

Re Independent Trading Group Inc.

IN THE MATTER OF:

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

and

Independent Trading Group Inc.

2026 CIRO 15

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: April 15, 2026, in Toronto, Ontario, via videoconference

Decision: April 15, 2026

Reasons for Decision: May 6, 2026

Hearing Panel:

Martin L. Friedland C.C., K.C., Public Member

Zahra Bhutani, Industry Member

Lou D'Souza, Industry Member

Appearances:

Kathryn Andrews, Senior Enforcement Counsel

Kevin Richard, for Independent Trading Group Inc.

Sean Debotte, President, CEO, and UDP of Independent Trading Group Inc.

REASONS FOR DECISION ON ACCEPTANCE OF SETTLEMENT

INTRODUCTION

[1] On March 19, 2026, the Canadian Investment Regulatory Organization (**CIRO**) issued a Notice of Application for Settlement Hearing, requesting that a hearing panel accept a settlement agreement entered into on March 17, 2026 (**Settlement Agreement**), between Enforcement Staff (**Staff**) and Independent Trading Group Inc. (**ITG** or the **Respondent**).

[2] ITG is a Dealer Member with its head office in Toronto. ITG's business focuses on proprietary trading and institutional agency trading. It has no retail clients. Approximately 60% of ITG's clients traded exclusively in Over-the-Counter (**OTC**) securities during 2021 and 2022.

[3] The matter was heard by the present Hearing Panel on April 15, 2026. At the conclusion of the hearing, the Panel concluded that it should accept the Settlement Agreement, with reasons to follow. These are our reasons for acceptance.

[4] Staff and the Respondent have agreed to sanctions, which consist of a fine in the amount of \$500,000 and disgorgement of \$1,500,000. The parties have also agreed on costs in the amount of \$50,000.

FACTS

[5] As detailed in the attached Settlement Agreement, ITG did not conduct sufficient due diligence on two foreign broker dealer clients, Seven Mile Securities Inc. (**Seven Mile**) and Blacktower Financial Management (International) Limited (**Blacktower**) or take adequate supervision in relation to the U.S. OTC trading activity of these clients. ITG failed to adequately question the red flags raised by the trading activity, which frequently involved substantial deposits of OTC securities, followed by sales, and withdrawals of proceeds to offshore

banks. ITG's supervisory policies and procedures to supervise OTC trading were not consistently enforced and were inadequate to address the material risks of OTC trading by Seven Mile and Blacktower operating on behalf of beneficial owners.

[6] The Respondent has admitted in para. 61 of the Settlement Agreement that between August 2020 and December 2021 it contravened Investment Dealer and Partially Consolidated (**IDPC**) Rule 1400 when it failed to act as a gatekeeper in relation to trading activity in U.S. OTC securities by two foreign broker dealer clients. Full details of the facts can be found in paras. 4-60 of the Settlement Agreement.

[7] The Settlement Agreement points out the risks with OTC securities, stating in para. 19: "Significant risks are associated with OTC securities. OTC issuers are not required to provide much financial information. OTC securities are generally illiquid and volatile and are frequent targets of market manipulation."

[8] In May and June 2020, ITG opened client accounts for two foreign broker dealers, Seven Mile, a company incorporated in the Cayman Islands in 2011, and Blacktower, a company registered as a broker-dealer in the Cayman Islands. Seven Mile opened a margin account at ITG in June 2020, and Blacktower became an ITG client in May 2020.

[9] There are many examples set out in the Settlement Agreement of the failure to supervise the foreign broker dealers' transactions. One example is that the two foreign broker dealers were initially designated as "medium risk" and this was not raised to a higher risk, even though the Respondent implemented a policy in 2020 that for anti-money laundering purposes, any client approved to trade in OTC would be designated as "high risk".¹

[10] The Respondent conducted inadequate due diligence when it became aware of the association of the two clients with another entity, Gel Direct Trust (**GEL**). For a time, after account opening, both Seven Mile and Blacktower were trading on behalf of GEL. The Respondent made inadequate inquiries during these initial months into the trading relationship between Seven Mile, Blacktower and GEL. GEL was subsequently named in a Securities Exchange Commission complaint in 2022, which alleged that it acted as an unauthorized broker to execute more than 19,000 trades of more than 300 billion shares of stock for over 400 issuers.² In its reasons for acceptance of the settlement agreement in an earlier case, *Re Canaccord Genuity Corp.*³, the Hearing Panel noted that trading for GEL's underlying clients in low-priced securities that were listed or traded OTC in the U.S. generated over \$1 billion for GEL's underlying clients and over \$6 million in commissions for Canaccord during a 28-month period.

