



CIRCULAR 022-26

February 24, 2026

BOURSE DE MONTRÉAL INC.

DISCIPLINARY DECISION - DECISION ON SANCTIONS

BMO NESBITT BURNS INC. AND FRANCO CARELLI

The Regulatory Division of Bourse de Montréal Inc. (the “Bourse”) filed disciplinary complaints against BMO Nesbitt Burns Inc. and Mr. Franco Carelli, respectively, an Approved Participant and an Approved Person at the time of the facts set forth below, alleging violations of the Rules of the Bourse.

The disciplinary complaint against BMO Nesbitt Burns Inc. stated that:

1. On March 19th, 2019 and on May 31st, 2019, BMO Nesbitt Burns Inc. contravened Article 7.6 - “Front Running Prohibited” - of the Rules of the Bourse, as it took advantage of a customer’s order by trading ahead of it, and engaged in Transactions based in whole or in part on non-public information concerning pending transactions in Securities, Options or future contracts, which are likely to affect the market prices of any other Securities, Options or future contracts;
2. On March 19th, 2019 and on May 31st, 2019, BMO Nesbitt Burns Inc. contravened Article 7.3 - “Best Execution Required” - of the Rules of the Bourse, as BMO Nesbitt Burns Inc. did not diligently pursue the execution of a client order on the most advantageous execution terms reasonably available under all of the circumstances relating to the Trade or Trading Strategy and the then current market conditions at the time of the Trade;
3. On March 19th, 2019 and on May 31st, 2019, BMO Nesbitt Burns Inc. contravened Article 6.202 - “Trading Against Customer Orders (Cross-Trades)”, subparagraphs 6.205 (b) ii) and iii) – “Prearranged Transactions”, and article 6.114 – “Order Priorities” of the Rules of the Bourse, as BMO Nesbitt Burns Inc., while knowingly taking the opposite side of a customer order of Futures for its own account, did not enter the customer order first on the Electronic Trading System, did not give priority to a customer order and did not expose the customer order to the market for the minimum prescribed time period established under the Rules of the Bourse;

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4. On March 19th, 2019, and on May 31st, 2019, BMO Nesbitt Burns Inc. contravened Article 6.115 - "Order Identification" - of the Rules of the Bourse, as BMO Nesbitt Burns Inc. did not ensure the proper identification of orders when entering them into the trading system (order for the account of a customer and order for the account of the firm);
5. Between March 19th, 2019 and October 10th, 2019, BMO Nesbitt Burns Inc. contravened Article 3.100 - "Supervision, Surveillance and Compliance" of the Rules of the Bourse, as BMO Nesbitt Burns Inc. did not establish and maintain a system to supervise the activities of each of its employees and Approved Persons that is reasonably designed to achieve Compliance with the Rules of the Bourse, more specifically as it did not have a surveillance system in place reasonably designed to prevent or detect the trading practice of "front running" by its Approved Persons and employees;
6. On March 19th, 2019 and on May 31st, 2019, BMO Nesbitt Burns Inc. contravened Article 3.100 - "Supervision, Surveillance and Compliance" - of the Rules of the Bourse, as BMO Nesbitt Burns Inc. did not establish and maintain a system to supervise the activities of each of its employees and Approved Persons that is reasonably designed to achieve Compliance with the Rules of the Bourse, more specifically as it did not have a surveillance system in place reasonably designed to prevent or detect violations of Articles 6.114 - "Order Priorities", 6.115 - "Order Identification", 6.202 – "Trading Against Customer Orders (Cross-Trades)", 6.205 – "Prearranged Transactions", and 7.3 – "Best Execution" of the Rules of the Bourse;
7. On March 19th, 2019, and on May 31st, 2019, BMO Nesbitt Burns Inc. contravened Article 3.101 - "Approved Participant's Supervisory Responsibility" - of the Rules of the Bourse, as BMO Nesbitt Burns Inc. did not ensure that one of its employees and Approved Persons complied with Article 7.6 of the Rules of the Bourse (Front Running Prohibited).

The disciplinary complaint against Mr. Franco Carelli stated that on March 19, 2019 and on May 31, 2019, he contravened Article 7.6 - "Front Running Prohibited" of the Rules of the Bourse, as he took advantage of a customer's order by trading ahead of it, and engaged in Transactions based in whole or in part on non-public information concerning pending transactions in Securities, Options or future contracts, which were likely to affect the market prices of any other Securities, Options or future contracts.

