**Penson**) was its carrying broker. Northern Financial Corporation (**NFC**) was the owner of NSI. NFC and Mr. Alboini were shareholders of Jaguar Financial Corporation (**Jaguar**), and Mr. Alboini served as its President and CEO. In July 2008, Jaguar's only account at NSI was restricted by Penson due to lack of sufficient margin. To circumvent the limitations on the Jaguar account, Mr. Alboini opened and held several accounts for Jaguar. Mr. Alboini was the RR for all of those accounts. Mr. Alboini then used NSI's average price account (**the TA Account**) to purchase securities, which would later be "ticketed out" to one of the newly created Jaguar accounts. The hearing panel determined that as a result of Mr. Albioni's trading practice, Jaguar had received improper access to credit and held that this conduct constituted "conduct unbecoming" in violation of Dealer Member Rule 29.1.

[95] The *Northern Securities* decision was appealed to the OSC where the OSC upheld the IIROC hearing panel's decision on this issue and imposed sanctions, which included a fine of $250,000, disgorgement of commissions in the amount of $244,985, a one-year suspension from approval or registration with IIROC in all categories and a two-year suspension from acting as a UDP.

[96] The conduct of Mr. Deeb in this matter is more serious than the conduct of Mr. Alboini in *Northern Securities*. We note in particular the following:

- the improper use of the average price accounts began in June 2019 and continued through March 2020, continuing even after CIRO began making inquiries of the large loss that was incurred in the VY average price account in early March 2020. The impugned conduct was not an isolated incident, but a prolonged and deliberate course of conduct;

[30] *Ibid.* at para 49. See also *Re Feng*, *supra* note 20 at para 67
[31] *Supra* note 1 at paras 59, 60
[32] 2012 IIROC 63

- Mr. Deeb took steps to shield his improper conduct from compliance review at Hampton by allocating trades at low values that would not attract supervisory review;
- Mr. Deeb was dishonest and misled CIRO. He also impeded the CIRO investigation by failing to provide the information from NBIN and Credit Suisse requested by CIRO. Although he advised CIRO that he was gathering and reviewing the NBIN and Credit Suisse data, there is no evidence that he made any effort to obtain the data in March, April or May 2020;
- The effect of Mr. Deeb's conduct what that Hampton was RAC-negative at the February and March 2020 month ends and was RAC-negative for much of March 2020. Mr. Deeb was aware of the large UPRO losses and took no steps to ensure that the MFRs accurately reflected Hampton's financial position.

[97] Enforcement Staff relied upon the decision in *Re Connacher*[33]. Connacher was the head trader and RR who caused a loss of $33 million to Evergreen by conducting trades in the average price inventory account at his discretion. As a result, Evergreen went out of business. He also borrowed $345,000 from clients and never repaid them. Connacher failed to recognize the risk to which he exposed the firm and/or carrying broker as a result of his trading activity. Connacher was fined a total of $500,000 and required to disgorge commissions. A permanent suspension from registration in any capacity was also imposed on the basis that the breach was considered as tantamount to fraud. *Re Connacher* is an example of misconduct falling on the most egregious side of the spectrum.

[98] *Re Gravitas & Creed*[34] involved the failure of Creed, the CEO and UDP, to promote compliance at a Dealer Member, which was also a respondent. Despite being advised to the contrary by the CFO, Creed bought a private placement on behalf of the firm. As a result of this purchase, the firm had a RAC deficiency, which was reported to CIRO and remedied soon after. The hearing panel accepted the settlement agreement, which required that Gravitas and Creed disgorge $38,834.40, equal to their respective share of the commissions from the impugned transaction. Further, Creed was fined $40,000 and was prohibited from acting as a UDP for one year. The conduct of Mr. Deeb is far more serious than the conduct of Creed.

[99] Counsel for the Respondents referred us to a number of cases. In *Re Belisle*[35], the respondent admitted that he had stolen $210,000 from a client account for his own personal use and was fined $50,000 for that contravention. He also admitted that he executed unauthorized trades in the same client's account (breach of Rule 1400) and those trades were not within the bounds of good business practice (breach of Rule 1300.1(o)). For these latter two contraventions, taken together, the fine was $50,000 and costs were ordered at $10,000. While it was acknowledged that the case was not analogous, the Respondents submitted that if theft from a client and unauthorized and improper trading resulted in a total fine of $100,000, the fines sought by Staff in this case are clearly excessive.

