CIRCULAR 069-26
May 26, 2026

DISCIPLINARY DECISION

RBC DOMINION SECURITIES INC.

The Regulatory Division of Bourse de Montréal Inc. (the "Bourse") filed a disciplinary complaint against RBC Dominion Securities Inc. (the "Respondent"), an Approved Participant at the time of the facts set forth below, alleging violations of the Rules of the Bourse.

The disciplinary complaint against the Respondent stated that:

1. During the period from January 1, 2017, to December 31, 2019, the Respondent contravened paragraph 1) l) of Article 6815 (paragraph (e) of Article 6.208 from January 1, 2019) – "Books and Records of EFRP Transactions" of the Rules of the Bourse by failing to maintain full and complete records and documentary evidence relating to EFRP Transactions or alternatively to provide such records to the Bourse upon its request;

2. During the period from January 1, 2017, to December 31, 2019, the Respondent contravened paragraph 1) k) of Article 6815 (paragraph (d) of Article 6.208 from January 1, 2019) – "Reporting EFRP Transactions" of the Rules of the Bourse by failing to report EFRP Transactions either (i) within one hour upon determination of all the relevant terms of the transaction for each EFRP transaction executed during the trading hours of the applicable futures contract or (ii) no later than 10:00 a.m. (Montréal time) on the Trading Day following execution of each EFRP transaction executed after such trading hours;

3. During the period from January 1, 2017, to December 31, 2019, the Respondent contravened Articles 6380a. and 6380b. (Articles 6.203 and 6.204 from January 1, 2019) – "Prearranged Transactions Prohibited" and – "Exceptions to Prohibition on Prearranged Transactions" of the Rules of the Bourse by contravening to the prohibition to prearrange or execute noncompetitively any transaction on or through the electronic trading system of the Bourse, except pursuant to article 6815 – "Exchange For Related Positions" (Exchange of Futures for Risk pursuant to Article 6.208 from January 1, 2019) of the Rules of the Bourse;

4. During the period from January 1, 2017, to December 31, 2019, the Respondent contravened Article 3011 (Article 3.100 from January 1, 2019) – "Surveillance and Compliance" of the Rules of the Bourse by failing to establish and maintain a system to supervise the activities of each

employee that is reasonably designed to achieve compliance with the requirements of Article 6815 (Article 6.208 from January 1, 2019) and Articles 6380a. and 6380b. (Articles 6.203 and 6.204 from January 1, 2019) of the Rules of the Bourse.

Following a hearing held on October 21, 2025 and March 30, 2026, a Disciplinary Committee duly constituted pursuant to the Rules of the Bourse imposed a fine totalling $500,000, as well as the payment of an additional amount of $110,000 for the related costs.

The Disciplinary Committee's decision is attached.

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

Camila Esteves
Assistant Secretary of the Disciplinary Committee

CANADA
PROVINCE OF QUEBEC
FILE NO. EN-DC-23001

In the matter of:

RBC Dominion Securities Inc., ("**RBCDS**"), an approved participant of the **Bourse de Montréal Inc.** (the "**Bourse**")

Disciplinary Committee: M^e^ Marie-Julie Nicolo, Chair of the Committee
Pierre-Philippe Ste-Marie, Member
Danielle Le May, Member

Counsel of Record: Me Sabia Chicoine, FCA Legal counsel for the Bourse
David Hausman, Fasken counsel for RBCDS
Johnathan Wansbrough, Fasken counsel for RBCDS

JUDGMENT ON SANCTIONS

A. INTRODUCTION

1. The hearing before the Disciplinary Committee (the "**Committee**") took place on October 21, 2025 and March 30, 2026 (the "**Hearing**"), following the Notice of Hearing issued on September 8, 2025.

2. The Committee was tasked to determine appropriate sanctions with regards to the violation of the Rules of the Montreal Exchange (the "**Rules**"), namely under the Sanction Guidelines published by the Bourse on February 21, 2022 (the "**Guidelines**"). This mandate presumed a process focused on reviewing the admissions, denials, pleadings and assessing the evidence as it relates to the facts of the case.

3. References to exhibits herein for the Bourse will be denoted by the acronyms Bourse Exhibit ("BE"), and for the respondent, RBCDS Exhibit ("RE"), followed by the exhibit number.

4. All references to the Rules, unless stated otherwise, use the numbering in effect on January 1, 2019.

Disciplinary Complaint

5. The Regulatory Division of the Bourse (the "**Division**") filed an initial Disciplinary Complaint on January 23, 2023 (the "**Initial Complaint**") (BE-1), to which RBCDS replied on March 13, 2023.

6. The Initial Complaint was amended on October 2, 2024 (the "**Disciplinary Complaint**"), which included a Summary of Facts (BE-2) (the "**Summary of Facts**").

Disciplinary Counts

7. The Disciplinary Complaint sets forth four distinct violations of the Rules:

Counts	Disciplinary Complaint dated October 2, 2024
1	During the period from January 1, 2017, to December 31, 2019, RBCDS contravened paragraph 1) l) of article 6815 (paragraph (e) of article 6.208 from January 1, 2019) – "Books and Records of EFRP Transactions" of the Rules by failing to maintain full and complete records and documentary evidence relating to EFRP Transactions or alternatively to provide such records to the Bourse upon its request;
2	During the period from January 1, 2017, to December 31, 2019, RBCDS contravened paragraph 1) k) of article 6815 (paragraph (d) of article 6.208 from January 1, 2019) – "Reporting EFRP Transactions" of the Rules by failing to report EFRP Transactions either (i) within one hour upon determination of all the relevant terms of the transaction for each EFRP transaction executed during the trading hours of the applicable futures contract or (ii) no later than 10:00 a.m. (Montréal time) on the Trading Day following execution of each EFRP transaction executed after such trading hours;
3	During the period from January 1, 2017, to December 31, 2019, RBCDS contravened articles 6380a. and 6380b. (articles 6.203 and 6.204 from January 1, 2019) – "Prearranged Transactions Prohibited" and – "Exceptions to Prohibition on Prearranged Transactions" by contravening to the prohibition to prearrange or execute noncompetitively any transaction on or through the electronic trading system of the Bourse, except pursuant to article 6815 – "Exchange For Related Positions" (Exchange of Futures for Risk pursuant to Article 6.208);
4	During the period from January 1, 2017, to December 31, 2019, RBCDS contravened article 3011 (article 3.100 from January 1, 2019) – "Surveillance and Compliance" by failing to establish and maintain a system to supervise the activities of each employee that is reasonably designed to achieve compliance with the requirements of article 6815 (article 6.208 from January 1, 2019) and articles 6380a. and 6380b. (articles 6.203 and 6.204 from January 1, 2019) of the Rules.