On October 29, 2025, following a hearing held on June 2, 3, 4, 5 and 6, 2025, a Disciplinary Committee duly constituted pursuant to the Rules of the Bourse found Mr. Franco Carelli guilty of the alleged offence, found BMO Nesbitt Burns Inc. guilty of the alleged offences under counts 1, 2, 3, 5, 6 and 7, and acquitted BMO Nesbitt Burns Inc. of the alleged offence under count 4 (Circular [136-25](#)).

Following a hearing held on January 16, 2026, a Disciplinary Committee duly constituted pursuant to the Rules of the Bourse accepted the parties' joint submission on sanctions which includes, for BMO Nesbitt Burns Inc., a fine totalling \$160,000, as well as the payment of an additional amount of \$114,196.54 for the related costs, and for Franco Carelli, a fine totalling \$15,000.

The Disciplinary Committee's decision on sanctions is attached.

For further information, please contact the legal affairs of the Regulatory Division of the Bourse by e-mail at mxrlegal@tmx.com.

Marie-Sylvie Poissant
Secretary of the Disciplinary Committee

**CANADA
PROVINCE OF QUÉBEC
File N° EN-DC-23005**

In the matter of:

Bourse de Montréal Inc. (the "**Bourse**")

-and-

BMO Nesbitt Burns Inc. ("**BMONBI**"), an
Approved Participant of Bourse

-and-

Franco Carelli, a former Approved Person of
the Bourse

Disciplinary Committee: George R. Hendy, Chair
Élaine C. Phénix, Member
Yves Ruest, Member

JUDGMENT ON SANCTIONS

PART I : INTRODUCTION

1. Following the hearing in this case on June 2 to 6, 2025, the Disciplinary Committee herein (the "**Committee**") rendered judgment on October 29, 2025 (the "**Judgment**") finding Respondents BMONBI and Franco Carelli guilty of the following infractions:

FRANCO CARELLI

1. On March 19th, 2019 and on May 31st, 2019, Franco Carelli contravened Article 7.6 - "Front Running Prohibited" of the Rules of the Bourse (the "**Rules**"), as he took advantage of a customer's order by trading ahead of it, and engaged in Transactions based in whole or in part on non-public information concerning pending transactions in Securities, Options or future contracts, which were likely to affect the market prices of any other Securities, Options or future contracts,

the whole rendering Franco Carelli subject to a disciplinary complaint pursuant to Article 4.200 of the Rules and to the sanctions listed in Article 4.400 of the Rules.

BMONBI

1. On March 19th, 2019 and on May 31st, 2019, BMONBI contravened Article 7.6 - "Front Running Prohibited" - of the Rules, as it took advantage of a customer's order by trading ahead of it, and engaged in Transactions based in whole or in part on non-public information concerning pending transactions in Securities, Options or future

contracts, which are likely to affect the market prices of any other Securities, Options or future contracts;

2. On March 19th, 2019 and on May 31st, 2019, BMONBI contravened Article 7.3 - "Best Execution Required" - of the Rules, as BMONBI did not diligently pursue the execution of a client order on the most advantageous execution terms reasonably available under all of the circumstances relating to the Trade or Trading Strategy and the then current market conditions at the time of the Trade;

3. On March 19th, 2019 and on May 31st, 2019, BMONBI contravened Article 6.202 - "Trading Against Customer Orders (Cross-Trades)", subparagraphs 6.205 (b) ii) and iii) - "Prearranged Transactions", and Article 6.114 - "Order Priorities" of the Rules, as BMONBI, while knowingly taking the opposite side of a customer order of Futures for its own account, did not enter the customer order first on the Electronic Trading System, did not give priority to a customer order and did not expose the customer order to the market for the minimum prescribed time period established under the Rules;

5. Between March 19th, 2019 and October 10th, 2019, BMONBI contravened Article 3.100 - "Supervision, Surveillance and Compliance" of the Rules, as BMONBI did not establish and maintain a system to supervise the activities of each of its employees and Approved Persons that is reasonably designed to achieve Compliance with the Rules, more specifically as it did not have a surveillance system in place reasonably designed to prevent or detect the trading practice of "front running" by its Approved Persons and employees;

