



**CIRO · OCRI**

Canadian Investment  
Regulatory  
Organization

Organisme canadien  
de réglementation  
des investissements

**IN THE MATTER OF**  
**THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES AND THE DEALER**  
**MEMBER RULES**  
**AND**  
**RBC DOMINION SECURITIES INC.**

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. The Canadian Investment Regulatory Organization (“CIRO”) will issue a Notice of Motion 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 RBC Dominion Securities Inc. (the “Respondent” or “RBC DS”).

**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. Between June 2017 and March 2022 (the “Relevant Period”), RBC DS failed to establish, maintain, and enforce an adequate system to supervise the futures trading activity of two Registered Representatives, Hongjia Liu (“Liu”) and Regan Espeseth (“Espeseth”).
5. There are significant risks associated with futures trading, and these supervision failures allowed Liu and Espeseth to engage in widespread and prolonged periods of high-volume and high-risk discretionary trading across a significant portion of their trading in futures for clients.

## Background

6. RBC DS is a Dealer Member with its head office located in Toronto, Ontario. The firm offers a diverse range of financial services and products to its clients. This includes futures contracts and futures options contracts trading services, in a wide range of commodities, for both hedging and speculative purposes. Generally, this type of trading is considered high-risk, and CRO and its predecessor rules in effect during the Relevant Period have imposed specific oversight requirements for such activities, in addition to the standard obligations applicable to all account supervision.
7. Examples of the requirements for specific oversight of this trading include: before initiating any transactions a designated supervisor must determine if the risk characteristics of a client’s intended strategy are appropriate and puts the client’s interest first; supervisors must then continue to ensure all recommendations continue to be suitable for the client and puts the client’s interest first; futures contracts and futures contract options trading must be

reviewed to detect excessive day trading resulting in large numbers of contracts and to detect excessive commission activity.

8. RBC DS's policies did not permit discretionary or managed retail futures accounts. This meant that advisors were expected to contact clients to confirm the four essential elements of a trade: timing, price, quantity, and security. The policies also required advisors to manually complete trade tickets for all futures trades. Each trade ticket was to have four manual timestamps, which were required when:
  - i. the order was received from the client;
  - ii. the order was entered;
  - iii. the order was executed; and
  - iv. the order was confirmed with the client.

### **Liu and Espeseth**

9. Both Liu and Espeseth engaged in discretionary trading across a significant portion of their futures trading for clients and were using high-risk strategies in executing large quantities of futures transactions. While both advisors engaged in similar discretionary trading conduct, there was no connection between Liu and Espeseth or their clients.
10. Liu was employed in the Vancouver branch of RBC DS. He admitted to engaging in discretionary trading in the futures accounts of 23 of his clients ("Liu's Relevant Clients") between June 2017 and December 2019 (the "Liu Review Period").
11. Espeseth was employed at the Saskatoon branch of RBC DS. He admitted to engaging in discretionary trading in the futures accounts of 33 of his clients

(“Espeseth’s Relevant Clients”) between July 2020 to March 2022 (the “Espeseth Review Period”). For one of these clients, Espeseth admitted the discretionary trading had begun when the account was opened in 2016. The Espeseth Review Period began shortly after Liu admitted to RBC DS supervisors that he had been trading on a discretionary basis.

12. During the Relevant Period, Liu and Espeseth entered a combined total of 63,393 orders across all client accounts for their futures book of business.
13. Throughout the review periods, Liu and Espeseth’s commissions far exceeded the next highest producing futures advisors; at times by more than double. The commissions generated, and the corresponding trading volume, would have been difficult or impossible to achieve if Liu and Espeseth had been contacting clients as required. The trade data demonstrates that orders were often entered only minutes or seconds apart.
14. Inadequate supervisory steps were taken during the Liu Review Period and Espeseth Review Period prior to the end of the respective 31-month and 21-month review periods. For Liu, adequate supervisory steps were taken after a client threatened to commence legal action against RBC DS for unauthorized and unsuitable trading in their accounts. Similarly, for Espeseth, an internal investigation was initiated after RBC DS’s U.S. compliance team expressed concerns about Espeseth’s personal trading.

**(i) Liu’s Trading and Commissions**

15. Liu’s strategy was aggressive. He took a “one-size-fits-all” approach to his futures clients, writing naked futures contracts and receiving premiums for the contracts sold. This was a very high-risk strategy whereby the maximum profit

was the premium received for writing the contract, but the maximum loss was potentially unlimited.