The whole rendering RBCDS 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.

Summary of Facts

8. On May 13, 2025, RBCDS submitted its updated reply to the counts set out in the Disciplinary Complaint and responded to the allegations of fact in the Summary of Facts (the "**RBCDS Reply**").

9. For the record, in the RBCDS Reply, RBCDS admitted to the following facts alleged in paragraphs 1, 2, 3, 5, 6 and 8 of the Summary of Facts:

Par. 1: The Regulatory Division of the Bourse (the "**Division**") has conducted an investigation regarding RBCDS for the period starting January 1, 2017, and ending December 31, 2019;

Par. 2: During this period, RBCDS was at all times a participant of the Bourse;

Par. 3: Over the course of the investigation, the Division sent two formal Requests for information to RBCDS and interviewed Michael Givens, Director, FICC Compliance, RBC Capital Markets;

Par. 5: For the period covered by the investigation, it was determined that RBCDS reported to the Bourse a total of 3,130 exchange for physical transactions and 287 exchange for risk transactions;

Par. 6: The investigator initially requested information for a sample of 35 EFRP transactions over the investigation period, which was reduced to a sample of 21 transactions following discussions with RBCDS to the effect that the 14 EFRP transactions removed from the sample were executed by other participants and RBCDS was only a party to these transactions;

Par. 8: Furthermore, the investigation included a review of RBCDS's internal surveillance and compliance system;

10. The parties did not submit a joint summary of facts and as such, it became evident during the opening of the Hearing on October 21, 2025, that the factual record was central to determining the appropriate sanctions, as it may substantiate, constrain, or mitigate the allegations set out in the Disciplinary Complaint. In light of this, a case management conference was held on January 27, 2026 to promote an efficient and effective process and to confirm that the Committee's role and mandate remained consistent with its original intent.

11. During the case management conference, RBCDS confirmed, through their counsel, that the four counts of the Disciplinary Complaint were admitted to, together with the Summary of Facts, subject to one specific exception pertaining to a fact. The only fact not admitted was the precise number of occurrences of the violation alleged under Count 3.

12. As discussion between the parties evolved throughout the process, a Joint Submission by the Division and RBCDS dated February 27, 2026 (the "**Joint Submission**") was presented to the Committee and filed as an exhibit by RBCDS counsel during the Hearing.

13. As stated in the Joint Submission, RBCDS confirmed its admission of the remaining facts alleged in paragraphs 4, 7 and 9 of the Summary of Facts, with the exception of the precise number of impugned EFRP transactions:

Par. 4: RBCDS had the opportunity to provide documents, explanations and records over the course of the investigation and did so throughout the investigation;

Par. 7: The investigation revealed that:

a. RBCDS was not able to provide for all 21 EFRP transactions in the sample (i) evidence of the agreement time, (ii) evidence of the transfer of the future side (futures statement) and / or (iii) a copy of the physical ticket clearly indicating the time of execution of the EFRP Transaction;

b. RBCDS reported some EFRP transactions inaccurately as it relates to price, volume and/or agreement time;

c. RBCDS failed to report some EFRP transactions within the prescribed delay;

d. RBCDS has completed and reported transactions that do not comply with the requirements of an EFRP transaction, more specifically by arranging transactions that it qualified as EFRP transactions despite the fact they were arranged amongst multiple buyers and sellers as opposed to one buyer and one seller on each side of the transaction. Indeed, for 9 transactions out of the initial sample of 21 transactions, there were multiple parties on at least one side of the transaction which is contrary to the Rules of the Bourse but also contrary to RBCDS's own definition of an EFRP transaction, as found in its Policies and Procedures Manuals, which explain that there should only be one buyer and one seller on each side of the EFRP transaction. Pursuant to this initial finding, further inquiries were made and the investigation revealed that over the period under investigation, a total of 773 EFRP transactions out of 2 277 transactions considered were found to involve more than one party on at least one side of the transaction;

A table summarizing the specific issues above as they relate to each EFRP transaction reviewed is attached hereto as Schedule A;

Par. 9: With respect to surveillance and compliance, the investigation revealed that:

a. Reviewing phone conversations between traders was not part of RBCDS' T+1 review process to determine the agreement time of the EFRP before June 2018;

b. Trade Tickets Reviews were supposed to be transferred from Surveillance to FICC Advisory Compliance, which failed to be implemented, causing the dismantling of the second line of defense at RBCDS;

c. Quarterly Management Reviews were abandoned around mid-2018 and it was removed from its FICC procedures without explanations.

d. Quarterly Trade Tickets Reviews were discontinued mid-2018, contrary to RBCDS's own procedures manuals, making the manuals inaccurate at least in that respect as of June 2018;

e. There was no training material provided by RBCDS to its employees specific to the Bourse for the period under investigation;

f. T+1 reviews were inexact and did not respect RBCDS's own procedures, making the first line of defense inadequate;

g. Results of quarterly reviews performed between January 2017 and June 2018 were not recorded electronically and were instead performed manually on the tickets, making it difficult to ascertain that the process was in compliance or not with the Rules. Internal or external auditors, among others, were not able to double-check these reviews without performing physical verifications;

h. Quarterly reviews were suddenly discontinued in June 2018, dismantling the cornerstone of RBCDS's second line of defense.

14. As stated in the Joint Submission, RBCDS expressly admits to committing the violation referred to in Count 3 and further acknowledges that the violation occurred on at least 65 verified occasions. The determination of the total number of occurrences is relevant solely for the purpose of assessing the appropriate sanction and to the extent the Committee deems it to be relevant to the determination of the appropriate sanction as they consider the Guidelines.

15. For clarity, RBCDS did not dispute the underlying rule contraventions. Rather, submissions addressed the sanctions sought in respect of the four counts, including the manner in which any monetary penalties should be assessed, whether on a global basis or separately for each count.

16. The parties requested that the Hearing be conducted in English, and accordingly, the decision is issued in the same language.

