

# Re Virtu Canada Corp.

IN THE MATTER OF:

**The Investment Dealer and Partially Consolidated Rules**

**and**

**The Universal Market Integrity Rules**

**and**

**Virtu Canada Corp.**

2026 CIRO 10

Canadian Investment Regulatory Organization  
Hearing Panel (Ontario District)

Heard: March 4, 2026 in Toronto, Ontario via videoconference

Decision: March 4, 2026

Reasons for Decision: March 23, 2026

**Hearing Panel:**

Robert P. Armstrong, KC, Chair, Vanessa Gardiner, and Peter Dymott

**Appearances:**

Michael A. M. Mantle and Tyler Beazer, Enforcement Counsel for Canadian Investment Regulatory Organization  
Caitlin Sainsbury and Natalia Paunic, for Virtu Canada Corp.

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## REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT AGREEMENT

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### I. Introduction

[1] This is an application for the approval of a settlement agreement (Settlement Agreement) between Virtu Canada Corp. (**Virtu**) and the Canadian Investment Regulatory Organization (**CIRO**), which was heard on March 4, 2026, by way of video conference. The parties entered into the Settlement Agreement on February 9, 2026. For the reasons that follow, this Hearing Panel has approved the Settlement Agreement.

### II. The Facts

[2] The facts which form the basis of the settlement are summarized in paragraphs 3 to 10 of the Settlement Agreement as follows:

- 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, which 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 of the market are: (1) to strengthen liquidity; (2) to help 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. 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 clients 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. 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.
- 9) On May 16, 2023, Virtu representatives, at their request, met with the staff of CIRO’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 Programs as of May 31, 2023, and it has not been used since.

[3] The details of the Routing Program are set out in the Settlement Agreement in paragraphs 16 – 20 as follows:

- 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.
- 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 the 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 offered 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.

[4] The Settlement Agreement indicates that the relevant orders represent only a small part of Virtu's total client orders.

[5] In the event that the Hearing Panel approves the proposed terms of settlement, Enforcement Counsel of CIRO (Staff) will not commence proceedings for any additional sanctions against Virtu in relation to the facts described in the Settlement Agreement unless Virtu fails to comply with any of the terms of the Settlement Agreement pursuant to paragraph 31 of the Settlement Agreement.

### III. Proposed Sanctions

[6] The Settlement Agreement sets out the proposed sanctions as follows:

- (i) a fine of \$1,100,000 CAD;
- (ii) disgorgement of \$405,789.91 CAD; and
- (iii) costs in the amount of \$25,000 CAD.

### IV. The Basis on Which the Settlement is Approved by a Hearing Panel

[7] Staff provided detailed written submissions in support of the proposed settlement. Staff submitted that a hearing panel in approving a settlement must be satisfied with regard to the principles that have been articulated in previous decisions of other CIRO panels and its predecessors. Staff emphasized that the agreed sanctions should be within an acceptable range, based on similar cases and that the agreed sanctions should be fair and reasonable.

[8] Prior cases have made it clear that the basic test, which must be applied to a proposed sanction is the test of reasonableness. Simply put, the question to be asked is: Is this proposed sanction "reasonable", taking into account all the relevant circumstances, issues and any relevant prior conduct of the respondent in each case.

[9] In *Re Donnelly*<sup>1</sup>, the hearing panel said:

"It is usually in the public interest that matters be settled where possible rather than be determined through contested hearings."

[10] In *Re Milewski*<sup>2</sup> the hearing panel said that a settlement should not be rejected unless the proposed sanctions "clearly fall outside a reasonable range of appropriateness."

[11] Staff also made reference to CIRO's Sanction Guidelines in considering the appropriate penalty in this case. The first principle of the Guidelines provides:

"1. Sanctions are preventative in nature and should protect the public, strengthen market integrity and improve business standards."

[12] The second principle states:

"2. Sanctions should ensure that a respondent does not financially benefit as a result of the misconduct."

[13] Principle Six, the final Sanction Principle, provides:

"A respondent may be entitled to credit for cooperation for providing proactive and exceptional assistance to CIRO Enforcement Staff."

[14] In this case, the Respondent reported the misconduct in issue and fully cooperated with CIRO Enforcement Staff. Counsel for CIRO stated that "the Respondent's conduct was not intentional, willfully blind or reckless." The respondent has no prior finding of misconduct against it."

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<sup>1</sup> 2016 IIROC 23

<sup>2</sup> 1. D.A.C.D. No. 17 at Pars. 13-14

[15] Counsel for CIRO also cited a number of other cases in support of the proposed sanctions in this case<sup>3</sup>.

[16] Staff submitted that it is in the public interest to agree to the proposed sanctions.

#### **V. The Position of Virtu Canada**

[17] Counsel for Virtu attended the Settlement Hearing. They confirmed that Virtu accepted the Settlement Agreement and agreed to its terms.

#### **VI. Conclusion**

[18] This Panel accepts the Settlement Agreement, and in particular the proposed sanctions. We are satisfied that the proposed sanctions meet the test of reasonableness and are in accordance with the public interest. We also agree that the proposed sanctions are supported by the authorities and the Sanction Guidelines cited above.

**DATED** at Toronto, on this 23<sup>rd</sup> day of March, 2026.

“Robert P. Armstrong”

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Robert P. Armstrong, KC, Chair

“Vanessa Gardiner”

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Vanessa Gardiner

“Peter Dymott”

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Peter Dymott

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<sup>3</sup> See *Re HSBC Securities (Canada Inc.)* 2024 CIRO 1, *Re CIBC World Markets* 2022 IIROC 34, *Re Scotia Capital Inc.* 2021 IIROC 37, . *Re Canaccord Genuity Corp.* 2021 IIROC 35, and *Re Raymond James* 2019 IIROC 8.



**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.<sup>1</sup> 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.<sup>2</sup> 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.

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

<sup>2</sup> 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.<sup>3</sup>
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.

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<sup>3</sup> “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 9<sup>th</sup> 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