[11] A further example of the Respondent's gatekeeper failing is that ITG did not pay sufficient attention to red flags issued by the OTC Markets Group, a U.S. financial market, which provides price and liquidity information for OTC securities. OTC Markets Group also takes steps to provide risk tools and timely information to assist investors in OTC securities. One of the red flags relates to promotional activity. Para. 31 of the Settlement Agreement outlines the many cases when Seven Mile sold securities while the OTC Markets Group had flagged promotional activity in these securities.

[12] ITG was also not sufficiently concerned about Seven Mile and Blacktower's Trading activity, which involved deposits of large volumes of OTC securities and the liquidation of these securities, with very few purchases. The funds from sales were regularly transferred out of Seven Mile's and Blacktower's accounts to bank accounts in the broker dealers' names in foreign jurisdictions.⁴

[13] ITG was aware that in 2021 there were hundreds of instances when its trading volume was greater than 25% of the daily volume and at times greater than 50% in the securities it traded for Blacktower. In the same time frame, the OTC Markets Group flagged promotional activity and increased risk scores for certain issuers

¹ See paras. 10 and 11 of the Settlement Agreement.

² See paras. 12 and 13 of the Settlement Agreement.

³ *Re Canaccord Genuity Corp.* 2025 CIRO 37 at paras. 16-20.

⁴ See para. 14 of the Settlement Agreement.

traded by ITG. ITG's approved policies and procedures manual did not refer to ongoing monitoring of the risk scores or promotional flags.⁵

[14] The Deposit/Withdrawal at Custodian (**DWAC**) is a service offered by the Depository Trust Company (**DTC**). It provides for a fast, electronic process to move issuer-registered shares from a transfer agent directly into a DTC participant's brokerage account. OTC securities have weaker gatekeeping, including: no exchange-level listing review, minimal or no periodic reporting and no underwriting due diligence. As a consequence, OTC securities are easier to manipulate due to low liquidity and scarce public information. The Respondent ceased to accept DWAC deposits as of July 31, 2024, for any client trading in U.S. OTC securities.

GATEKEEPER RESPONSIBILITY

[15] Enforcement Staff argue that ITG's failure to supervise the activities in the present case comes within section 1400 of the IDPC Rules and rely, in particular, on several recent cases: *Re Hildebrandt*⁶ and *Re Canaccord Genuity Corp.*⁷, which interpret Section 1400 as requiring firms to exercise a "gatekeeper" function.

[16] Para. 61 of the Settlement Agreement states:

By engaging in the conduct described above, ITG committed the following contravention of CIRO requirements:

Between August 2020 and December 2011, the Respondent failed to act as a gatekeeper in relation to trading activity in U.S. OTC securities by two foreign broker dealer clients, contrary to Investment Dealer Rule 1400.

[17] *Hildebrandt* was a 2025 British Columbia CIRO case which examined Section 1400 of the IDPC Rules – the Standards of Conduct Rule – and concluded that the section should be read as requiring members of CIRO to act as "gatekeepers".

RULE 1400 [STANDARDS OF CONDUCT]

[18] Rule 1400 provides as follows:

1401. Introduction

Rule 1400 sets out the general standards of conduct that apply to *Regulated Persons*.

1402. Standards of conduct

(1) *A Regulated Person*:

(i) in the transaction of business must observe high standards of ethics and conduct and must act openly and fairly and in accordance with just and equitable principles of trade, and

(ii) must not engage in any business conduct that is unbecoming or detrimental to the public interest.

(2) Without limiting the generality of the foregoing, any business conduct that:

(i) is negligent,

(ii) fails to comply with a legal, regulatory, contractual or other obligation, including the rules, requirements, and policies of a *Regulated Person*,

(iii) displays an unreasonable departure from standards that are expected to be observed by a *Regulated Person*, or

⁵ See paras. 46-52 of the Settlement Agreement.

⁶ 2025 CIRO 05 and 2025 CIRO 52.

⁷ 2025 CIRO 37.

(iv) is likely to diminish investor confidence in the integrity of *securities or derivatives* markets, may be conduct that contravenes one or more of the standards set forth in subsection 1402(1).

THE HILDEBRANDT AND CANACCORD GATEKEEPER CASES

[19] The 2025 *Hildebrandt* decision was delivered by a CISO panel in British Columbia. The facts in the case are not, in fact, similar to the present case, but the principle to be applied is. The *Hildebrandt* panel's reasoning in paragraphs 60-62 was as follows:

[60] Section 1402 of IDPC Rule 1400 is an example of principles-based regulation. It does not provide a check list of specifically prescribed things a registered person must or must not do. Instead, the section imposes on registered persons a positive obligation to ensure the transactions they facilitate are ethical or do not otherwise harm the integrity and credibility of the capital markets. In addition to requiring personal honesty from Registered Representatives, this obligation places them under a duty to assess whether the things their clients ask them to do are consistent with the public interest.