Mandate Respecting the Determination of Sanctions

17. The Committee is required to determine the appropriate sanction applicable to the four counts in the Disciplinary Complaint, including whether they ought to be imposed globally or on a count-by-count basis. In making this determination, the Committee may consider, to the extent it deems relevant, the number of occurrences of the violations, having regard to the evidence adduced by the parties and their respective pleadings concerning the burden of proof.

B. TESTIMONY

18. The following persons testified at the Hearing:
    a) Mr. Philippe Raymond, Senior Investigator at the Division ("**Raymond**")
    b) Mr. Matthew Shea, Associate Director of Compliance Advisory*at RBCDS ("**Shea**")
    **Mr. Shea was no longer employed by RBCDS on March 30, 2026*

Testimony of the Bourse Witness

19. Raymond outlined his professional experience since 2020, including roles at the Bourse, which ultimately led to his current position as Senior Investigator within the Division. After assuming conduct of the investigation following the departure of the initial lead investigator, Raymond completed the data analysis that uncovered the infractions forming the basis of the Disciplinary Complaint against RBCDS. He confirmed that the Division's investigation covered a three-year period, from January 1, 2017 to December 31, 2019.

20. Raymond explained the nature and rational of exchange for related products ("**EFRP**") transactions, making reference to articles 6380a. and 6380b. of the Rules (articles 6.203 and 6.204 from January 1, 2019) "Prearranged Transactions Prohibited" and "Exceptions to Prohibition on Prearranged Transactions", and the exception pursuant to article 6815 "Exchange For Related Positions" (Exchange of Futures for Risk pursuant to Article 6.208).

21. Noting that Raymond was not called as an expert witness, RBCDS objected to any inference regarding market impact or the risks associated with breaches of EFRP rules being applied to the case at hand. The Chair upheld this objection, and the question was reformulated to ensure that the witness was not offering an opinion on the specific case nor evidence as to the market impact but instead explaining the underlying purpose of the relevant articles as they regulate industry practices.

22. Raymond explained the nature of and rational for timely and accurate reporting as referenced by the obligation stated in paragraph 1) k) of article 6815 (paragraph (d) of article 6.208 from January 1, 2019) "Reporting EFRP Transactions" of the Rules by failing to report EFRP Transactions either (i) within one hour upon determination of all the relevant terms of the transaction for each EFRP transaction executed during the trading hours of the applicable futures contract or (ii) no later than 10:00 a.m. (Montréal time) on the Trading Day following execution of each EFRP transaction executed after such trading hours.

23. Raymond also explained that the obligation to maintain full and complete records and documentary evidence relating to EFRP transactions is stated in paragraph 1) l) of article 6815 (paragraph (e) of article 6.208 from January 1, 2019) "Books and Records of EFRP Transactions" of the Rules, which state that participants must provide complete documentary records of each EFRP transaction to the Bourse upon its request, namely for audit trail purposes.

24. Raymond explained that article 3011 (article 3.100 from January 1, 2019) "Surveillance and Compliance" requires firms to maintain supervisory systems reasonably designed to ensure employee compliance with article 6815 (article 6.208 from January 1, 2019) and articles 6380a. and 6380b. (articles 6.203 and 6.204 from January 1, 2019) of the Rules.

25. From the Bourse's perspective, EFRP transactions must comply with the Rules and be conducted fairly and transparently. Raymond emphasized that breaches of the Rules, whether through late or inaccurate reporting, undermine market integrity and credibility, as other market participants rely on published information when making trading decisions.

26. Raymond testified that leading up to the Initial Complaint in January 2019, an examination of a limited sample of 2018 EFRP transactions identified audit trail deficiencies, specifically missing documentary records. These findings were escalated, and a formal investigation was initiated in September 2019.

27. The Bourse counsel sought to place the Division's suspicions of wash trade violations in context by referring to proceedings involving RBC Capital Markets, LLC before the Commodity Futures Trading Commission (CFTC Docket No. 19-47). The Chair, however, found that the proposed comparison was unsubstantiated and potentially prejudicial, and therefore declined to draw any inference from it and directed the Committee members to do the same.

28. Raymond described the investigative methodology, including a sampling approach that initially identified **35** impugned transactions. Following discussions with RBCDS's Chief Compliance Officer, several transactions were justified, and a Request for Information ("**RFI**") ensued for the remaining **21** EFRP transactions. Referring to the summary table in Schedule A to the Summary of Facts (BE-2), Raymond testified that the documentation relating to those transactions was either missing, incomplete, or inaccurate, and therefore insufficient to permit conclusive findings for **14** of those EFRP transactions. For greater certainty, RBCDS counsel confirmed that the facts relating to the initial sample analyzed are not contested.

29. Raymond provided a general overview of the investigative processes and procedures, noting that the purpose of the investigation was to determine whether any rules had been breached. He testified that in the course of the investigation the Division requested information from RBCDS, analyzed data submitted by the participant, reviewed internally available data, and interviewed Michael Givens, Director of FICC Compliance at RBC Capital Markets. Raymond explained that latitude was granted to RBCDS because RFIs were issued during the COVID-19 pandemic, and as a result RBCDS had restricted access to the trading floor and off-site records.

30. Raymond explained that the audit trail must demonstrate the bilateral, one-on-one nature of an EFRP transaction and ultimately identify the beneficial owner, noting that such transactions may be executed through different account numbers which could cause false positive infractions if proper records are not submitted because the Bourse does not have direct access to the account owners through the account numbers. Raymond provided several examples to illustrate that the Bourse does not have direct access to the underlying documentation required to substantiate an EFRP transaction, and that such records are, or should be, maintained by RBCDS in accordance with the Rules and submitted upon request by the Bourse. These records include, among other things, cash statements evidencing the cash leg of the transaction, futures statements showing transfers between accounts, Bloomberg chats, telephone call records, negotiation records, and physical trade tickets (unless generated electronically). Collectively, this documentation establishes the relevant accounts, counterparties, prices, volumes, and timestamps associated with the EFRP transaction.

31. Raymond testified that RBCDS was given multiple opportunities to provide the required information but failed to do so.

32. Given that the initial sample was indicative of widespread issues, and based on comparisons with relevant market statistics, the enforcement arm of the Division determined that it was necessary to expand the scope of the analysis to assess whether the conduct was isolated or indicative of a broader business practice at RBCDS.