16. Liu's commissions significantly exceeded those of other futures advisors at RBC DS. At times, Liu's commissions were more than double the next highest producing RBC DS futures advisor. His trading peaked in 2018 with 9,367 orders generating \$4,158,885 in gross commissions.
17. During the 31-month Liu Review Period, Liu's trading generated approximately \$7,476,476 in total gross commissions across all client accounts.
18. Liu's commissions were a result of 22,965 orders, not including cancellations and modifications. In many cases, these orders were entered at a rapid pace, often within seconds or minutes of each other, leaving little or no time to contact clients.
19. On particularly active days, Liu entered well over 100 orders a day. At times he was averaging one order every three minutes. Examples include:
  - i. November 3, 2017: there were 179 orders averaging one every 2.53 minutes;
  - ii. August 27, 2018: there were 183 orders averaging one every 2.93 minutes; and
  - iii. January 4, 2019: there were 142 orders averaging one every 4.99 minutes.

**(ii) Espeseth's Trading and Commissions**

20. Espeseth's trading strategy involved a widespread pattern of buys and sells in the same commodities, with the same maturity dates, for very short-term time periods.
21. Like Liu, Espeseth's commissions significantly exceeded those of other futures advisors at RBC DS. At times, his commissions were more than double the next highest producing RBC DS futures advisor. His trading peaked in 2021 with 24,350 orders generating \$4,096,936 in gross commissions across all of his client accounts.
22. While Espeseth led a team of associates, his own trading was responsible for the bulk of the approximately \$6,248,386 in gross commissions generated during the 21-month review period across all client accounts.
23. During this time, Espeseth entered approximately 40,433 orders, not including cancellations or modifications. Like Liu, orders were entered at a rapid pace, often within seconds or minutes of each other, leaving little or no time to contact clients.
24. On particularly active days, Espeseth would trade for extended periods of time, continually entering orders at a rapid pace. On eight occasions he exceeded 300 orders in a day and on three occasions he exceeded 400 orders. Examples include:
  - i. January 19, 2021: there were 276 orders averaging one every 2.18 minutes;
  - ii. January 28, 2021: there were 336 orders averaging one every

- 1.71 minutes;
  - iii. March 4, 2021: there were 268 orders averaging one every 2.96 minutes;
  - iv. February 10, 2022: there were 319 orders averaging one every 1.78 minutes; and
  - v. March 1, 2022: there were 425 orders averaging one every 2.34 minutes.
25. In addition to the trading noted above, Espeseth was conducting extensive trading in his own accounts, often in the same commodities. This was a concern raised repeatedly by the designated Tier 2 supervisor. This trading prompted an inquiry from the RBC DS U.S. compliance team.

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

26. Espeseth's Branch Manager was not a designated or qualified futures supervisor for Espeseth's futures trading. However, he was part of the overall supervision system. The Branch Manager undermined the RBC DS supervision structure when he allowed Espeseth and his team to circumvent RBC DS's trade ticket timestamp policy.
27. As previously noted, RBC DS's policies required advisors to manually complete trade tickets for all futures trades and each trade ticket was to have four manual timestamps.
28. As early as 2019, Espeseth's team replaced the manual trade ticket timestamps with an automated electronic system. The system was produced in Microsoft Excel by the Assistant Branch Manager with the Branch Manager's knowledge.

29. Instead of entering timestamps manually as required, tickets were printed at the end of the day in a format that resembled the manual timestamps. The trade entry time from the CQG trading platform was used for all four separate timestamps. These changes resulted in Espeseth submitting falsified trade tickets that indicated clients were being contacted in circumstances when they were not.
30. The Branch Manager failed to inform any RBC DS supervisors of this deviation from policy. This included a March 23, 2022 email from the Branch Manager where he confirmed to the Designated Futures Supervisor that he had discussed timestamp requirements with Espeseth's team. RBC DS did not become aware of how trade tickets were being falsified until Enforcement Staff's investigation.

#### **Failure to Supervise**

31. RBC DS failed to establish, maintain, and enforce an adequate system of supervision for futures and futures options trading, which included failing to ensure the role of supervisors was effective or that they were effectively discharging their obligations.
32. The magnitude of the commissions, both in absolute terms and in how they significantly exceeded those of other futures advisors, the volume of trades, and the rapid pace at which orders were entered by both Liu and Espeseth, could have, and should have, been flagged and prompted corrective action by RBC DS given the regulatory requirements for futures and futures options trading.
33. In addition to the systemic failures of the supervision system, RBC DS knew, or ought to have known, of red flags that should have prompted further inquiries into Liu and Espeseth's trading. RBC DS should have been particularly alive to potential issues with Espeseth's trading, given its similarities to Liu's trading

activity and the fact that Liu had recently admitted that he had traded on a discretionary basis.