[61] This duty is a direct and logical consequence of the closed system of securities regulation, which, among other things, provides that no person may trade in securities unless registered. Accordingly, a member of the investing public who wishes to conduct open market transactions in securities can only do so through the auspices of an investment dealer, which employs representatives to advise and receive trading instructions from the dealer's clients. Under this arrangement, Registered Representatives perform the cardinal function of mediating client access to securities trading platforms. It follows that Registered Representatives are the market participants best positioned to guard against potentially abusive client trading.

[62] That is the gatekeeper role. It is not explicitly legislated. It is a necessary and obvious inference derived from the overarching principle enshrined in IDPC Rule 1400 that Registered representatives must always perform their designated function of mediating transactions in a manner that serves to ensure the transparency and fairness of the transactions they facilitate. This obligation to consider the ethics of client instructions and to exercise professional judgment before proceeding with a proposed transaction is not incidental to the role of a Registered Representative. It is central and absolutely crucial professional responsibility upon whose fulfillment the integrity of the closed system of securities regulation relies.

[20] The present Panel notes that the *Hildebrandt* decision is now under appeal. The respondent's hearing and review application of the merits and sanctions decisions in *Hildebrandt* was argued on March 11 and 12, 2026, at the British Columbia Securities Commission and the decision was reserved.

[21] The later *Canaccord* decision was delivered by an Ontario CISO panel in 2025. It adopted the reasoning of *Hildebrandt*.

[22] The present Panel accepts the well-thought-out reasoning in *Hildebrandt* and *Canaccord*.

ACCEPTANCE OF THE SETTLEMENT AGREEMENT

[23] The conduct in the present case was serious. It took place over a number of years. The over-the-counter market involves considerable risk. There is no stock exchange to watch over transactions. Dealers must play a significant role in following up on red flags and other concerns.

[24] The scope of misconduct involved large sale amounts of OTC securities during the relevant period. From August 2020 to December 2021, the total value of Seven Mile's sales was \$160,225,094. The total value of Blacktower's sales during the same time period was \$181,760,250.

[25] On numerous occasions, the Respondent allowed both Seven Mile and Blacktower to sell securities during periods where the OTC Markets Group had flagged promotional activity and during periods where the OTC Markets Group risk score had increased since the shares were deposited.

[26] A fine of \$500,000 is a significant sum and will act a strong deterrent for the Respondent and others in the industry.

[27] Disgorgement of \$1.5 million will likely be an even greater deterrent. The CIRO Sanction Guidelines state that panels may impose a fine not exceeding \$5 million. The Settlement Agreement states in paragraph 55 that “\$1.5 million is a reasonable approximation of the amounts obtained by the Respondent as a result of its failure to discharge its gatekeeper obligations.” The caselaw cited by counsel for CIRO (see *Poonian v. British Columbia Securities Commission*⁸ and *Re Echelon and Burns*⁹) shows that the amount of disgorgement does not require certainty and that “there is no need to calculate amounts with actuarial precision.”

[28] Hearing panels, of course, take into account the Respondent’s prior disciplinary history. The Respondent was the subject of a CIRO settlement agreement in 2015 involving a trading error in January 2014, when a proprietary trader at the Respondent inadvertently failed to modify the volume of an order and overrode an alert related to the volume.¹⁰ The Respondent did not have sufficient pre-trade controls in place to prevent the order. The trading violation was promptly reported, rectified and remedied. A fine of \$170,000 was imposed. There is no record of other disciplinary proceedings since then, and so prior disciplinary history is not a reason for rejecting the settlement.

[29] Settlements can be important and useful in achieving outcomes which further the goals of securities regulation. The British Columbia Court of Appeal stated in a 2007 decision with respect to a settlement by the British Columbia Securities Commission in *B.C. Securities Commission v. Seifert*¹¹:

Settlements assist the Commission to ensure that its overriding objective, the protection of the public, is met. Settlements proscribe activities that are harmful to the public. In so doing, they are effective in accomplishing the purposes of the statute. They provide means of reaching a flexible remedy that is tailored to address the interests of both the Commission and the person under investigation.

[30] As stated above, para. 55 of the Settlement Agreement states: “Enforcement Staff and the Respondent agree that \$1.5 million is a reasonable approximation of the amounts obtained by the Respondent as a result of its failure to discharge its gatekeeper obligations.”