33. Moreover, Raymond indicated that in 2017, RBCDS executed 25% of all EFRP transactions on the Bourse's market. In 2018, it was the largest EFRP participant, with a market share of 37%, before declining to third place in 2019, when it represented 14% of the market. Given RBCDS's significant presence in the marketplace, the Division sought to determine whether the identified issues were isolated or systemic, as any widespread deficiencies could affect the transparency and fairness of the market.

34. Raymond referred to the summary table titled *RBCDS's EFRPs with multiple counterparties* (BE-14 Summary). The sample analysis was increased, and the findings led to **773** EFRP transactions with multiple counterparties over the same three-year period (raw data compiled in Schedule A to the Summary of Facts (BE-2)). He confirmed that **749** EFRP transactions were selected for further audit (BE-14 Full List), as **24** were determined to be false positives (BE-14 Fully GiveUps).

35. The 773 EFRP transactions were compiled in a spreadsheet (Master BE-14) for further analysis. Raymond gave an overview of the master spreadsheet composition and column data, such as reference, sequence, clearing, firm ID numbers, date, time, buy/sell counterparty, account number/type, buy/sell order, clearing type, type volume, original/allocation volume, price and status (one buyer/seller, multiple counterparties), CDCC/class symbol, clearing status, trade number, etc.

36. Raymond testified that the master spreadsheet was compiled using the Bourse's internal data and related assumptions, as RBCDS did not provide sufficient information to permit an assessment of the underlying counterparties. He cited examples of reporting irregularities, noting discrepancies in transaction volumes (*one example cited as sequence number 1 / reference number 20170103-EFP-3*). He explained that such discrepancies could plausibly be attributed to RBCDS's internal transaction flows and the administrative bundling of trades.

37. Lastly, Raymond testified that he did not have information regarding the revenues earned by RBCDS, confirming that the Division did not request such information. Although the Bourse tendered a table estimating the fees charged by RBCDS for EFRP transactions involving multiple buyers and/or sellers (BE-15), Raymond was unable to link those estimates to the transactions at stake or to determine whether RBCDS derived any economic advantage from bundling linked transactions, despite its significant market share between 2017 and 2019.

Testimony of RBCDS Witness

38. Shea outlined his extensive professional experience in the investment markets, specifically in trade surveillance and derivatives compliance, acquired since 2011 through roles at four major financial institutions. He was employed by RBCDS as Director, Compliance Advisory beginning in October 2024, occupied this position on the first day of the Hearing on

October 21, 2025, but was no longer employed by RBCDS by the second day of the Hearing on March 30, 2026.

39. Shea provided a brief description of EFRP transactions, exchange for risks and exchange for physical transactions, summarizing Exchange for Products (EFP) as exchanging government bond exposure (physical) for the listed MX futures exposure and Exchange for Risk (EFR) as exchanging related products through a correlation of over 0.90 for the listed MX futures exposure. He also explained that the EFRP transactions are reported to the MX portal which includes key details, such as handshake times, the quantity of the futures contracts, the notional value of the bond and correlation matrix.

40. For the benefit of the Committee's better understanding, Shea explained the reporting dynamics, such as one-to-one counterparty, multiparty or multileg, highlighting the notion of beneficial ownership.

41. Shea was asked to review the Disciplinary Complaint, with particular reference to the raw data in Schedule A to the Summary of Facts (BE-2) identifying 773 EFRP transactions involving multiple counterparties. He carried out an independent sampling analysis and reviewed historical MX data, including end-of-day trade files, relating to a selection, but not all, of the impugned transactions. These files detail daily executions, filled trades, and transactions allocated between member firms and external participants. Shea explained that this data is generated daily by MX operations and disseminated internally by RBCDS operations to relevant supervisory and surveillance functions. Using this data, together with information reported on the MX portal and Bloomberg chats, as available, Shea cross-checked reported transactions to identify end-user accounts, record handshake timing and assess whether multiparty transactions had occurred, noting that the granularity of the Bloomberg chats were particularly relevant in confirming or refuting multiparty execution.

42. Shea described a common scenario in which Bloomberg communications reflected a one-to-one transaction negotiation, followed by a trader allocating the transaction across multiple accounts within the same member firm, resulting in a false positive. He also cited another scenario where a one-to-one allocation was initially recorded in reverse and later corrected through an offsetting entry, which similarly gave rise to the appearance of a multiparty transaction.

43. Based on his sampling and analysis, Shea concluded that potentially **50%** of the 773 EFRP transactions could represent false positives.

44. To substantiate his findings Shea prepared a written summary titled *Evidentiary Scenarios Highlighting Inaccuracies and Misinterpretations within the Montréal Exchange Regulatory Division's Conclusions Regarding Instances of Multiple Counterparties in EFRP Transactions*. RBCDS sought to tender the document as an exhibit; however, counsel for the Bourse objected on the basis that it constituted an expert report, given that it reviewed specific EFRP transactions and set out evaluative findings and opinions. The document was subsequently withdrawn prior to the second day of the Hearing held March 30, 2026 and was replaced with an alternate summary prepared by Shea.

Beneficial Ownership

45. During his testimony, Shea confirmed the parties shared understanding, as reflected in the Joint Submission, that the EFRP transactions were one-to-one transactions with regards to beneficial ownership.

46. In the Joint Submission, the parties agree that an EFRP transaction must have one party on each side of the transaction as per the Rules. In the most common scenario, the seller sells and the buyer buys through one account respectively on each side of the transaction. A disparity can arise from the fact that it is not impossible for a party to trade through multiple accounts. For instance, a given seller may hold its position through different accounts with RBCDS. It is further possible, that both parties, on each side of a transaction, trade through multiple accounts. For instance, a given seller could sell through multiple accounts to a given buyer who could buy through multiple accounts. In this example, there are only two beneficial owners for multiple accounts, i.e. the seller and buyer.

47. The Bourse and RBCDS agree that theoretically, if all the accounts on one side of the transaction are held by the same beneficial owner, under the same control, then for purposes of Article 6.208 of the Rules, this counterparty counts as one counterparty even if it is trading through more than one account.

48. The Bourse, through its systems, sees whether an EFRP transaction was submitted through one account or through multiple accounts on each side of the transaction but does not have in its own system the information identifying to whom these accounts belong to.

49. The parties agree that, as per paragraph 6.208 (iv) of the Rules, the accounts involved on each side of an EFRP must:

    (1) have different beneficial ownership;
    (2) have the same beneficial ownership, but are under separate control; or
    (3) have accounts that are commonly controlled but involve separate legal entities which may or may not have the same beneficial ownership.