6. On March 19th, 2019 and on May 31st, 2019, BMONBI contravened Article 3.100 - "Supervision, Surveillance and Compliance" - of the Rules, as BMONBI did not establish and maintain a system to supervise the activities of each of its employees and Approved Persons that is reasonably designed to achieve Compliance with the Rules, more specifically as it did not have a surveillance system in place reasonably designed to prevent or detect violations of Articles 6.114 - "Order Priorities", 6.115 - "Order Identification", 6.202 - "Trading Against Customer Orders (Cross-Trades)", 6.205 - "Prearranged Transactions", and 7.3 - "Best Execution" of the Rules;

7. On March 19th, 2019 and on May 31st, 2019, BMONBI contravened Article 3.101 - "Approved Participant's Supervisory Responsibility" - of the Rules, as BMONBI did not ensure that one of its employees and Approved Persons complied with Article 7.6 of the Rules (Front Running Prohibited);

the whole rendering BMONBI subject to a disciplinary complaint pursuant to Article 4.200 of the Rules and to the sanctions listed in Article 4.400 of the Rules.

2. On January 16, 2026, the parties were convened to a hearing on sanctions wherein they filed a document entitled Joint Submissions on Sanctions (the "**Joint Submission**") proposing the following sanctions:

- a) that BMONBI pay fines totalling \$160,000, plus costs of \$114,964.54;
- b) that Franco Carelli pay a fine of \$15,000;

- c) said fines and costs to be paid by the respective Respondents within 30 days of service of the written judgment of the Committee to intervene herein.
3. The Joint Submission includes extensive analyses (reproduced below) of the mitigating and aggravating factors on which the parties based their recommendations on sanctions regarding the Respondents.

PART II: FACTORS TO BE CONSIDERED FOR REACHING RECOMMENDATIONS ON SANCTIONS FOR BMONBI

4. Mitigating Factors in this case:
- a) **Corrective measures**: BMONBI took steps to improve its systems, its procedures and/or its supervision. BMONBI recalibrated the SMART alert parameters to improve detection of “front running”. Compliance approved the recalibration of the SMART alert parameters on October 10, 2019. It also gave training sessions and distributed reminders and guidance notes to its traders. Finally, BMONBI enhanced its review process by looking at chats and voice records for firm trades prior to any client trades at better fill (duration of one hour prior).
 - b) **Numbers of orders or transactions and the trading volume**: In the aggregate, there were only seven orders in issue in this proceeding. Specifically, for count 1, on March 19, 2019, there were three buy orders of CGBM19 of 50, 150 and 200 contracts, and on May 31, 2019, there were two buy orders of 100 CGBU19 of 100 contracts each (only 71 were filled on the second order). For count 3, there was one instance of cross-trading 546 CGBs on March 19, 2019, and one instance of cross-trading 549 CGBs on May 31, 2019.
 - c) **Length of offending conduct**: For counts 1, 2, 3, 6 and 7, the relevant events took place only on two specific days: March 19, 2019 and May 31, 2019. (For count 5, the relevant period is March 19, 2019 to October 10, 2019. This consideration is not a mitigating factor for count 5).
 - d) **Timeliness of BMONBI’s Report to the Bourse**: BMONBI informed the Bourse of the potential violations of Articles 7.3 and 6.114 of the Rules by filing a Notice of Non-Compliance in accordance with Article 3.105 of the Rules.
5. Aggravating Factors in this case:
- a) **Disciplinary record**: BMONBI has two precedents in its disciplinary record with the Bourse. Neither of them relates to “Front Running” or “Best Execution” or the Supervisory Responsibilities of an Approved Participant. However, BMONBI does have a prior disciplinary sanction imposed by a Disciplinary Committee of the Bourse concerning “cross transactions” and “order priorities”.
 - i. On April 27, 2015, a Disciplinary Committee of the Bourse rendered judgment reprimanding BMONBI for having contravened Articles 6374 and 6380 of the Rules between September 10 and September 13, 2012, when it executed two cross transactions without respecting the chronological priority order. BMONBI was also ordered to pay costs in the amount of \$10,000.