### **RBC DS's Supervision Failures**

34. RBC DS failed to establish, maintain, and enforce an adequate supervisory system for futures and futures options trading. Key deficiencies included the narrow scope and limited effectiveness of Tier 1 and Tier 2 reviews, a lack of communication between supervisors, and the failure to ensure supervisory responsibilities were properly carried out.
35. RBC DS employed a two-tier supervisory structure for futures trading. Both Tier 1 and Tier 2 supervision were conducted centrally from the head office in Toronto. There were no designated futures supervisors located at branches where Liu and Espeseth worked.
36. Certain supervisory tasks, such as collecting trade tickets and maintaining phone records, were delegated to the respective Branch Managers. These Branch Managers were used to communicate supervisory and compliance concerns to both Liu and Espeseth. However, the Branch Managers were not proficient in or approved to supervise futures trading and did not have access to any of RBC DS's futures order entry or back-office systems.

#### **(i) Tier 1 Issues**

37. Tier 1 was responsible for the bulk of the supervision. It was overseen by the Designated Futures Supervisor throughout the Relevant Period. He was assisted by two other supervisors (the "Alternate Principal Supervisors") who conducted daily trading reviews and credit reviews for futures trading. Alternate Principal Supervisors would escalate issues to the Designated Futures Supervisor.

38. Tier 1's supervision was focused on excess margin and deficit balances in client accounts. If the client was in an excess position this would be deemed satisfactory, and no further concerns would be raised. Supervisors generally did not consider suitability of the trading or trading strategies. When they did, they failed to take appropriate follow-up measures.
39. Tier 1 supervision based on daily trade reviews failed to detect patterns of trading by Liu and Espeseth. Alternate Principal Supervisors reviewed the Equity Run Report which generated information for all futures accounts on a client-by-client basis. It was a PDF document that could span more than 2,500 pages and the data could not be sorted.
40. In this report the total volume of trading, the pace at which orders were entered, and trading patterns were not easily identifiable, and no substantive review was completed on the sequencing of client orders. Further, it was not possible to review the succession of trades or easily identify batch trades where the same commodities traded in a set of client accounts.
41. Tier 1 supervisors never reviewed reports with timestamps and instead relied on manually completed trade tickets. When trade tickets did present evidence of rapid trading, as with Liu, there was a lack of follow-up. Tier 1 supervisors did not have direct access to the data in RBC DS's electronic trading platform (the CQG system), but they could have requested trading reports or had Liu or Espeseth access it.

**(ii) Tier 2 Issues**

42. Tier 2 reviews were conducted by the Market Surveillance Wealth Management Compliance Group in Toronto. Unlike Tier 1, the Tier 2 supervision reports did

include electronic trade data which indicated the time trades were executed. However, supervision during the Espeseth Review Period focused only on client priority and front running. This was a particular concern for Espeseth who conducted large amounts of personal trading, often in the same commodities as his clients.

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

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

**RBC DS's Failure to Supervise Liu**

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

45. Examples where supervisory responses were inadequate include:

- i. In October 2017, a trade ticket review for Liu revealed that 19 separate client accounts all purchased various numbers of contracts of the same T-Bond call options at the same strike price, with the same premium paid, expiring in December 2017. Of note, according to the trade tickets, 18 of the 19 accounts executed orders in a period of less than 5 minutes;

- ii. March 7, 2018, Liu entered new stop orders for 24 separate accounts within three minutes. Subsequently, Liu's trading pattern did not change; and
- iii. At some point in 2018, supervisors suggested Liu move his clients toward more traditional investments and in December 2018 his commission structure was reduced. Despite this, Liu continued trading similarly to how he had been, up until the threat of a lawsuit from a client.

### **RBC DS's Failure to Supervise Espeseth**

- 46. Most of the queries for Espeseth's trading raised by Tier 2 supervisors were focused on his personal trading and potential front running issues. Despite the similarities to Liu's trading, particularly the volume and size of commissions generated, and the fact that Liu had just admitted to discretionary trading, Tier 1 supervisors did not examine Espeseth's trading in light of this known fact.
- 47. Tier 1 supervisors were aware that the trading activity in Espeseth's client accounts had increased. However, they failed to conduct a substantive review of his trading, nor did they seek any further trade information or look at trade tickets, as they had with Liu.
- 48. Examples where supervisory responses were inadequate include:
  - i. In a January 26, 2021 email a supervisor noted how many clients appear to be following a similar strategy and that Espeseth needs to be contacting clients prior to each order about price, quantity, timing, and security. Espeseth responded that he was in very close contact with all his grain

futures clients. This was immediately followed by days when Espeseth entered 197 and 336 orders; and

- ii. In a February 25, 2021 email a supervisor congratulated Espeseth on almost \$450,000 in gross commissions for the month of January. There were no inquiries as to how he was able to generate those commissions while contacting clients.