[31] The penalties proposed in the present case are not out-of-line with penalties in other similar cases. The penalty in *Re Canaccord*¹² was almost the same as the penalty in the present case: a fine of \$600,000, disgorgement of \$2,200,000 and costs of \$50,000. See also the 2025 case of *Echelon and Burns*¹³, where the hearing panel accepted a settlement agreement with a fine of \$500,000 and disgorgement of \$1,700,000.

[32] Hearing panels should respect settlements worked out by the parties. A panel does not know what led to a settlement, what was given up by one party or the other in the course of the negotiations, and what interest each party has in agreeing to resolve the matter. The panel cannot go beyond the Settlement Agreement. There are almost always facts that play a role in the settlement which are not set out in the Settlement Agreement or brought to the attention of the panel.¹⁴

[33] As a panel stated in *Re Keshet*¹⁵, to take one of many such cases: “It is well established that hearing panels should not interfere lightly in negotiated settlements and should not reject a settlement agreement unless it views the proposed penalty clearly falling outside a reasonable range of appropriateness.” There are many similar statements by MFDA panels, stemming from the leading 1999 decision of *Re Milewski*¹⁶, which stated: “A District Council considering a settlement agreement will tend not to alter a penalty that it considers

⁸ 2017 BCCA 207.

⁹ 2025 CIRO 38.

¹⁰ *Re Independent Trading Group Inc.* 2015 IIROC 21.

¹¹ [2007] B.C.J. No. 2186 at para. 49.

¹² 2025 CIRO 37.

¹³ 2025 CIRO 38.

¹⁴ See *Re Grace Wong Uy*, File No. 201806 MFDA at paras. 7 and 8.

¹⁵ *Re Keshet*, File No. 201419 MFDA at para. 7.

¹⁶ *Re Milewski*, [1999] I.D.A.C. No. 17 at page 11.

to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness.”

[34] The penalty agreed to in this case clearly falls *within* “a reasonable range of appropriateness.”

[35] For the above reasons, the Panel accepted the Settlement Agreement.

DATED at Toronto, Ontario this 6th day of May 2026.

“Martin L. Friedland”

Martin L. Friedland, C.C., K.C., Chair

“Zahra Bhutani”

Zahra Bhutani, Industry Member

“Lou D’Souza”

Lou D’Souza, Industry Member

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**IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES**

AND

INDEPENDENT TRADING GROUP INC.

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

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

PART II – JOINT SETTLEMENT RECOMMENDATION

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

PART III – AGREED FACTS

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

Overview

4. In May and June 2020, ITG opened client accounts for two foreign broker dealers, Seven Mile Securities Inc. (“Seven Mile”) and Blacktower Financial Management (International) Limited (“Blacktower”). ITG did not conduct sufficient due diligence on the foreign broker dealers and took inadequate steps in relation to the trading activity of the foreign brokers in U.S. Over-the-Counter (“OTC”) securities. ITG did not adequately question the red flags raised by the trading activity, which frequently involved large deposits of OTC securities, followed by sales, and withdrawals of proceeds to offshore banks.

5. The supervisory policies and procedures established by ITG to supervise OTC trading were not consistently enforced and were inadequate to address the significant risks of OTC trading by foreign broker dealers operating on behalf of beneficial owners. The Respondent rejected numerous requests to deposit and sell OTC shares due to potential improprieties but did not always adequately monitor while trading was being carried out to detect new potential improprieties that may have arisen. Despite the issues that arose on account opening and arising from Seven Mile and Blacktower's trading between August 2020 to December 2021 (the "Relevant Period"), ITG failed to fulfill its gatekeeper obligations.
6. Dealer Members are relied on, and required to, act as gatekeepers to the capital markets to help prevent and detect potential illegitimate, abusive or fraudulent practices.

Background

7. ITG is a Dealer Member with its head office in Toronto. ITG's business focuses on proprietary trading and institutional agency trading. It has no retail clients. Approximately 60% of ITG's clients traded exclusively in OTC stocks during 2021 and 2022.

Foreign Broker Dealer Clients

8. One of ITG's traders had a prior relationship with Seven Mile, which company was incorporated in the Cayman Islands on June 9, 2011. Seven Mile opened a Margin account at ITG on June 23, 2020. DF was listed as 100% owner and Managing Director for Seven Mile.
9. Blacktower is a corporation registered as a broker-dealer in the Cayman Islands. It became an ITG client on May 28, 2020, by way of referral from JSX Investments Limited ("JSX"), a Bahamas company. Blacktower opened a number of accounts at ITG. Blacktower's regional manager was listed as BU.

All foreign broker dealer clients treated the same

10. On account opening, ITG designated the foreign broker dealers as "medium risk," and did not change that designation. In September 2020, the Respondent implemented a policy that, for AML purposes, any client approved to trade in OTC securities would be designated as "high risk". ITG did not apply this policy to the foreign registered broker dealers.