- ii. On December 18, 2012, a Disciplinary Committee of the Bourse approved an offer of settlement whereby BMONBI was fined \$20,000 for having contravened Article 15708 of the Rules between September 20 and October 31, 2011, when it allowed the account of a client to exceed the permissible position limit applicable to S&P/TSX 60 Index Standard Futures (SXF). It was also ordered to pay \$3,500 for costs.
 - iii. BMONBI also settled five matters with the Canadian Investment Regulatory Organization (CIRO), formerly the Investment Industry Regulatory Organization of Canada (IIROC). Copies of the settlements are included in the joint book of authorities.
- b) **BMONBI did not inform the Bourse of the offences:** BMONBI did not inform the Bourse of the offences to Articles 7.6, 6.202 and 6.205 of the Rules in accordance with Article 3.105 of the Rules (however, as stated, BMONBI reported potential violations of Articles 7.3 and 6.114 of the Rules).
- c) **Compensation to the aggrieved person:** The client was not compensated for the aggregate \$8,576.07 benefit to BMONBI described in paragraph 6(a) below.
- d) **Consequences of the offence for the integrity of markets:** “Front Running” by an Approved Person and/or an Approved Participant is detrimental to the integrity of the markets.
- e) **Nature and seriousness of the offences:** “Front running” is a serious offence and is harmful, including for the client in question. As concerns count 1 (Front Running Prohibited), Article 7.6 of the Rules was expressly adopted to avoid such behaviour. Also, in these circumstances, the Surveillance and Compliance, as well as Supervisory Responsibilities of the Approved Participant (counts 5 to 7), are significant offences. Furthermore, in accordance with the Guidelines of the Regulatory Division of the Bourse on Sanctions effective February 21, 2022 (the “Guidelines”), any behaviour that impairs the integrity of the market is deemed to be inherently more serious.
6. Additional factors:
- a) **Gains generated, losses avoided, or costs saved by the participant:** In relation to count 1, BMONBI benefited in the amount of \$8,576.07. If not for the transactions that Mr. Carelli entered for the benefit of BMONBI, the client would have paid \$8,576.07 less (\$3,150 and \$5,426.07 less, respectively) for the relevant transactions on the two above-mentioned dates (see: paragraphs 16 (t), 22 (n), 86 and 114 of the Judgment). For count 3, there were no gains generated, or losses avoided. As for the costs saved by BMONBI in relation to counts 5 to 7, they cannot be estimated, but they are not material.
- b) **Internal sanctions imposed by the Approved Participant on an employee:** BMONBI did not sanction Mr. Carelli since it did not ultimately conclude that there was a violation of the Rules. However, BMONBI filed in Mr. Carelli’s employee record a warning letter (Exhibit E-24, and paragraph 41 of the Judgment).
7. Authorities for counts 1 and 2 and the joint recommendation:

- a) There has been no prior Bourse decision on Articles 7.6 of the Rules or on Front Running.
 - b) There has been only one decision from the Bourse regarding a violation of the Best Execution Rule. In *RBC Securities Inc.* (February 18, 2013), a Disciplinary Committee of the Bourse approved a Settlement Agreement whereby RBC Dominion Securities Inc. agreed to pay a fine of \$50,000, plus \$2,500 of related costs for having contravened Article 6310 “Best Pricing Execution” of the Rules. The violations took place on four different dates with the same pattern (January 22, February 5, February 11 and May 7, 2010). The chronology of the events on each date is very similar to the events in this file, as well as the timing of the transactions benefiting the firm (taking place just before the cross-trades). The aggregated estimated costs differential totalled \$9,870 for the clients. Of note is the fact that the RBC file involved four occurrences, while the present case involved only two occurrences. Also, RBC was fined for faulty execution, but not for the lack of supervision of the faulty execution, which was not alleged. The total fine was \$50,000. In 2024, this amount represents \$65,650.41 using the inflation rates of the Bank of Canada (a total of 31.31% for 11 years).
 - c) In conclusion, taking into consideration all of the above, the joint recommendation for counts 1 and 2 (collectively) of the BMONBI disciplinary complaint is a fine in the amount of \$70,000.
8. Authorities for count 3 and the joint recommendation:
- a) As mentioned in paragraph 5(a)(i) above, there is one relevant precedent by a Disciplinary Committee of the Bourse involving BMONBI’s own conduct. On April 27, 2015, a Disciplinary Committee of the Bourse reprimanded BMONBI for having contravened Articles 6374 and 6380 of the Rules when executing two cross transactions without respecting the chronological priority order, between September 10 and September 13, 2012. There were no financial sanctions imposed, although BMONBI was ordered to pay costs in the amount of \$10,000.
 - b) In a matter unrelated to BMONBI, in 2010, the Special Committee of the Bourse approved a settlement offer in which Daniel Cutts, an employee of New Edge Canada Inc., agreed to pay a fine of \$15,000, plus costs of \$5,000 because he had failed to comply with the chronological priority of orders while executing 10 cross transactions. In 2024 this amount represents \$20,829.75 using the inflation rates of the Bank of Canada.
 - c) In conclusion, taking into consideration all of the above, the joint recommendation for count 3 of the BMONBI disciplinary complaint is a fine in the amount of \$25,000.
9. Authorities for counts 5, 6 and 7 and the joint recommendation:
- a) There is one IIROC decision on a related subject. In 2018, an IIROC hearing panel approved a Settlement Agreement in which M Partners Inc. and Steven Isenberg agreed to pay fines of \$120,000 and \$70,000, respectively, plus costs of \$10,000 for having failed to respect several rules, including information about the orders