50. Paragraph 6.208 (iv) of the Rules assumes the most common scenario of counterparty A and counterparty B trading respectively through one account only. However, the principles of paragraph 6.208 (iv) of the Rules, also apply regardless of whether the counterparties trade through one or multiple accounts, as long as they are the beneficial owners of such accounts.

51. The beneficial ownership of the account is not information that is readily available to the Bourse but only to the participant, in this case RBCDS.

Bundling Trades

52. Shea explained that in the context of this case, the use of the terms “bundled the EFRP” or “multiparty EFRP bundling” would involve appending a number of individual transactions together for reporting purpose, assumingly bundled as an administrative convenience.

53. As such, the parties agree, as stated in the Joint Submission, that the term “bundled trade” is used as a colloquial expression to refer to the aggregation of separate trades. The parties agree that the Rules do not allow the reporting of distinct EFRP transactions (one

counterparty to one counterparty trade for the same quantity and price) as a “bundle” (adding together the quantity and price of multiple one party to one party trades).

54. Shea confirmed during his testimony on the first day of the Hearing that RBCDS ceased bundling multiparty EFR and EFP transactions in or around 2020, following the initiation of the Bourse’s investigation, and acknowledged that this change predated his employment with RBCDS. He further clarified that while RBCDS continues to transact in EFRPs, it now does so only on a one-to-one basis.

55. Shea presented an Excel chart, listed in the Respondent’s Book of Exhibits as Summary Table (RE-A) and filed on record with the other items referenced (RE-1 to 20). Shea testified that he personally reviewed a sample of 132 EFRP transactions, randomly selected, representing approximately 15-20% of the 773 EFRP transactions set out in Schedule A to the Summary of Facts (BE 2), and explained that his review was limited by capacity and time constraints.

56. On cross-examination, counsel for the Bourse noted that 24 transactions had been removed (BE-14 Fully GiveUps) from the initial list of 773 EFRP transactions after being identified as false positives, following Raymond’s testimony that RBCDS had likely entirely given them up to other participants and was not responsible for their recordkeeping. The MX generated numbers are cross-referenced in both the Bourse and RBCDS tables (examples singled out: 20170504-EFP-19, 20180827-EFR-1, 20180827-EFR-2, 20181204-EFP-8 and 20181217-EFP-1). Shea explained that he worked from the full list of 773 transactions, instead of the reduced list of 749 transactions, as his review focused on whether the transactions were multiparty or not, rather than on the availability of transaction documentation.

57. Shea reviewed MX generated data files, specifically the MX Trade Management System (TMS) Data, correlation matrices, and Special Terms Transaction Reporting Form (STTRF) Files. When questioned about identifying beneficial ownership, Shea explained that conclusions could be drawn from the MX data where the account methodology was readily intuitive. He confirmed that where the methodology was not intuitive, Bloomberg chat communications would need to be reviewed for further insight, noting that this information could be obtained through a formal RFI if required by the Bourse, although he does not recall the Bourse making such a request. When pressed by the Bourse counsel, Shea confirmed that the TMS Data file does not expressly identify the beneficial owner.

58. Counsel for RBCDS objected to the line of questioning pursued by the Bourse counsel concerning the obligations set out in Article 6.208 (e) - “Books and Records of EFRP Transactions”, noting that Count 2 had been admitted. Nonetheless, as reflected in his Summary Table (RE-A), Shea confirmed that he did not review all chat communications or other documentation, as he considered that this was outside the scope of his review. In addition, he confirmed that he did not look at the Legal Entity Identifiers (LEIs), as audit-trail considerations were not a focus of his review. Shea reiterated that his analysis was limited to assessing whether the transactions were multiparty and indicative of manipulative intent, rather than operational issues such as documentation completeness.

59. Once again, in response to questioning by Bourse counsel, Shea confirmed that he drew what he regarded as reasonable inferences from MX data in circumstances where the account methodology appeared readily intuitive for the purpose of assessing whether the EFRP transactions were multiparty or not. The Committee notes that, while Shea’s extensive experience and practical perspective informed his analysis, he was not

presented as an expert witness. His evidence is therefore considered in the context of fact testimony, and the record indicates that certain conclusions arising from his analysis were not ultimately supported.

60. When questioned about the timely reporting standalone transactions versus multiple transactions reported together, Shea stated that for special-terms transactions posted within a 60-minute window, the information is already stale by the time it is posted.

61. Shea explained that the revenue model for EFRP transactions is not limited to a flat fee, contrary to the Bourse's assertion in its table estimating the fees charged by RBCDS for EFRP transactions involving multiple buyers and/or sellers (BE-15). He stated that a granular review would be necessary, as fees vary depending on the execution and clearing silos involved. Shea also referenced a ballpark estimated amount provided by the RBCDS desk and traders, also suggesting that the pricing may function as a loss leader within the context of a broader client relationship. In response to a question from a Committee member, Shea asserted that the EFRP transactions referenced in his summary analysis were executed at mid-market. The chat records (RE-1 to RE-20), however, are not entirely consistent with mid-market execution and instead suggest that a number of transactions were executed at the prevailing bid or offer. To conclude, Shea confirmed that he did not review revenue statements or fee structures for the EFRP transactions, assess their profitability, or determine whether RBCDS acted as agent or principal.

C. PRINCIPLES FOR THE DETERMINATION OF SANCTIONS BY THE COMMITTEE

62. As a recognized regulated entity and a published market within the meaning of the *Derivatives Act*, RLRQ c. I-14.01 (the "**Derivatives Act**"), the Bourse is subject to the obligations set out in sections 40 et seq. of the *Derivatives Act*. The *Derivatives Act* seeks to foster honest, fair, efficient and transparent derivatives markets and to protect the public from unfair, improper or fraudulent practices and market manipulation, while ensuring that market participants and their clients have access to adequate, true and clear information. The Bourse Rules derive their legal authority from the Derivatives Act and give concrete effect to these statutory objectives through a delegated self-regulatory regime, under which the Bourse is mandated to supervise conduct and enforce compliance within its jurisdiction.