11. ITG advised Enforcement Staff (despite assigning a risk rating that ostensibly differentiated between medium and high risk clients), that ITG treated each foreign broker dealer client the same way. Practically speaking, despite risk ratings for Seven Mile and Blacktower being 64 (the highest number possible in the medium range), that categorization did not increase ITG's review for its foreign broker dealer clients.
12. In addition, for a time after account opening, both Seven Mile and Blacktower were trading on behalf of another entity, Gel Direct Trust ("GEL"). The Respondent made inadequate inquiries during these initial months into the trading relationship between Seven Mile, Blacktower and GEL.
13. GEL was subsequently named in an SEC complaint dated November 17, 2022, which alleged that it acted as an unauthorized broker to execute more than 19,000 trades of more than 300 billion shares of stock for over 400 issuers.

Summary of Seven Mile and Blacktower trading activity

14. Seven Mile and Blacktower's trading activity through ITG involved deposits of large volumes of OTC securities and the liquidation of these securities, with very few purchases. The funds from sales were regularly transferred out of Seven Mile and Blacktower's accounts to bank accounts in the broker dealers' names in foreign jurisdictions.

ITG asked questions when deposits were received in some instances

15. When first receiving deposit requests, the Respondent did ask questions in some instances concerning the deposits and the ultimate beneficial owner. In some instances, ITG rejected a deposit of securities or requested additional information or documents in support, such as an updated lawyer's opinion letter, where the lawyer's name appeared on the OTC Market Group Inc.'s list of prohibited service providers.
16. For example, on June 25, 2021, ITG declined Seven Mile's deposit package for 3.5 million shares of CYCA, advising Seven Mile that it was rejected due to CYCA's connection to HZ, who previously pled guilty to fraud.
17. In another example, in January 2021, ITG declined Blacktower's request to deposit 250,000 shares of QMCI. ITG advised Blacktower that it could not accept the package as Blacktower

did not have a Share Purchase Agreement in support of the request, nor could Blacktower advise how the shares were purchased by the seller or the price paid.

18. After opening its account with the Respondent in June 2020, Seven Mile provided deposits for its client GEL. The Respondent advised Enforcement Staff that after September 2020, the Respondent was refusing to accept any further deposits for GEL, in part because GEL did not appear to be the beneficial owner of the shares being deposited.

OTC Securities

19. Significant risks are associated with OTC securities. OTC issuers are not required to provide much financial information. OTC securities are generally illiquid and volatile and are frequent targets of market manipulation.
20. The OTC Markets Group Inc. (the “OTC Markets Group”) is a U.S. financial market which provides price and liquidity information for OTC securities. It also takes steps to provide risk tools and timely information to assist investors in OTC securities.
21. These tools include “Caveat Emptor” and “Stock Promotion” flags assigned to securities by the OTC Markets Group. The Caveat Emptor flag indicates the OTC Markets Group determination that there may be a potential risk to investors, a known investigation of potentially fraudulent activity committed by an issuer or its insiders, a regulatory suspension, or disruptive corporate actions, amongst other reasons. The Stock Promotion flag is assigned if the OTC Markets Group detects potential promotional activity relating to a security. It monitors for anonymous paid promotions, possible connections to bad actors, and evaluates the promotion’s potential impact on trading.
22. The OTC Markets Group provides a “Canari risk score,” essentially a compliance analysis metric that aggregates these key data points, among others, such as shell risk, price and volume change analysis, and shares outstanding change analysis.

Seven Mile Account Opening

23. In June 2020, at account opening, ITG prepared a Risk Questionnaire for Seven Mile, dated June 18, 2020. When asked by ITG if Seven Mile was aware of any actual, suspected or alleged fraud affecting the entity, DF answered “Seven Mile Securities was alleged for

Stock fraud by MyeCheck however it was only a misunderstanding, and the charges were dropped by the company.”

24. The Respondent advised Enforcement Staff that according to a December 2014 civil lawsuit filed in California, MyeCheck, a Wyoming company, sued certain defendants for fraud, alleging that as a result of the fraud of those other defendants, MyeCheck had issued shares in MyeCheck to parties including Seven Mile. According to a 2016 US District Court decision involving MyeCheck’s motion for default judgment against two other defendants, MyeCheck had settled with Seven Mile and proceedings were dismissed against Seven Mile by MyeCheck.
25. ITG completed a New Client Risk Weighting Assessment for its new clients. High risk clients were assigned a score between 65 and 90. Seven Mile is a foreign broker dealer registered in the Cayman Islands. The clients of Seven Mile were not clients of the Respondent. ITG did not have direct insight into the clients of Seven Mile. ITG assessed Seven Mile as a medium risk client. ITG gave Seven Mile a risk score of 64 in its document dated June 23, 2020.
26. Despite ITG’s Higher Risk Trading Policy dated September 2020, indicating that clients approved to trade OTC securities shall be designated as “high risk” for AML monitoring purposes, ITG continued to designate Seven Mile as a medium risk client.