and their priorities, between February 2015 and August 2016 (i.e., for 18 months). M Partners' failure was mainly related to its supervision and compliance.

- b) There have been a few recent decisions from Disciplinary Committees of the Bourse (involving parties other than BMONBI) on Article 3.100 of the Rules concerning Surveillance and Compliance. Some of them can guide the parties and the Disciplinary Committee in this matter to a certain extent:
- i. A Disciplinary Committee of the Bourse, in the decisions of *BNP Paribas Securities Corp.* (August 6, 2021) and *USB Securities LLC* (April 25, 2022), approved settlements with fines of \$60,000 each for deficiencies in the respective entities' supervision systems for the approved persons process, which endured for periods of 69 months (BNP) and 12 years (USB). In these two cases, the reputation of the Bourse and the integrity of the market were not impacted by the non-compliance. However, the lack of surveillance persisted for a long period of time, while the period of non-compliance in this case was only two days.
 - ii. In the decision of *HSBC Securities (USA) Inc.* (November 29, 2022), a Disciplinary Committee of the Bourse approved an Offer of Settlement imposing a fine of \$50,000 for a contravention of Article 3011 (now 3.100 – Surveillance and Compliance) of the Rules. During a period of 5 years, HSBC did not establish and maintain a system to supervise the activities of its employees that was reasonably designed to achieve compliance with the Rules. More specifically, it did not establish policies and procedures to ensure that only its designated personnel, approved by the Bourse and who had received the required training, had access to the electronic trading system of the Bourse.
 - iii. In a previous Bourse decision, *RBC Dominion Securities Inc.* (June 30, 2020), a Disciplinary Committee of the Bourse accepted a settlement where RBCDS admitted contravening Article 3011 of the Rules by failing to verify the appropriateness of the retention period of voice recordings of the Approved Persons in its employment and by failing to verify whether the telephone conversations of the Approved Persons in its employment were in fact recorded. A fine of \$40,000 was imposed for these failures, in addition to another \$30,000 for contravening subparagraph 6377 (5) (i) of the Rules, and an amount of \$7,500 for the costs.
 - iv. A Disciplinary Committee of the Bourse approved a Settlement Agreement involving *Wedbush Securities Inc.* (August 25, 2023) in which Wedbush agreed to pay a fine of \$300,000, one-half of which fine pertained to a total failure by Wedbush to have post-trade monitoring to specifically monitor all orders from sponsored access clients for a period of two years (from December 16, 2014 to December 31, 2016). Wedbush had no electronic system at all during this period. The fine that is relevant to the present case, to a certain extent, is for the subsequent period, from January 1, 2017 to November 30, 2018. On this issue, Wedbush admitted to a contravention of Article 3011 of the Rules for failure to provide adequate evidence of follow-ups and of how certain alerts were resolved, with the same DEA client. The parties agreed to a fine of \$50,000 for this second contravention.