[100] In *Re Leede Jones Gable Inc.*[36], the respondent was found liable for three different contraventions consisting of failing to properly supervise activities at the firm, failing to have adequate policies to ensure compliance with the requirements and regulations and participating in trades contrary to the regulations. The hearing panel noted that the respondent implemented a new Organizational Risk Assessment and updated its policies and procedures accordingly. It also made enhancements to its compliance program that included hiring additional compliance personnel and implementing a new and better system for tracking and monitoring trading, which were considered mitigating factors. The respondent was ordered to pay a fine in the amount of $150,000 and costs in the amount of $15,000.

[101] In *Re M Partners and Isenberg*[37], the respondent was the UDP, and he and his firm were found to have contravened trading rules by failing to record the proper information on trading tickets. The hearing panel noted that the respondent received quarterly reports which detailed the results of the CCO's testing for audit trail requirements and noted instances of audit trail deficiencies. The panel also found that the respondent's

[33] 2011 IIROC 28
[34] 2023 CIRO 30
[35] 2021 IIROC 23
[36] 2024 CIRO 7
[37] 2018 IIROC 25

own tickets were deficient, as were those prepared by the trade desk. The respondent was ordered to pay a fine of $70,000; the firm was ordered to pay $120,000, and the firm was ordered to pay costs in the amount of $10,000.62 The respondent was not suspended from acting as UDP.

[102] The conduct of Mr. Deeb is far more serious than the conduct addressed in *Re Leede Jones Gable Inc* and in *Re M Partners and Isenberg.*

(v) Sanctions Imposed on Mr. Deeb – Contraventions #1 & #3

[103] As is clear from these reasons, we consider the impugned conduct of Mr. Deeb to be very serious misconduct that requires significant sanctions. In fixing a fine in this matter, we recognize that the fine in *Northern Securities* was fixed at $250,000 in 2014. Given inflation and the more serious conduct here, a significantly larger fine is appropriate. We found above that we have jurisdiction to make a disgorgement order against Mr. Deeb for the amounts that both he and Hampton benefited from the impugned conduct. Considering the factors set out in *Re Feng,* full disgorgement is appropriate here. Suspension from registration is required for a period of time because of the serious nature of the misconduct. In fixing the term of the suspension we considered the nature of the misconduct and the decision in *Northern Securities*. In the circumstances of this matter, we do not consider that the Director's Executive Examination, conduct training and supervision requested by Staff are necessary. Mr. Deeb appeared to be knowledgeable with respect to the applicable rules, but intentionally and dishonestly chose to ignore them. Finally, Mr. Deeb's conduct in intentionally breaching the rules governing average price accounts, hiding his misconduct from supervisory review and his dishonest dealing with CIRO is inimical to the obligation of the UDP to promote a culture of compliance at his firm and to set the tone from the top. He should not be permitted to act as a UDP in the future.

[104] After considering all of the relevant factors discussed in these reasons, we find that it is appropriate to impose the following sanctions on Mr. Deeb in respect of Contraventions #1 and #3:

a. a fine of $500,000;

b. disgorgement of $1,225,237;

c. the revocation of approval for Mr. Deeb as the UDP of Hampton Securities Limited, effective the earlier of:

   i. the date upon which Hampton appoints a new UDP; or

   ii. 90 days from the date of this decision;

d. Mr. Deeb be suspended and prohibited from serving or being approved or registered as a Registered Representative (as defined in s. 1201 of the IDPC Rules) with any Dealer Member or in any capacity with a Dealer Member or Regulated Person for a period of one year;

e. Mr. Deeb be prohibited from serving or being approved or registered as an Executive or Supervisor (as those terms are defined in s. 1201 of the IDPC Rules) of any Dealer Member or Regulated Person, or any corporation or entity of which a Dealer Member or Regulated Person is a subsidiary for a period of three years except as permitted in subparagraphs (c)(i) and (c)(ii) above; and

f. Mr. Deeb be permanently barred from serving or being approved or registered as a UDP (as that term is defined in s. 1201 of the IDPC Rules) of any Dealer Member or Regulated Person, or any corporation or entity of which a Dealer Member or Regulated Person is a subsidiary.