Seven Mile Trading Activity

27. During the Relevant Period, Seven Mile deposited large amounts of U.S. OTC securities into its account, sold the securities (often immediately), and then regularly wired the sales proceeds out to Seven Mile bank accounts in offshore jurisdictions. There were very few buys during the Relevant Period, compared to the volume of sales. During this period, the total value of Seven Mile’s sales was \$160,225,094 and \$4,195,987 in purchases.
28. ITG asked for legal opinions and share transfer agreements when securities were deposited by Seven Mile. The legal opinions received were standard form and did not always address key elements of the transactions, such as the identity of the ultimate beneficial owners. The opinions simply indicated if the shares were subject to any restrictions or that the purchaser was not affiliated with the issuer. In addition, on numerous occasions Seven Mile

sent opinions from a lawyer who appeared on the OTC Market Group's list of prohibited service providers, leading to ITG rejecting the deposit until another opinion was provided.

29. Between July 2020 and October 2021, Seven Mile wired sale proceeds of \$143,250,000 to its bank accounts at the Standard Bank of South Africa Limited and wired sale proceeds of \$2.8 million to its bank accounts at the Butterfield Bank in the Cayman Islands.
30. Numerous foreign jurisdictions were involved with Seven Mile's trading. For example, on August 18, 2020, Seven Mile asked ITG to deposit over 2.4 million shares of Palayan Resources Inc. ("PLYN"). These shares were transferred via the Depository Trust Company ("DTC"), (a U.S. company) from US Bank, from the account of GEL. Seven Mile's deposit package included various supporting documents, indicating that an individual from a foreign jurisdiction purchased 2.5 million shares for \$25,000 on June 12, 2020, from an individual in another foreign jurisdiction, who was earlier indicated as the Secretary of PLYN (a Nevada corporation) and who was issued 10 million shares prior to the sale to the first individual.
31. ITG allowed Seven Mile to sell securities while the OTC Markets Group had flagged promotional activity, as seen below. ITG also allowed Seven Mile to sell OPTI and ATAO during a period where the OTC Markets Group risk score had increased since the shares were deposited. Ongoing monitoring of the risk scores or promotional flags was not referred to in ITG's approved policies and procedures manual.
 - OPTI sales January 4, 2021 to October 14, 2021 while the stock was subject to a promotional activity alert between August 13 to September 15, 2021;
 - ATAO sales January 4, 2021 to February 4, 2021 while the stock was subject to a promotional activity alert between January, 15, 2021 and March 6, 2021;
 - LQWC sales January 6, 2021 to October 21, 2021 while the stock was subject to a promotional activity alert between May 18 and June 2, 2021;
 - VGLS sales January 27, 2021 to February 5, 2021 while the stock was subject to a promotional activity alert between February 4 and March 23, 2021;

- QGSI sales August 18, 2021 and November 15, 2021 while the stock was subject to a promotional activity alert between August 17, 2021 and October 23, 2021; and,
- ABTI sales October 13, 2021, to November 29, 2021 while the stock was subject to a promotional activity alert between October 12 and 28, 2021.

High Trading Volume by Seven Mile

32. Seven Mile often traded in high volume during the periods above, including when the securities were under a promotional activity alert. For example, on each of August 19, 20, 25 and 31, 2021, the trading volume of QGSI through ITG was between 25.52% and 29.29% of the total daily volume on those dates.

Seven Mile fined by CIMA

33. In October 2021, the Cayman Islands Monetary Authority (“CIMA”) imposed a \$250,000 fine on Seven Mile for anti-money laundering violations related to Seven Mile’s past AML related policies and procedures being deficient. When ITG became aware of the CIMA fine, they discussed the details with Seven Mile and understood that the policies and procedures had been updated and were then compliant with the CIMA requirements. ITG did not change its risk assessment of Seven Mile and continued to allow Seven Mile to trade until February 2022.
34. No later than this date in October 2021, ITG should have taken steps to address the multiple issues with the circumstances of Seven Mile’s trading and known that its supervision was inadequate.

Multiple regulatory requests for information and documents

35. ITG received multiple regulatory requests for information and documents in late 2020 and throughout 2021. On February 10, 2022, Staff sent ITG a letter advising that Staff was opening an investigation. The Respondent subsequently suspended trading for Seven Mile.