- v. A Disciplinary Committee of the Bourse approved a Settlement Agreement in the *Deutsche Bank Securities Inc.* file (December 16, 2019) in which Deutsche Bank Securities Inc. agreed to pay a fine of \$20,000 in relation to Article 3011 (now 3.100) of the Rules. The lack of surveillance was in relation to unauthorized access; it lasted 3 years and involved 15 employees. A total fine of \$85,000 was imposed (\$65,000 for Article 6366A of the Rules and \$20,000 for Article 3011 of the Rules).
- c) The following decisions rendered by IIROC Hearing Panels, while not authoritative, may also be of interest:
- i. In *Re Interactive Brokers Canada*, 2013 IIROC 45, an IIROC hearing panel accepted a Settlement Agreement which recommended a \$50,000 fine against Interactive Brokers (IB), as well as costs in the amount of \$10,000. IB admitted that between November 2007 and April 2008, it failed to comply with its supervisory obligations, contrary to UMIR 7.1 and Policy 7.1. During that period, a DEA client of IB entered multiple orders at or near the close of trading that up-ticked the prevailing bid. The client most often entered multiple orders during the last 15 minutes of trading, the majority of which were entered after 15:59, for one Standard Trading Unit (100 shares). For example, between February 27, 2008 and March 11, 2008, the client set the closing bid on 7 trading days, and between March 18 and April 28, 2008, he set the closing bid on 19 trading days. The client admitted that he did that to influence the assessment of the firm for margin purposes since the firm based its margin policy on the previous day's closing bid price.
 - ii. In *Re Questrade & Eydelman*, 2013 IIROC 25, an IIROC hearing panel approved a Settlement Agreement in which Questrade paid a fine of \$70,000 plus costs of \$10,000. Mr. Eydelman, a Questrade employee, admitted that, between August 2009 and February 2010, he entered orders on the Toronto Stock Exchange that he ought reasonably to have known could be expected to create an artificial bid price for Quebecor Inc. Class A Securities contrary to UMIR 2.2 and UMIR Policy 2.2. Questrade admitted that, from August 2009 until February 2010, it failed to have adequate policies and procedures in place, as well as a supervision system sufficient to prevent and detect potential artificial bid prices.
 - iii. In *Re JitneyTrade*, 2013 IIROC 42, an IIROC hearing panel approved a Settlement Agreement for an amount of \$90,000, covering two periods (February 2010 to September 2010 and February 2011 to February 2012). For the first period, JitneyTrade did not have an electronic system in place. Subsequently, after having tried a SMART broker system, JitneyTrade developed its own electronic trade supervision system which was implemented later in the process.
- d) The Disciplinary Committee may wish to take the following additional factual elements into consideration, in addition to the mitigating and aggravating factors listed above:
- i. The period of two days, compared to several months or a year or two for all of the above-mentioned relevant precedents, explains the amount of the fine;

- ii. The fine imposed must be sufficient to dissuade BMONBI and other market participants from engaging in this type of behaviour in the future.
- e) In conclusion, taking into consideration all of the above, the joint recommendation for counts 5 to 7 of the BMONBI disciplinary complaint is a fine in the amount of \$65,000.

PART III: FACTORS TO BE CONSIDERED FOR REACHING THE RECOMMENDATION ON SANCTION FOR FRANCO CARELLI

10. Mitigating Factors in this case:

- a) **Disciplinary record:** Mr. Carelli has no disciplinary record with the Bourse or with other securities or derivatives self-regulatory organizations.
- b) **Numbers of orders or transactions and the trading volume:** On March 19, 2019 there were three buy orders of CGBM19, of 50, 150 and 200 contracts, and on May 31, 2019, there were two buy orders of 100 CGBU19 of 100 contracts each (only 71 contracts were filled on the second order).
- c) **Length of offending conduct:** The relevant events occurred only on two dates, March 19, 2019 and May 31, 2019 (two days).
- d) **Risk of re-offence:** The risk of re-offence is non-existent as Mr. Carelli is now retired.
- e) **No personal benefit:** Mr. Carelli did not obtain any personal benefit from the execution of the orders in issue because the subject orders were for the account of BMONBI.

11. Aggravating Factors in this case:

- a) **Consequences of the offence for the integrity of markets:** "Front Running" by an Approved Person and/or an Approved Participant is detrimental to the integrity of the markets.
- b) **Nature and seriousness of the offence:** Any contravention of Rule 7.6 (Front Running Prohibited) by an Approved Person is an offence that is serious, as it is a behavior that impairs the integrity of the market.
- c) **Intentionality of the Misconduct by the Approved Person:** Given his status as an Approved Person, as well as his seniority as a trader, Mr. Carelli should have known that he was contravening the Rules by trading ahead of the client.

12. Authorities for count 1 for Franco Carelli and joint recommendation:

- a) There has been no Bourse decision on Article 7.6 of the Rules for a firm or for an individual.