APPROPRIATE SANCTIONS IN THIS MATTER – CONTRAVENTION #2 PERTAINING TO HAMPTON

(i) Overview

[105] Here we summarize the conduct of Hampton that resulted in our finding Hampton liable for Contravention #2. In Contravention #2, we found that CIRO had established that between January 2020 and April 2020, Hampton failed to keep and maintain a proper system of books and records and provide records of trading activity contrary to Dealer Member Rules 17.2 and 200. In particular, Hampton did not maintain and provide the records requested regarding the UPRO trading requested by CIRO, and the MFRs of Hampton for

February 2020 or March 2020 did not accurately reflect Hampton's financial position as a result of the failure to promptly and accurately account for the losses on the UPRO position in the VY Account.

[106] CIRO's predecessor, IIROC, was first alerted to the issue of the $1.9 million loss in the VY Account in or around March 18, 2020, when it was brought to Enforcement Staff's attention. Starting April 2020, Staff repeatedly requested that Mr. Deeb provide details related to the client identity, client account, trade blotters, and why the UPRO position in the VY Account had not been allocated to a client. As of June 12, 2020, a number of the queries originally put to Mr. Deeb by Staff in April 2020 were still outstanding. Basic information that a dealer is required to maintain, such as the client account name(s), account number(s) behind the UPRO trades, and daily trade blotters evidencing the trades had not been provided.

[107] IIROC then commenced an investigation of Hampton. On December 18, 2020, IIROC sent a "Request for Information" (**RFI**) to Hampton. The RFI included:

- details of all average price accounts and proprietary trading/ inventory accounts;
- with respect to UPRO trading, copies of tickets and electronic trading blotters, and settlement and position reports from NBIN and Credit Suisse;
- email and correspondence with the "Abu Dhabi and/or any sovereign wealth clients";
- account documents for all client accounts that participated in UPRO trading during the first half of 2020;
- with respect to "sovereign wealth" accounts, the name of the person providing instructions, a history of the relationship, explanation of how client authorization was taken and recorded for UPRO orders, and notes of conversations; and
- copies of all supervision inquiries regarding UPRO trading.

[108] Hampton never fully responded to the RFI with respect to UPRO trading, in that copies of order tickets and electronic trading blotters were never produced to IIROC. As a result, IIROC was unable to construct an audit trail for Hampton's trading in UPRO during the first half of 2020, and IIROC then had to go to NBIN and Credit Suisse to obtain the records necessary for IIROC to conduct an investigation into Hampton's UPRO trading activity.

[109] On April 13, 2022, IIROC issued to Hampton a BCC Examination Report. The review period for the report was May to July 2020. In their report, IIROC noted that it had "concerns with Hampton's lack of record keeping" and that Hampton "had difficulty finding and providing evidence of key corporate documents including supervisory oversight records and corporate governance materials. The lack of complete records caused the firm's failure to demonstrate the degree and extent of its oversight, if any."

[110] A review of the losses on the UPRO position in the VY Account starting February 25, 2020, and the margin required on those positions compared to Hampton's RAC indicates that, on February 25, 2020, and most days thereafter, including at February and March month ends, Hampton was RAC-negative. There was no note on Hampton's February 2020 or March 2020 MFRs to indicate an unreconciled balance relating to the UPRO position in the VY Account. Mr. Deeb was aware of these losses and took no steps to ensure that the MFRs accurately reflected Hampton's financial position.

(ii) Sanction Guidelines – Part I Principles

[111] We accept that any sanctions we order are preventative in nature and should protect the public, strengthen market integrity, and improve business standards. In this regard, general deterrence is a central factor. In order to achieve this, sanctions should be significant enough to prevent and discourage future misconduct by the respondent (specific deterrence) and to discourage others from engaging in similar misconduct (general deterrence). When considering specific and general deterrence in the imposition of sanctions, consideration should be given to ensuring that the sanctions are proportionate, bearing in mind the extent and seriousness of the misconduct and the impact that the sanctions will have on the respondent.