63. As a general rule, transactions must be executed on the market. However, market participants may seek to exchange a market instrument for an equivalent off-exchange risk or product. Such transactions are permitted only if they fall within a recognized exception. In this case, the relevant exception is set out in Rule 6.208, which defines the conditions under which an EFRP transaction may be conducted off-market. Because these transactions do not occur on the market, timely reporting is essential to ensure transparency and allow the market to adjust its assessment accordingly. Participants must maintain adequate records to demonstrate compliance with the applicable exception. In addition, the Division must be able to audit these transactions to monitor compliance with the Rules, and participants are required to implement appropriate internal monitoring and supervisory controls.

64. As the applicable rules implement distinct regulatory objectives, the four counts set out in the Disciplinary Complaint constitute separate and independent violations. Consistent with the regulatory framework described above, the Committee will assess each count individually, having regard to the Guidelines and, where applicable, relevant case law.

Although the Guidelines generally favour the imposition of a separate sanction for each violation, the Committee retains the discretion, in appropriate circumstances, to impose a global sanction instead.

65. The identification of the relevant factors in a given case, and the assessment of the weight to be accorded to each, lie at the core of the Committee's mandate and discretionary authority. This exercise must be informed by the scope and seriousness of the misconduct, viewed in light of the objectives of deterrence, proportionality, and the protection of the public.

66. While sanctions are not intended to be punitive, any fine imposed must be set at a level that achieves a meaningful deterrent effect in furtherance of the protection of the public. To that end, a sanction must be both sufficient and proportionate to the seriousness of the misconduct. As articulated in the first principle of the Guidelines, a sanction must exceed the cost of non-compliance. It follows that, to operate as an effective deterrent, a sanction should not be less than the profit derived from the misconduct.

67. In the present case, however, the evidentiary record does not permit a reliable determination of the profit, if any, generated by the misconduct. Neither party provided the Committee with the necessary factual foundation to quantify such profit. In these circumstances, the Committee must exercise its discretion by determining an appropriate sanction based on the seriousness of the violations, the objectives of deterrence and public protection, and the totality of the evidence before it, rather than on a quantified measure of financial gain.

68. Sanctions must also escalate for repeat offenders, as the recurrence of similar misconduct indicates that prior sanctions failed to achieve their deterrent purpose. In assessing repeat offences, consideration should be given both to whether the new misconduct reflects indifference to compliance with the Rules and to the time elapsed since the prior sanction, with greater temporal distance reducing its influence on the sanction to be imposed.

69. The Committee's determination of the applicable sanctions is made in accordance with paragraph 4.400(a) of the Rules, which provides as follows:

> Upon finding a Respondent guilty of one or more offences, the Disciplinary Committee may, with respect to each offence, impose any one or more of the following sanctions or Rulings:
>
> (i) a reprimand;
>
> (ii) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the offence;
>
> (iii) a fine not exceeding the greatest of (a) $5,000,000, (b) four times the profit realized, or (c) four times the amounts invested in the transaction or series of transactions;
>
> (iv) suspension or revocation of the Respondent's rights or privileges as an Approved Participant or Approved Person for such period and upon such conditions, including conditions of reinstatement, as the Disciplinary Committee may determine;
>
> (v) a prohibition on obtaining or surrendering any approval required under these Rules for the time and upon such conditions determined by the Disciplinary Committee, including the conditions for the release of such a prohibition. The Disciplinary Committee may also impose such a prohibition on any affiliated corporations or subsidiaries of the Respondent;
>
> (vi) revocation of the Respondent's Bourse Approval as an Approved Participant;

(vii) making restitution to any Person who has suffered a loss as a result of the Respondent's acts or omissions;

(viii) appointment of a monitor to exercise powers granted by the Disciplinary Committee, which may include monitoring an Approved Participant's business and affairs;

(ix) an obligation, for an Approved Person, to take one or more courses or to receive any other training or education deemed appropriate; or

(x) reimbursement in whole or in part of the costs and expenses (including professional fees) paid or incurred by the Bourse in connection with the Disciplinary Complaint and the matters out of which it arose including all investigations, hearings, appeals and other proceedings before or after the Disciplinary Complaint."

70. Case law is relevant to the Committee's consideration of this factor insofar as it may provide contextual insight into RBCDS's prior conduct and regulatory history. However, disciplinary decisions do not bind the Committee. There is no doctrine of *stare decisis* applicable in this context, and prior decisions are, at most, persuasive. The Committee is neither required nor compelled to follow them. Its mandate requires that each matter be assessed on its own merits, based on the evidence adduced and the applicable Rules and Guidelines. In the present case, no sufficiently similar decisions were identified that would constitute a meaningful precedent.

71. That said, prior disciplinary decisions may nonetheless offer useful guidance regarding the interpretation and application of sanctioning principles. Such case law may inform the Committee's analysis by illustrating how relevant factors have previously been weighed in support of sanctions that are fair, proportionate, consistent with established regulatory standards, and effective in furthering their deterrent and protective purposes. Ultimately, however, the Committee's determination rests on its independent assessment of the facts before it and the regulatory objectives engaged in this matter.

D. ANALYSIS

Count 1 - Books and Records of EFRP Transactions

72. The Disciplinary Complaint sets forth the first violation of the Rules admitted by RBCDS:

During the period from January 1, 2017, to December 31, 2019, RBCDS contravened paragraph 1) l) of article 6815 (paragraph (e) of article 6.208 from January 1, 2019) – "Books and Records of EFRP Transactions" of the Rules by failing to maintain full and complete records and documentary evidence relating to EFRP Transactions or alternatively to provide such records to the Bourse upon its request;

73. Paragraph (e) of article 6.208 of the Rules reads as follows:

(e) Books and records of EFRP Transactions. Each party to an EFRP Transaction must maintain full and complete records and documentary evidence relating to the EFRP, including but not limited to all records relating to the purchase or sale of the cash market or OTC derivative component of the Transaction and to any transfer of funds or ownership made in connection with such Transaction. Such records include, but are not limited to, documentation customarily generated in accordance with market practice, such as cash account statements, Trade confirmation statements, ISDA® Master Agreements or other documents of title; third party documentation supporting proof of payment or transfer of title, such as canceled checks, bank statements; cash account statements and cash instruments Clearing Corporation documents. In addition, Futures Contracts order tickets (which must clearly indicate the time of execution of the EFRP Transaction) must be maintained. If the price at which the EFRP Transaction is arranged is not within the prevailing market prices at the time of the Transaction, such records must demonstrate that the price is reasonable. Records related to

the Transaction must be provided to the Bourse upon request and it is the responsibility of the Approved Participant to obtain and provide on a timely basis records of their clients as requested by the Bourse.