The recent disciplinary decision *Re: Desjardins Securities Inc. and Antoine Morrisette-Boileau* (March 8, 2024), a Desjardins employee, Antoine Morrisette-Boileau, is at one extremity of the spectrum. In that file, the Bourse identified 213 instances of potential spoofing and layering in Mr. Morisette-Boileau's trading. Mr. Morisette-Boileau agreed to be suspended for one month from any and all access to the Bourse trading platform and to pay a fine of \$50,000.

- b) There is one decision from IIROC involving parties other than BMONBI, which dates back to 2004.
 - i. An IIROC Hearing Panel had to review the decision of a hearing panel of Market Regulation Services Inc. (RS) rendered in July 2003 involving Mr. Donald Greco, a trader at Griffiths McBurney & Partners (GMP). It maintained the decision from RS, including a sanction comprised of a fine of \$15,000, a suspension of one month, \$10,000 for costs and disgorgement of \$250. The other main actor in this file, Mr. Prins, was working at another firm, Spratt Securities Inc., and knew Mr. Greco from his previous employment at GMP. The RS hearing panel had concluded the following:

“The Panel finds that, on the evidence, Mr. Prins got an order to buy 10,100 Abitibi, that a conversation occurred thereafter between himself and Mr. Greco about this order.

Mr. Greco put in a short sale for the exact amount of 10,100 Abitibi at \$10.82. Within seconds he bought all of the existing offering of 6,800, which would exist in the market. Some four seconds later Mr. Prins hit his offering at \$10.82. We note that Mr. Prins did not bid prior to this. Mr. Greco then filled the rest of his order – he covered the rest of his short position, I should say, in the market. Prior to this Mr. Greco had no position in the stock and not recently been active in the stock.”
 - ii. In a separate decision, Mr. Prins agreed to pay RS a fine of \$10,000 and to be suspended from the Exchange for three months.
 - iii. The facts of the *Greco* case are very different from the present case. One of main differences is that in the Greco file, there was no pre-arranged transaction between the firm and the client as in the current case. Additionally, unlike Mr. Carelli, Messrs. Greco and Prins acted for their personal benefit.
- c) In conclusion, taking into consideration all of the above, the joint recommendation for count 1 for Mr. Carelli is a fine of \$15,000.

PART IV: RECOMMENDED PENALTIES

- 13. The Regulatory Division of the Bourse and BMONBI propose that:
 - a) BMONBI pay fines totaling \$160,000 CAD for counts 1, 2, 3, 5, 6 and 7;
 - b) BMONBI pay costs totaling \$114,196.54 CAD.
- 14. The Regulatory Division of the Bourse and Mr. Carelli propose that:

- a) Mr. Carelli pay a fine totaling \$15,000 CAD for count 1.
- 15. The sum of \$160,000 CAD in fines plus \$114,196.54 CAD in costs, as set out in paragraph 13 above, totalling \$274,196.54 CAD, will be paid by BMONBI within thirty (30) days of the date of service of the written decision of the Committee imposing it.
- 16. The sum of \$15,000 CAD set out in paragraph 14 above will be paid by Mr. Franco Carelli within thirty (30) days of the date of service of the written decision of the Committee imposing it.

PART V: ANALYSIS

- 17. The case law has consistently held that the responsibility of a Disciplinary Committee of the Bourse or other similar financial market regulator asked to approve the sanctions recommended in an Offer of Settlement is to ensure that the proposed penalties fall within a reasonable range of appropriateness in relation to the offences and relevant circumstances described in the Offer of Settlement, that the proposed sanctions should serve as a deterrent to the respondent(s) and the industry, and that there is nothing in the Offer of Settlement which would be contrary to the public interest or bring the administration of the Rules into disrepute.
 - a) Re G.H. Financials Limited, Disciplinary Committee of the Bourse de Montréal, May 13, 2013 (Circular no. 102-13, para. 8)
 - b) Re Scotia Capital Inc. (May 23, 2018, Circular no. 099-18, page 7, para. 2)
 - c) Re Toh, 2011 IIROC 51 (para. 6, page 2)
 - d) M Partners and Isenberg, 2018 IIROC 25 (paras. 20 and 21)
 - e) Re MacEachren, 2014 IIROC 37 (paras. 6 to 8)
 - f) Re National Bank Financial, 2018 IIROC 9 (para. 9)
 - g) Re RBC Dominion Securities Inc (File EN-DC-17007, June 30, 2020, para. 14)
 - h) Re Crane, 2019 IIROC 14 (para. 37, page 5)
- 18. As stated in Re MacEachren (supra, para. 17e), in doing so, the Disciplinary Committee “must also give serious consideration to the fact that the parties have made a joint submission with respect to the appropriateness of the sanctions”.
- 19. Finally, in arriving at its decision, a Disciplinary Committee must be mindful that its role is not to decide whether it would have arrived at the same agreement as that reached by the parties.
 - a) Re BMO Nesbitt Burns, 2012 IIROC21 (para. 8)
 - b) Re RBC Dominion Securities Inc. (supra, para. 16)