### **Summary: Supervision Failings**

49. Tier 1 made up the bulk of the supervision and the trading reviews for these advisors. During this time the issues that were flagged should have prompted further inquiries and supervisory steps. However, RBC DS did not take adequate or timely supervisory steps or actions.
50. Throughout the Relevant Period, inquiries were sent to both Liu and Espeseth, but the circumstances of their trading warranted additional steps being taken. In all circumstances, RBC DS failed to discharge its supervisory obligations.
51. In total, Liu and Espeseth entered approximately 38,677 orders for the respective 23 and 33 client accounts in which they engaged in discretionary trading. In total, RBC DS would retain approximately \$4,628,708 (50%) of the \$9,257,416 in gross commissions generated from trading in these accounts.
52. The percentage of these orders entered on a discretionary basis was significant. However, it is difficult to estimate the number of trades which were conducted on a discretionary basis.
53. During Liu's Review Period, all but one of the 23 clients suffered losses, for a combined amount of \$8,722,250 in losses, inclusive of commissions. These

losses ranged from 15% to 94% of the value of the clients' futures account holdings.

54. During Espeseth's Review Period, his trading was profitable for the majority of the 33 clients.

### **Additional Factors**

55. Given the nature of speculative futures trading, it is difficult to estimate the exact number of trades that Liu and Espeseth conducted on a discretionary basis.
56. Liu and Espeseth represented to RBC DS that they were contacting each client before entering trades.
57. Prior to May 2020, no client advised RBC DS that Liu had entered trades without their authorization. In the course of RBC DS's investigation of a client complaint described above, Liu admitted to RBC DS that he had been engaged in discretionary trading. RBC DS immediately terminated Liu's employment for cause and reported his misconduct to CIRO.
58. During Espeseth's employment with RBC DS, no client advised RBC DS that Espeseth had entered trades without their authorization. In the course of RBC DS's internal investigation described above, Espeseth admitted to RBC DS that he had been engaged in discretionary trading. RBC DS immediately terminated Espeseth's employment for cause and reported his misconduct to CIRO.
59. RBC DS has taken steps to improve the systems for the supervision of futures trading. These changes include:
  - i. Enhancement to the Tier 1 review process to identify potential discretionary trading, including obtaining detailed trading data from

CQG on an ongoing basis and incorporating that data into spreadsheets to facilitate reviews;

- ii. Enhanced communications between Tier 1 and Tier 2 supervision including the implementation of monthly meetings, and the requirement that Tier 2 advise the Designated Registered Futures Options Principal on a regular basis of Tier 2 issues and escalations;
- iii. Tier 2 policies and procedures have been updated and include reference to identifying potential discretionary trading and high-risk situations;
- iv. Tier 2 policies and procedures were updated and include reference to identifying potential discretionary trading and to identify high-risk situations;
- v. Tier 2 is reviewing time stamps and trade tickets; and
- vi. The Designated Futures Supervisor has received formal internal disciplinary measures which include a requirement to complete additional training specific to derivatives trading.

#### **PART IV – CONTRAVENTIONS**

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

Between June 2017 and March 2022, the Respondent failed to establish, maintain, and enforce an adequate system to supervise the futures trading activity of two Registered Representatives,

Hongjia Liu and Regan Espeseth, contrary to Investment Dealer Rule 3900 (prior to January 1, 2022, Dealer Member Rules 38.1 and 2500).

#### **PART V – TERMS OF SETTLEMENT**

61. The Respondent agrees to the following sanctions and costs:
- i. A fine of \$1,500,000;
  - ii. Disgorgement of commissions in the amount of \$1,800,000; and
  - iii. Costs payable to CIRO in the amount of \$100,000.
62. If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Enforcement Staff and the Respondent.

#### **PART VI – STAFF COMMITMENT**

63. 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.
64. 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**

65. This Settlement Agreement is conditional on acceptance by the hearing panel.
66. 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.
67. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all of 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.
68. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules and By-law of CISO and any applicable legislation to any further hearing, appeal and review.
69. 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.
70. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.
71. 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.

72. 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.

73. 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**

74. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

75. An electronic copy of any signature will be treated as an original signature.

**DATED** this day 4 of June, 2026.

“Witness” \_\_\_\_\_  
Witness

“Jeremy Devereux” \_\_\_\_\_  
Jeremy Devereux  
On behalf of RBC Dominion  
Securities Inc. (Respondent)

**DATED** this 3 day of June, 2026.

“Witness” \_\_\_\_\_  
Witness

“Tayen Godfrey” \_\_\_\_\_  
Tayen Godfrey  
Senior Enforcement Counsel on  
behalf of Enforcement Staff of the  
Canadian Investment Regulatory  
Organization

The Settlement Agreement is hereby accepted this 18 day of June, 2026 by the following Hearing panel:

Per: “Marvin Huberman”  
Chair

Per: “Joe Yassi”  
Industry Member

Per: “Ron Smith”  
Industry Member