[112] A respondent's ability to pay may be a relevant consideration when imposing a monetary sanction or costs. Consideration should be given to the size of the Dealer Member including the firm's financial resources,

nature of the firm's business and the number of individuals associated with the firm. We were advised that Hampton's RAC currently sits at approximately $480,000. We were not provided with evidence about the ability of Hampton or its parent company Hampton Financial Corporation to raise additional capital.

(iii) Sanction Guidelines – Part II Key Factors

[113] In this section we review the key factors that are relevant to fixing the sanctions for Hampton.

The scope of the misconduct, whether the respondent engaged in numerous acts and/or a pattern of misconduct and whether the misconduct occurred over an extended period of time

[114] As we noted above, the first three factors are intertwined. Here the failure in record keeping occurred between January 2020 and April 2020. In addition, the 2021 BCC Examination Report, the review period for which was May to July 2020, noted IIROC's ongoing concerns with Hampton's lack of record keeping. This lack of record keeping included basic information that a dealer is required to maintain, such as the client account name(s), account number(s) behind the trades, and daily trade blotters evidencing the trades.

[115] On February 25, 2020, and most days thereafter including at February and March month ends, Hampton was RAC-negative. There was no note on Hampton's February 2020 or March 2020 MFRs to indicate an unreconciled balance relating to the UPRO position in the VY Account. Mr. Deeb was aware of these losses and took no steps to ensure that the MFRs accurately reflected Hampton's financial position.

Extent of harm to clients or other market participants/ Extent of harm to market integrity or the reputation of the marketplace

[116] For much of the relevant period, the CD Account did not have sufficient margin to support the UPRO trading. As the carrying broker, NBIN was bearing the credit risk for the trading in the average price accounts. This risk was fully exposed when NBIN crystallized the $1.9 million loss. Although Mr. Deeb ultimately accepted personal responsibility for the loss, the risk of harm to NBIN was there.

[117] As noted above, on February 25, 2020, and most days thereafter, including at February and March month ends, Hampton was RAC-negative. Mr. Deeb's trading put Hampton's capital at risk and thus put Hampton's clients at risk, along with other market participants who dealt with Hampton while it was in a capital compromised position. These failures on the part of Hampton impugn the integrity of the marketplace.

The amounts the respondent obtained or attempted to obtain, or the loss the respondent avoided or attempted to avoid, as a result of the improper activity

[118] Both Hampton and Mr. Deeb profited from some of the impugned trading. Hampton benefited from Mr. Deeb's impugned trading in the amount of $1,147,362. This is calculated as follows: $1,069,487 (trading in the YZ Account) plus $77,875 (Hampton's share of the Telus and Brompton new issues). Mr. Deeb benefited from the Telus and Brompton new issues trading in the amount of $77,875. The total amount that Hampton and Mr. Deeb together benefited from the impugned trading was $1,225,237.

In the case of Dealer Members, whether the respondent accepted responsibility for and acknowledged the misconduct to the regulator prior to detection and intervention by the regulator

[119] Hampton did not accept responsibility for and acknowledge the misconduct to CIRO prior to detection and intervention by CIRO. Instead, Hampton never provided the records requested and CIRO required to obtain the NBIN and Credit Suisse records directly from them.

(iv) Sanction Guidelines – Part III Additional Considerations

[120] As noted above, Part III of the Sanction Guidelines provides additional considerations and requires that sanctions should be tailored to the misconduct at issue in each case. This necessitates a review of the nature of the misconduct, the degree of responsibility by the respondent, and determining the relevant aggravating or mitigating factors. Here we will review as additional considerations aggravating or mitigating factors and similar cases.

Aggravating or Mitigating Factors

[121] There are a number of aggravating factors. Mr. Deeb's trading put Hampton into a RAC-negative position. Starting on February 25, 2020, and most days thereafter, including at February and March 2020 month

ends, Hampton was RAC-negative. Dealer Member Rule 17.1 required that Hampton immediately report RAC less than zero, and Hampton did not do so. This is further exacerbated by the fact that Hampton was designated in early warning level 2 as of August 31, 2019, and remained in early warning level 2 until April 2021. Hampton's failure to maintain proper books and records, including a proper audit trail of Mr. Deeb's trading activity, and its impact on Hampton's RAC are serious departures from the mandated record keeping required.