20. The range of appropriateness is determined by the Guidelines, as well as the relevant case law, having regard to the facts of the case. The Guidelines are not meant to be interpreted as exhaustive or determinative but rather indicative of industry expectations and the factors to be considered in fashioning disciplinary sanctions (Gareau, 2011 IIROC 72, and Costa, 2019 IIROC 15).
21. The Guidelines list five underlying principles which should be considered, the following two of which are most relevant to the present case:
 - a) penalties shall be imposed to prevent future offences and maintain a high standard of business conduct, with the aim of protecting the public; and
 - b) penalties shall be specific and proportionate to the facts of the alleged offence.
22. There are a number of disciplinary decisions of self-regulatory bodies which have held that the judgment of the Supreme Court of Canada in *R. vs Anthony-Cook* (2016 S.C.R. 43) applies to joint submissions on sanctions submitted by the parties.
 - a) *Chambre de la sécurité financière vs Marcoux*, 2020 QCCDCSF 20
 - b) *Re Dai*, 2024 CIRO 33
 - c) *Re Cavalaris*, 2017 OCRCVM 37
23. In its said decision, the Supreme Court ruled that a trial judge in a criminal proceeding should not depart from a joint submission on sentence unless the proposed sentence would bring the administration of justice into disrepute or is otherwise contrary to the public interest (*supra*, para. 32).
24. However, the recent contrary decision of a hearing panel of CIRO in *Re Canaccord Genuity Corp.* (2025 CIRO 37) ruled that the public interest test in *R. vs Cook* does not apply to a CIRO proceeding (the relevant rules of which are similar to those of the Bourse) because CIRO rules authorize hearing panels to either accept or reject (but not modify) settlement agreements submitted for their approval, which they are bound to approve if the proposed sanctions fall within the range of reasonableness and appropriateness set by CIRO Sanction Guidelines. Unlike judges in criminal proceedings, CIRO (and the Bourse) hearing panels do not have the power to impose a sanction different from that recommended by the parties.
25. Nevertheless, the hearing panel in *Canaccord* recognized, in para. 37 of its decision, that in most cases the result of applying the two tests would not differ, which the Committee believes is the result of applying the tests in *Cook* and *Canaccord* in this case.
26. The parties herein have demonstrated to the satisfaction of the Disciplinary Committee that the proposed sanctions fall well within the Guidelines and within the range of sanctions imposed in comparable cases (adjusted for inflation) and that they furthermore do not bring the administration of justice into disrepute and are not otherwise contrary to the public interest.

27. Therefore, having carefully analyzed the relevant facts recited in the Joint Submission and the oral submissions of the parties at the hearing, and having weighed all of the aggravating and mitigating factors, the Disciplinary Committee approves the sanctions proposed in the Joint Submission.

FOR THESE REASONS, THE DISCIPLINARY COMMITTEE:

APPROVES the Joint Submission;

ORDERS BMONBI to pay a total fine of \$160,000, plus costs of \$114,196.54, totalling \$274,196.54, the whole within a delay of 30 days following service of the present decision upon it;

ORDERS Franco Carelli to pay a fine of \$15,000 within 30 days of the date of service of the present decision upon him.

Montréal, February 4, 2026

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George R. Hendy

Signé par :

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Elaine C. Phenix

DocuSigned by:

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Yves Ruest

Representing BMO Nesbitt Burns Inc. and Franco Carelli: David A. Hausman and Jonathan Wansbough (Fasken, Toronto)

Representing Bourse de Montréal Inc.: Sophie Perron (IMK)