Amount obtained by ITG from Seven Mile’s trading activity

36. Between June 2021 and December 2021, the amount obtained by ITG as a result of Seven Mile's trading activity was \$557,710.

Blacktower Account Opening

37. Blacktower is a foreign broker dealer registered in the Bahamas. The clients of Blacktower were not clients of ITG. ITG did not have direct insight into the clients of Blacktower. ITG's May 28, 2020 New Client Risk Weighting Assessment assigned Blacktower a score of 64, indicating it was a medium risk client.
38. Despite ITG's Higher Risk Trading Policy dated September 2020, indicating that clients approved to trade OTC securities shall be designated as "high risk" for AML monitoring purposes, ITG continued to assess Blacktower as a medium risk client.

Referral Agreements

39. ITG accepted Blacktower as a client by way of referral from JSX Investments Limited ("JSX"), a Bahamian company. JSX's website indicates that it offers an "Over the Counter Program" as one of its services, including finding an offshore broker dealer, account approval, trade execution and sales proceeds and fund settlement and wire transactions. ITG and JSX entered into a referral agreement dated March 17, 2020. (the "JSX Referral Agreement.")
40. Oldfield Capital Group LLC ("Oldfield") is located in New York and is a U.S. Broker Dealer. Oldfield and ITG entered into a referral agreement dated June 8, 2020. (the "Oldfield Referral Agreement")
41. The JSX Referral Agreement and the Oldfield Referral Agreement both list Blacktower as a "Referred Party". According to ITG, despite the terms of the Oldfield Referral Agreement, Oldfield only referred one party, namely GEL, through Blacktower. The JSX and Oldfield Referral Agreements permitted entities such as GEL to trade at ITG through Blacktower. ITG advised that after February 2021, ITG refused to accept deposits for GEL from Blacktower.

Blacktower Trading Activity

42. During the Relevant Period, Blacktower deposited large amounts of OTC securities into its accounts, sold the securities (often immediately) and then regularly wired the sales proceeds out to its bank accounts in offshore jurisdictions. There were very few buys during the Relevant Period, compared to the volume of sales. During this period, sales in Blacktower's accounts totaled \$181,761,250, while purchases totaled \$3,793,558.
43. In the first few months of trading activity, Blacktower's accounts received securities on behalf of GEL. GEL was not an ITG client.
44. ITG asked for legal opinions and share transfer agreements when securities were deposited by Blacktower. The legal opinions were standard form and did not always address key elements of the transactions, such as the identity of the ultimate beneficial owners. The opinions simply indicated if the shares were subject to any restrictions or that the purchaser was not affiliated with the issuer.
45. Similar to Seven Mile, numerous foreign jurisdictions were involved in Blacktower's trading activity.
46. Blacktower sold securities while the OTC Markets Group had flagged promotional activity, as seen below:
 - ATA0 sales January 4, 2021 to September 9, 2021 while the stock was subject to a promotional activity alert between January 15 and March 6, 2021;
 - BKRP sales February 5, 2021 to March 17, 2021 while the stock was subject to a promotional activity alert between February 24, 2021 and March 20, 2021;
 - INSD sales June 18 and November 22, 2021 while the stock was subject to a promotional activity alert between November 8 to 23, 2021;
 - CGSI sales on November 17, 2021 and December 15, 2021 while the stock was subject to a promotional activity alert between November 29, 2021 to December 14, 2021;

- DATI sales January 5, 2021 to October 29, 2021 while the stock was subject to a promotional activity alert between July 22, 2021 and August 6, 2021.
 - LQWC sales February 1, 2021 to December 15, 2021 while the stock was subject to a promotional activity alert between May 18 and June 2, 2021.
 - PLYN sales April 8, 2021 to July 14, 2021 while the stock was subject to a promotional activity alert between June 29 and July 29, 2021
 - SPRV sales March 4, 2021 to November 30, 2021 while the stock was subject to a promotional activity alert between May 12 and 29, 2021.
47. As above with Seven Mile, on occasion ITG allowed Blacktower to trade while the OTC Markets Group risk score was increasing, for example, CGSI, PLYN, SDNI and VLGS, during the above noted selling periods in 2021. Ongoing monitoring of the risk scores or promotional flags was not referred to in ITG's approved policies and procedures manual.