74. Paragraph (f) of article 6.208 of the Rules reads as follows:

    The Approved Participant must achieve compliance with the Regulations of the Bourse and all other applicable legal and regulatory requirements with respect to the execution of an EFRP Transaction under this Article.

75. The obligations set out in paragraphs (e) and (f) of Rule 6.208 are clear and unambiguous. The onus is on RBCDS to maintain documentary evidence relating to EFRP transactions and to produce such evidence upon request. In favouring a plain meaning interpretation, the Committee is mindful of the policy choices and implications associated with the obligation. The Committee refrains from giving an alternate interpretation of the wording "*Records related to the Transaction must be provided to the Bourse upon request and it is the responsibility of the Approved Participant to obtain and provide on a timely basis records of their clients as requested by the Bourse.*" Furthermore, this ordinary meaning interpretation is consistent with the fundamental principles of derivatives law, in particular, section 43 of the *Derivatives Act* clearly mandates that a published market must implement monitoring and investigative mechanisms, as well as disciplinary procedures, designed to ensure adequate pre- and post-trade transparency.

76. On the basis of the testimonies of Raymond and Shea, RBCDS did not maintain full and complete records and documentary evidence relating to EFRP transactions, or alternatively, failed to provide such records to the Bourse upon request.

77. RBCDS provided no justification for the failure and did not suggest that it was excused. It simply pointed to factors that allegedly impaired its ability to respond to the Bourse, including time constraints, limited resources, labour-intensive processes, personnel departures, management changes, and the passage of time.

78. The Committee considered this conduct to be symptomatic of a compliance culture that, from January 1, 2017, to December 31, 2019, prioritized administrative convenience over adherence to the Rules.

Count 2 – Reporting EFRP Transactions

79. The Disciplinary Complaint sets forth the second violation of the Rules admitted by RBCDS:

    During the period from January 1, 2017, to December 31, 2019, RBCDS contravened paragraph 1) k) of article 6815 (paragraph (d) of article 6.208 from January 1, 2019) – "Reporting EFRP Transactions" of the Rules by failing to report EFRP Transactions either (i) within one hour upon determination of all the relevant terms of the transaction for each EFRP transaction executed during the trading hours of the applicable futures contract or (ii) no later than 10:00 a.m. (Montréal time) on the Trading Day following execution of each EFRP transaction executed after such trading hours;

80. Paragraph (d) of article 6.208 of the Rules:

    Reporting EFRP Transactions. Approved Participants for both the seller and buyer must report within one hour upon determination of all the relevant terms of the Transaction to the Market Operations Department on the Special Terms Transaction Reporting Form available at http://sttrf-frots.m-x.ca/, or by any other means made available by an external user accepted by the Bourse (as published on the website of the Bourse), each EFRP

Transaction executed during the trading hours of the applicable Futures Contract. For those EFRP Transactions executed after such trading hours, the Transaction shall be reported to the Bourse no later than 10:00 a.m. (Montréal time) on the Trading Day following execution. The Market Operations Department will validate the details of the report before accepting the Transaction (which is not a confirmation by the Bourse that the EFRP Transaction has been effected in accordance with this Article).

81. Count 1 and Count 2 are two distinct violations, with different aims and purposes.

82. RBCDS provided no justification for the failure in Count 2 and did not suggest that it should be excused. RBCDS simply pointed to, through the testimony of Shea, that here is no value as the information is stale 60 minutes later and RBCDS counsel expressed that there is no reason or motive for RBCDS to delay entering an order for an EFRP transaction once the relevant terms have been agreed.

83. The Committee considers that, in the circumstances of this case, the number of violations is not determinative. Rather, it is indicative of a compliance culture that, during the period from January 1, 2017 to December 31, 2019, placed greater emphasis on administrative efficiency than on strict adherence to the Rules.

Count 3 – Prearranged Transactions Prohibited" and "Exceptions to Prohibition on Prearranged Transactions"

84. The Disciplinary Complaint sets forth the third violation of the Rules admitted by RBCDS:

    During the period from January 1, 2017, to December 31, 2019, RBCDS contravened articles 6380a. and 6380b. (articles 6.203 and 6.204 from January 1, 2019) – "Prearranged Transactions Prohibited" and – "Exceptions to Prohibition on Prearranged Transactions" by contravening to the prohibition to prearrange or execute noncompetitively any transaction on or through the electronic trading system of the Bourse, except pursuant to article 6815 – "Exchange For Related Positions" (Exchange of Futures for Risk pursuant to Article 6.208);

85. Articles 6.203 and 6.204 of the Rules:

    Article 6.203 Prearranged Transactions Prohibited
    No Person shall prearrange or execute noncompetitively any Transaction on or through the Electronic Trading System, except as permitted by, and in accordance with, the procedures of Article 6.204.

    Article 6.204 Exceptions to Prohibition on Prearranged Transactions
    The prohibition in Article 6.203 shall not apply to prearranged Transactions pursuant to Article 6.205; block Trades pursuant to Article 6.206; riskless basis cross Trades pursuant to Article 6.207; riskless Transactions on options pursuant to Article 6.207A; exchange of Futures for risk pursuant to Article 6.208; and off-exchange transfers under Article 6.200; provided however, no Transaction under any of the exceptions included in this Article may be executed using a hidden volume functionality.

86. Although the Bourse and RBCDS agree on the nature and extent of the technical violation alleged in Count 3, as set out in the Joint Submission, RBCDS does not accept the Bourse's allegation of 749 occurrences. RBCDS has instead acknowledged that the violation occurred on 65 verified occasions and based on Shea sample review, the number of non-compliant EFRP transactions is no more than 375. Whether the number of non-compliant EFR/EFP transactions exceeds 65 could only follow a determination whether the Division or RBCDS bears the onus of proof.

87. The question of the number of occurrences is relevant only to the determination of the sanction given that the violation is already admitted to by RBCDS.

Burden of Proof

88. On one hand, the Bourse submits that given the responsibility under Rule 6.208 resting with RBCDS to achieve compliance with that Rule and to maintain records to establish that compliance, it is RBCDS's burden to show that it did indeed comply with that Rule with respect to the 749 EFRP transactions put in question by the Bourse. On the other hand, RBCDS submits that the evidentiary and persuasive burden must rest with the Division to prove the 749 EFRP violations.