[122] Since the 2021 BCC Examination Report was completed, Hampton has undertaken extensive changes to correct deficiencies and improve its compliance team. After receiving the 2021 BCC Examination Report, Hampton engaged in extensive communications back and forth with the BCC team until it received a closing letter notifying Hampton that the audit was closed, and the BCC team had received all the responses and was satisfied with Hampton's efforts. Hampton's efforts to rectify the issues with the books and records is a mitigating factor.

Similar Cases

[123] Enforcement Staff referred the Panel to *TD Waterhouse Canada.*[38] In that case, the respondent deliberately ignored new regulations and adopted an internal solution to get around the requirements, which involved accepting the business risk of having approximately 175,000 client accounts non-compliant with the regulatory requirements for a year and a half. As a result, the respondent failed to include position cost information on their quarterly account statements. The hearing panel made it clear that any sanction imposed should be more than a cost of doing business and be of a magnitude sufficient to ensure effective deterrence of any Dealer Members that might see a benefit in non-compliance. The panel stated that "The integrity of the securities industry depends on Dealer Members maintaining high business standards and practices. Those who comply have a right to expect that those who do not will be sanctioned so as to make compliant behavior the only reasonable and practical option."[39] TD Waterhouse Canada was recognized as a major financial institution that would easily be able to afford large fines as the cost of doing business. A fine of $4 million was imposed. While we accept the policy articulated by the panel in that case, we do not accept that *TD Waterhouse Canada* is analogous to this case.

[124] The Respondents referred us to *Re Interactive Brokers Canada Inc.*[40] In that case, the respondent was found liable for four separate contraventions relating to its failure to maintain and keep accurate books and records, failure to obtain proper evidence of its control over securities and obtain monthly account statements, failure to properly report its MFRs to IIROC, and improperly reporting securities transactions in its financial reports. The hearing panel approved a settlement that ordered a global fine in the amount of $40,000 for all four contraventions. In approving the settlement, the panel noted that the infractions were very technical in nature, no client was put at risk, no prejudice was suffered by the securities market, there was never any capital deficiency and the respondent cooperated fully with the regulator. The impugned conduct in *Re Interactive Brokers Canada Inc*. is markedly less serious than the conduct at issue in this matter.

[125] The Respondents also referred us to *Re Pollitt & Co.*[41] In that case, the respondent admitted having a number of repeat deficiencies during a FinOps field examination, including RAC deficiencies, failing to report RAC deficiencies, not including all material items in its capital position, significant reporting issues and failing to maintain appropriate books and records. The respondent admitted to being liable for five different contraventions of the CIRO requirements, one of which was a books and records contravention, and the hearing panel approved a settlement that included a global fine in the amount of $175,000. The panel noted that this sanction was at the higher end of the range of the sanctions reflected in prior decisions. The conduct of Hampton here is more serious than in *Re Pollitt & Co.*

(v) Sanctions Imposed on Hampton – Contravention #2

[126] We consider the record keeping failures of Hampton to be serious misconduct that requires significant sanctions. After considering all of the relevant factors discussed in these reasons, we find that it is appropriate

[38] 2020 IIROC 9
[39] *Ibid.* at para 55
[40] 2009 IIROC 30
[41] 2023 CIRO 23

to impose the following sanctions on Hampton:

a. a fine of $250,000;

b. the following terms and conditions be imposed on Hampton's registration:

i. within ninety (90) days of the date of this decision, Hampton will appoint a new CEO and UDP to replace Mr. Deeb;

ii. effective immediately and until a new UDP is registered with CIRO, the Chief Compliance Officer (**CCO**) of Hampton shall provide monthly to Hampton's board of directors a written report of concerns, if any, related to compliance with the CIRO requirements and, in respect of the CCO's obligations under s. 3912 of the IDPC Rules, the CCO shall report to Hampton's board of directors until a new UDP is appointed;

iii. effective immediately and until a new UDP is registered with CIRO, the Chief Financial Officer (**CFO**) of Hampton shall provide monthly to Hampton's board of directors a written report of concerns, if any, related to compliance with the CIRO financial requirements and, in respect of the CFO's obligations under s. 3913 of the IDPC Rules, the CFO shall report to Hampton's board of directors until a new UDP is appointed;

c. Hampton may not delegate to Mr. Deeb any supervisory tasks or procedures (whether pursuant to s. 3907 of the IDPC Rules or otherwise) for a period of three years.

