



CIRO · OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

**IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES AND
THE UNIVERSAL MARKET INTEGRITY RULES**

AND

VIRTU CANADA CORP.

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Canadian Investment Regulatory Organization (“CIRO”) will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the “Investment Dealer Rules”) to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and Virtu Canada Corp. (the “Respondent” or “Virtu”).

PART II – JOINT SETTLEMENT RECOMMENDATION

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

PART III – AGREED FACTS

Overview

3. Between July 19, 2022, and May 31, 2023 (the “Relevant Period”), Virtu failed to immediately expose client orders of 50 standard trading units or less on a marketplace that displays orders, contrary to section 6.3 of the Universal Market Integrity Rules (“UMIR”).
4. Virtu implemented a routing program technology that was intended to provide its client, a non-executing Dealer Member operating an order execution only retail business line (the “Client”), with principal liquidity, potential price and size improvement on orders, and reduced order execution costs (the “Routing Program”). The Client entered into a written

agreement with Virtu with respect to the Routing Program and consented to its use in respect of its orders.

5. The Routing Program was designed to withhold, for a short period of time, the Client's orders to identify potential internalization opportunities for principal trading to meet its intended objectives. However, in doing so, the Routing Program captured the small retail client orders (the orders for 50 standard trading units or less or the "small orders"). The median time all Client orders were withheld in order for the Routing Program to be notified and to respond was approximately 0.5 milliseconds.
6. As a Participant under UMIR, Virtu was required by UMIR 6.3 to immediately enter the small orders for display on a marketplace. The main policy objectives of exposing small orders to the market are: (1) to strengthen liquidity; (2) to help ensure small orders that can be filled on a marketplace are executed and are not unnecessarily withheld or delayed from being entered on the market; (3) and to contribute to price discovery.¹ The UMIR 6.3 requirement is subject to certain exceptions, none of which applied to the small orders at issue.
7. If a Participant withholds an order subject to UMIR 6.3 and executes the withheld order against a principal order, it must provide a better price than the price the client could have received had the client order been executed on receipt by the Participant.
8. Virtu's Routing Program did not provide a better price on certain client-principal trades.² During the Relevant Period, the aggregate price improvement on the small orders subject to UMIR 6.3 would have been approximately \$1.7 million CAD. However, the Routing Program did provide some price improvement on certain of the small orders of approximately \$600,000 CAD.

¹ See Joint CSA/IIROC Consultation Paper 23-406, *Internalization within the Canadian Equity Market* at page 8.

² Better price (defined in UMIR 1.1) means, in respect of each trade resulting from an order for a particular security: (a) in the case of a purchase, a price that is at least one trading increment lower than the best ask price at the time of the entry of the order to a marketplace provided that, if the best bid price is one trading increment lower than the best ask price, the price shall be at least one-half of one trading increment lower; and (b) in the case of a sale, a price that is at least one trading increment higher than the best bid price at the time of the entry of the order to a marketplace provided that, if the best ask price is one trading increment higher than the best bid price, the price shall be at least one-half of one trading increment higher.

9. On May 16, 2023, Virtu representatives, at their request, met with Staff of CISO's Market Regulation Policy department ("Market Regulation Policy") to review its order handling and liquidity provision practices relating to the Routing Program.
10. In a letter dated May 30, 2023, Market Regulation Policy expressed concerns that Virtu's Routing Program was not in compliance with regulatory requirements. Virtu suspended its use of the Routing Program as of May 31, 2023, and it has not been used since.

Background

11. Virtu is registered as an investment dealer and is a Participant under UMIR. It is the Canadian investment dealer arm of Virtu Financial Inc., a United States-based financial services and products firm which, among other offerings, provides execution, market making, and analytics solutions to clients.
12. The Client is a non-executing Dealer Member offering order execution only services to retail investors.
13. Internalization generally refers to trades that are executed with the same dealer as both the buyer and the seller, with the dealer either acting as an agent for its clients on both sides of the trade, or trading as principal and taking the other side of a client order.
14. Internalized trades occur on Canadian marketplaces as either "intentional" or "unintentional" crosses.
15. An "intentional" cross is a trade resulting from the entry by a Participant of both the order to purchase and the order to sell a security. An "unintentional" cross is a trade that occurs between a Participant's buy and sell orders that were not entered simultaneously, and where the matching is an outcome of order interaction on the marketplace.