High Trading Volume by Blacktower

48. Blacktower often had high trading volume in the above securities, and on occasion while the security was under a promotional activity alert. For example, while SDNI was under a promotional activity alert between August 6 and August 21, 2021, Blacktower sold SDNI on August 6, 9, 10, 11, 12, 13, 16, 18, 19 and 20, 2021. Blacktower's trading volumes ranged between 20.34% and 47.14% between August 9 and August 20, 2021.
49. In an email dated August 21, 2020, ITG advised Blacktower that regarding orders placed by Blacktower on behalf of GEL, that (amongst other things) "under no circumstances will we allow ITG's total trading activity in any given security to exceed 25% of the daily volume of any given security."
50. ITG did not impose this same restriction on trading by other Blacktower clients. There were numerous instances in 2021 where Blacktower's trading volume was greater than 25% of the daily volume and at times greater than 50%.
51. There were 1,883 instances between January 4, 2021 and December 15, 2021, where Blacktower's daily trading volume for a specific security exceeded 25% of the daily total

market volume. Some of these instances include trades carried out where there was little volume beyond the trades placed by Blacktower and carried out by ITG.

52. There were 751 instances between January 4, 2021 and December 15, 2021, where Blacktower's daily trading volume for a specific security exceeded 50% of the daily total market volume. Some of these instances include trades carried out where there was little volume beyond the trades placed by Blacktower and carried out by ITG.

Funds transferred out to foreign bank accounts

53. On numerous occasions, Blacktower transferred funds out of its ITG accounts to Blacktower accounts at Butterfield Bank or Fidelity Bank, both located in the Cayman Islands, with the recipient as Blacktower.

Amount obtained by ITG as a result of Seven Mile and Blacktower's trading activity

54. In addition to the above amount obtained regarding Seven Mile, between June 2021 and December 2021, the amount obtained by ITG as a result of Blacktower's trading activity was \$5,182,730.
55. Enforcement Staff and the Respondent agree that \$1.5 million is a reasonable approximation of the amounts obtained by the Respondent as a result of its failure to discharge its gatekeeper obligations.

Additional considerations

56. The Deposit/Withdrawal at Custodian ("DWAC") is a service offered by the DTC, designed for the electronic transfer of securities between DTC participants and transfer agents.
57. ITG ceased to accept DWAC deposits as of July 31, 2024 for any client trading in U.S. OTC securities.
58. ITG has allowed Blacktower accounts to sell OTC securities since July 31, 2024, where the DWACs had been processed and shares transferred into Blacktower accounts prior to July 31, 2024.

Conclusion

59. Despite red flags, including the volume of illiquid securities deposited, the large volume of sales with few purchases, rising Canari scores, the presence of “promotional activity” flags and the transfer out of funds to offshore banks, ITG did not adequately question Seven Mile and Blacktower’s trading activity and did not adequately monitor flags after the original deposit.
60. The steps taken to monitor the OTC trading, such as assigning a risk rating to the client, checking Canari scores, Caveat Emptor Flags, and establishing trading limits for the securities traded were not consistently enforced. In all the circumstances, ITG’s conduct was not sufficient to discharge its gatekeeper obligations.

PART IV – CONTRAVENTIONS

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

Between August 2020 and December 2021, the Respondent failed to act as a gatekeeper in relation to trading activity in U.S. OTC securities by two foreign broker dealer clients, contrary to Investment Dealer Rule 1400.

PART V – TERMS OF SETTLEMENT

62. ITG agrees to the following sanctions and costs:
- (i) A fine in the amount of \$500,000.
 - (ii) Disgorgement in the amount of \$1,500,000.
 - (iii) Costs in the amount of \$50,000.
63. If this Settlement Agreement is accepted by the hearing panel, ITG agrees to pay the amounts referred to above immediately upon such acceptance, unless otherwise agreed between Enforcement Staff and ITG.

PART VI – STAFF COMMITMENT

64. If the hearing panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against ITG 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.
65. If the hearing panel accepts this Settlement Agreement and ITG fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against ITG. 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

66. This Settlement Agreement is conditional on acceptance by the hearing panel.
67. 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.
68. Enforcement Staff and ITG 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 ITG does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the hearing panel.
69. If the hearing panel accepts this Settlement Agreement, ITG agrees to waive all rights under the Rules and By-laws of CIRO and any applicable legislation to any further hearing, appeal and review.
70. If the hearing panel rejects this Settlement Agreement, Enforcement Staff and ITG may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.
71. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.

72. This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and CISO will post a copy of this Settlement Agreement on the CISO website. CISO 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.
73. If this Settlement Agreement is accepted, ITG agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.
74. This Settlement Agreement is effective and binding upon ITG and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

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

DATED this “17th” day of “March”, 2026.

“Dave Houlding”
Witness

“Independent Trading Group Inc.”
Respondent Independent Trading
Group Inc.

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

The Settlement Agreement is hereby accepted this “15th” day of “April”, 2026 by the following
Hearing panel:

Per: “Martin Friedland”
Chair

Per: “Zahra Bhutani”
Industry Member

Per: “Lou D’Souza”
Industry Member