COSTS

[127] Enforcement Staff seek an order for costs payable by the Respondents.

[128] IDPC Rule 8214 authorizes a hearing panel to order a respondent who is the subject of a sanction to pay any costs incurred by or on behalf of CIRO in connection with the hearing and any related investigation. Eligible costs include staff time, external legal or accounting fees, expert services, witness fees and expenses, recording and transcript costs, and disbursements, including travel.

(i) Background

[129] The merits (liability) hearing commenced in September 2024 and occupied 13 days, with final submissions in January 2025. There were an additional two days for liability and sanctions submissions in August 2025. The evidence and analysis of Mr. Deeb's trading was complex, and the volume of evidence led to prove the allegations against Mr. Deeb was significant.

[130] The hearing could have been conducted in a more efficient manner. The parties proceeded on the basis of a fully contested hearing, and it was hard fought. At least some of the evidence could have been incorporated into an agreed statement of facts. Enforcement Staff called almost twice as many witnesses as the Respondents, and Staff's evidence constituted nine days of the hearing time. Some of the witness evidence of both parties could have been adduced by affidavit with cross-examination, which would have saved time.

[131] The Panel also notes that much of the time spent on hearing evidence was devoted to the allegations against Mr. Deeb, while relatively little time was devoted to the allegation against Hampton.

[132] In the result, Enforcement Staff were successful - the Panel found that Staff established all contraventions alleged.

(ii) Principles Applicable to the Award of Costs

[133] The relevant factors to be considered in fixing a cost award include[42]:

1. CIRO is funded by the Dealer Member firms it regulates. Respondents that have been found to have contravened securities law should contribute to the cost of the proceedings, so the entire burden of hearing costs is not paid by the Members of CIRO;

2. a cost award is meant to compensate and not punish. It should not be so large that it is

[42] See generally, *Sutton (Re),* 2018 ONSEC 42 at para 202; *Feng (Re),* 2023 ONCMT 43 at paras 95 – 97; *Kimitto (Re),* 2023 OMCMT 4 at para 80; *Re Movassaghi* 2022 IIROC 2 at para 80; *Re DiCostanzo* 2022 IIROC 24 at paras 36 - 41

punitive or to discourage respondents from contesting matters in good faith;

3. the conduct of the parties and its effect on the hearing;
4. costs should take into consideration the sanctions already ordered and be assessed from a global overall perspective;
5. the financial impact of costs on the respondent, including ability to pay;
6. the degree of success in the hearing;
7. the length and complexity of the hearing;
8. the nature, importance and complexity of the issues;
9. costs awards in similar cases.

(iii) Submissions of the Parties

[134] Enforcement Staff filed a Bill of Costs totalling $392,572.80 and conceded a reduction of approximately $10,877.50 to remove time billed by a lawyer no longer with CIRO, resulting in a net claim of $381,695.30.

[135] Staff submit the bill reasonably reflects the time spent from September 14, 2020 to May 15, 2025, and that Staff's actual costs exceed the amount claimed. The Bill of Costs reflects time spent by CIRO Staff only; there are no other categories of costs claimed. Staff noted exclusions, including certain later work and investigator time prior to 2024, and maintains the costs requested are reasonable given the length of the proceeding and the success in establishing all allegations of misconduct.

[136] The Respondents submit that a conservative approach to costs should be adopted, emphasizing that costs are not punitive, that costs should reflect efficiency in the conduct of the hearing, and should not chill meritorious defences. They submit that Staff's approach to calling evidence, including the number of witnesses and reliance on *viva voce* testimony rather than affidavit evidence significantly contributed to the length and cost of the hearing. The Respondents proposed a substantially reduced award of approximately $50,000 as appropriate.