The Routing Program

16. The Client used multiple executing dealers, including Virtu, to route its retail client orders. During the Relevant Period, approximately 7,792,546 of the Client's retail orders were directed to Virtu's Routing Program. The Routing Program was only used for the Client's orders.

17. The Routing Program was an order handling and liquidity providing algorithm that was designed with the intention to provide principal liquidity, potential price and size improvement, and to internalize orders and leverage broker preferencing to reduce execution costs.³
18. The Routing Program withheld the small orders to determine if Virtu would trade as principal against the orders. If it was determined that Virtu had interest, a passive principal order would be entered on the Omega ATS (“Omega”). The Client order would then be routed to look for dark liquidity and, if not executed, routed to Omega, where the client order had the opportunity to match with Virtu’s principal order as a result of broker preferencing, provided that neither the client nor principal order had been filled by other market participants and provided that Virtu’s principal order was the same or better than the current best bid or offer in the marketplace. Where the Client order executed against a Virtu passive order on Omega, the rebates payable to the Client were established by Virtu.
19. While the client-principal trades using the Routing Program were considered “unintentional” crosses (in other words unmatched orders from the same Participant), by entering the principal order based on knowledge of the small order and relying on broker preferencing, the Routing Program increased the likelihood of a matched execution.
20. In many instances, Omega displayed sufficient liquidity for the execution of the small client orders. Certain displayed orders from other Participants, which had time priority, may have been executed against the small orders had those orders immediately been exposed to the marketplace.

Virtu’s Trading Revenues

21. During the Relevant Period, Virtu earned revenue from the client-principal trading with the small orders.

³ “Broker preferencing” is a common order matching feature of many Canadian equity marketplaces that allows an incoming order sent to a marketplace to match and trade first with other orders from the same dealer, ahead of orders from other dealers that are at the same price and that have time priority. This order matching methodology can facilitate internalization through the execution of “unintentional” crosses.

22. Virtu generated revenues of approximately \$405,789.91 CAD from trading the bid-ask spread of various securities as a result of the principal trades made with the small orders.

Additional Factors

23. The orders at issue constitute only a small proportion of Virtu's overall client order flow.
24. According to Virtu, in addition to the price improvement described in paragraph 8, the Routing Program successfully provided principal liquidity, price and size improvement, and lowered execution costs for the Client orders that were not subject to UMIR 6.3.
25. Virtu has no prior disciplinary history with CIRO.
26. Virtu voluntarily discontinued its use of the Routing Program after Market Regulation Policy expressed its concerns about compliance with regulatory requirements.

PART IV – CONTRAVENTIONS

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

Between July 19, 2022 and May 31, 2023, Virtu failed to immediately enter for display on a marketplace client orders to purchase or sell 50 standard trading units or less of a security, contrary to UMIR 6.3.

PART V – TERMS OF SETTLEMENT

28. The Respondent agrees to the following sanctions and costs:
 - i) a fine of \$1,100,000;
 - ii) disgorgement of \$405,789.91; and
 - iii) costs in the amount of \$25,000.
29. If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above immediately upon such acceptance, unless otherwise agreed between Enforcement Staff and the Respondent.

PART VI – STAFF COMMITMENT

30. If the hearing panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.
31. If the hearing panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

32. This Settlement Agreement is conditional on acceptance by the hearing panel.
33. This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.
34. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the hearing panel.
35. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules and By-laws of CISO and any applicable legislation to any further hearing, appeal and review.
36. If the hearing panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.

37. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.
38. This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and CIRO will post a copy of this Settlement Agreement on the CIRO website. CIRO will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the hearing panel's written reasons for its decision to accept this Settlement Agreement.
39. If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.
40. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

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

DATED this 9th day of February, 2026.

"Witness" _____
Witness

"Virtu Canada Corp." _____
Virtu Canada Corp. (Respondent)

"Michael A. M. Mantle" _____
Michael A. M. Mantle
Senior Enforcement Counsel on
behalf of Enforcement Staff of the
Canadian Investment Regulatory
Organization

The Settlement Agreement is hereby accepted this 4th day of March, 2026 by the following Hearing panel:

Per: "Robert Armstrong"
Chair

Per: "Vanessa Gardiner"
Industry Member

Per: "Peter Dymott"
Industry Member