(iv) Analysis

[137] In determining the appropriate costs award in this matter, we have considered the following factors:

1. CIRO was successful in establishing all contraventions;
2. the sanctions and fines against the Respondents are substantial;
3. the evidence and analysis of Mr. Deeb's trading was complex, and the volume of evidence led to prove the allegations against Mr. Deeb was significant;
4. the hearing took over 13 days, and there were an additional two days for liability submissions and sanctions submissions;
5. the hearing could have been conducted in a more efficient manner by both parties;
6. the Respondents have not demonstrated that a substantial cost award will have a serious financial impact.

[138] We recognize that a cost award is meant to compensate and not punish, and that we should take into consideration the sanctions already ordered and be assessed from a global overall perspective.

[139] After considering these factors, we have determined that the costs award against Mr. Deeb should be substantial. We apply a forty percent (40%) reduction to the net cost claim of $381,695.30. This results in a rounded cost award of $230,000. This reflects the predominance of hearing time related to Mr. Deeb's misconduct, a substantial reduction considering inefficiencies in the conduct of the hearing, proportionality to the sanctions and proceeding length, while not being punitive and recognizing CIRO's success in the proceedings. It is also significant that there was no evidence regarding the impact of a substantial cost award on Mr. Deeb, including his ability to pay.

[140] With respect to Hampton, the Panel fixes costs at $20,000. This amount recognizes Hampton's liability

and CIRO's overall success, while accounting for the relative simplicity of the allegations against Hampton and the limited hearing time devoted to those issues.

CONCLUSION

[141] In summary, the Panel makes the following order:

[142] With respect to Mr. Deeb:

a. a fine of $500,000;

b. disgorgement of $1,225,237;

c. the revocation of approval for Mr. Deeb as the UDP of Hampton Securities Limited, effective the earlier of:

(i) the date upon which Hampton appoints a new UDP; or

(ii) 90 days from the date of this decision;

d. Mr. Deeb be suspended and prohibited from serving or being approved or registered as a Registered Representative (as defined in s. 1201 of the IDPC Rules) with any Dealer Member or in any capacity with a Dealer Member or Regulated Person for a period of one year;

e. Mr. Deeb be prohibited from serving or being approved or registered as an Executive or Supervisor (as those terms are defined in s. 1201 of the IDPC Rules) of any Dealer Member or Regulated Person, or any corporation or entity of which a Dealer Member or Regulated Person is a subsidiary for a period of three years except as permitted in subparagraphs (c)(i) and (c)(ii) above;

f. Mr. Deeb be permanently barred from serving or being approved or registered as a UDP (as that term is defined in s. 1201 of the IDPC Rules) of any Dealer Member or Regulated Person, or any corporation or entity of which a Dealer Member or Regulated Person is a subsidiary; and

g. costs in the amount of $230,000.

[143] With respect to Hampton:

a. a fine of $250,000;

b. the following terms and conditions be imposed on Hampton's registration:

(i) within ninety (90) days of the date of this decision, Hampton will appoint a new CEO and UDP to replace Mr. Deeb;

(ii) effective immediately and until a new UDP is registered with CIRO, the Chief Compliance Officer (**CCO**) of Hampton shall provide monthly to Hampton's board of directors a written report of concerns, if any, related to compliance with the CIRO requirements and, in respect of the CCO's obligations under s. 3912 of the IDPC Rules, the CCO shall report to Hampton's board of directors until a new UDP is appointed;

(iii) effective immediately and until a new UDP is registered with CIRO, the Chief Financial Officer (**CFO**) of Hampton shall provide monthly to Hampton's board of directors a written report of concerns, if any, related to compliance with the CIRO financial requirements and, in respect of the CFO's obligations under s. 3913 of the IDPC Rules, the CFO shall report to Hampton's board of directors until a new UDP is appointed;

c. Hampton may not delegate to Mr. Deeb any supervisory tasks or procedures (whether pursuant to s. 3907 of the IDPC Rules or otherwise) for a period of three years; and

d. costs in the amount of $20,000.

DATED at Toronto, Ontario this 3rd day of February 2026.

"Christopher Bredt"

Christopher Bredt, Chair

"William Donegan"

William Donegan

"Zahra Bhutani"

Zahra Bhutani