89. The Bourse's position is that paragraphs 6.208 (e) and (f) of the Rules put the burden of proving the beneficial ownership of these accounts onto RBCDS since these provisions state that it is the responsibility of the Approved Participant to achieve compliance with the Regulations of the Bourse with respect to the execution of an EFRP transaction, and to provide full and complete records and documentary evidence relating to EFRP to the Bourse upon request. Therefore, the Bourse submits that it is RBCDS's responsibility to ensure that it abides by the Rules when submitting these EFRP transactions and that it is able to provide records attesting to its compliance. Moreover, the Bourse submits that such demonstration should have been done before the Hearing. This, the Bourse argues, is also consistent with the fact that an EFRP transaction in accordance with Article 6.208 of the Rules is an accepted exception to the general principles laid out in Articles 6.203 and 6.204 of the Rules.

90. The Committee finds that the obligations set out in paragraphs 6.208 (e) and (f) of the Rules are clear and unambiguous. Applying settled principles of interpretation, the Committee declines to ascribe an alternate meaning to language that is plain on its face. RBCDS's evidentiary position, which is premised on such an alternate interpretation, is therefore unsupported.

91. In any event, even if the Committee were to accept RBCDS's interpretive position, the outcome would not change. The Bourse presented sufficient circumstantial evidence to shift the burden to RBCDS to establish compliance. The testimonies of Raymond and Shea confirmed that only RBCDS is in possession of the information capable of demonstrating the specific circumstances that might conclusively establish that, notwithstanding the involvement of multiple accounts, each transaction involved only one buyer and one seller. In the absence of the documentation required by article 6.208 (e) of the Rules, RBCDS has failed to demonstrate compliance with Rule 6.208 in respect of the 749 impugned transactions.

92. Shea's summary analysis went no further than casting doubt on the conclusiveness of all 773 alleged violations; it did not establish compliance for a material portion of those transactions. Shea acknowledged that his review did not consider audit-trail requirements and relied at times on professional experience rather than documentary evidence. Accordingly, his analysis is insufficient to rebut the Bourse's evidence or to discharge RBCDS' obligation to establish compliance by providing the requested information.

Procedural Grounds for Denial

93. The Bourse counsel argued that, under paragraphs (a) and (b) of article 4.203 of the Rules, the Committee may accept as proven any alleged fact that is neither expressly

admitted nor expressly denied, or that is denied without sufficiently detailed grounds, including where the denial is unsupported by adequate particulars. However, the Committee cannot accept as proven the existence of 749 impugned transactions where Shea's summary analysis calls the reliability of that figure into question. It is not the Committee's role to speculate or infer a precise number from incomplete or inconclusive evidence. Procedural fairness requires that findings be grounded in the evidentiary record, and not derived from inference or conjecture, particularly where the finding has consequences for liability or sanction.

Timing of Production

94. Raymond testified that, in the ordinary course, once an investigation is closed, the file is transferred to the enforcement arm of the Division. At that stage, additional verifications may be conducted, including requests for information. It was in this context that the verification regarding the 773 EFRP transactions was carried out, all within the same three-year audit period.

95. With respect to the timing of the demonstration concerning the 749 EFRP transactions challenged by the Bourse, RBCDS submitted that this allegation was introduced only in the amended Disciplinary Complaint, at a point when the investigation had already concluded. RBCDS counsel therefore argued that it was entitled to present its evidence at the hearing rather than during the investigation, notwithstanding paragraphs 6.208 (e) and (f) of the Rules. By contrast, the Bourse submitted that RBCDS's failure to present this evidence prior to the hearing precluded it from contesting the allegation at that stage.

96. By way of contextual background, the testimonies of both Raymond and Shea indicated that communications between RBCDS and the Division were, in certain respects, challenging. Their testimonies suggest that, while additional information relating to post-investigation transactions may have been requested informally throughout their dealings, the Bourse did not issue a formal RFI in that regard. While this distinction may be viewed as one of form rather than substance - and was not an issue upon which the Committee was seized to adjudicate - considered as a whole, the record reflects a level of communication that did not attain the degree of cooperation generally expected in matters concerning market integrity and the public interest.

97. In any event, the Committee deemed this issue as moot, as RBCDS did not present or file transaction-specific evidence addressing each of the 749 EFRP transactions. Instead, it filed available information on its sampling set (BE-1 to BE-20) for the limited purpose of disputing the number of transactions alleged to be impugned in Count 3.

Case Timeline

98. The mere passage of time does not diminish the seriousness of a violation nor relieve the obligation arising from it. While it is acknowledged that an unreasonable delay may, in certain circumstances, impair the administration of justice, this does not displace the settled legal principle that the obligation to address a violation subsists notwithstanding the passage of time. In the present matter, the Committee understands that the information sought by the Bourse was, at least in part, available, as reflected in Shea's summary analysis. The Committee's mandate is clearly circumscribed. It neither includes nor permits a determination of the precise number of impugned EFRP transactions, a matter that falls exclusively within the Bourse's investigative, enforcement, and regulatory authority.

Profitability of the Trades

99. In assessing the appropriate sanction, the Committee therefore accords little weight to the precise number of impugned transactions. This is particularly so given that RBCDS did not review the applicable trade fees or commissions and did not provide any estimate supported by records or other factual evidence. While the Bourse advanced a proposed methodology to quantify profitability, that approach was not grounded in evidence, nor was it supported by a determination as to whether RBCDS acted as agent or principal in the relevant EFRP transactions. In these circumstances, the absence of reliable, evidentiary support limits the usefulness of transaction counts or profit estimates in determining sanctions.

Natural Justice

100. RBCDS counsel contended that the Bourse's requests for information were disproportionately burdensome and unfair, therefore amounting to a breach of natural justice. This Hearing, however, is confined to the determination of appropriate sanctions and does not entail a review of the Bourse's investigative or enforcement processes, nor of its authority over Approved Participants.

101. Against that backdrop, the evidence establishes that the investigation initially examined 21 EFRP transactions and was subsequently expanded, through sampling conducted by the Bourse's enforcement division, to 773 EFRP transactions. In light of deficiencies identified in the initial sampling, and having regard to relevant market statistics, the expansion of the review fell within the Division's purview and discretion to assess whether the issues were isolated or indicative of a broader business practice at RBCDS. Construing the Bourse's authority as constrained by a civil-style burden of proof would unduly restrict its ability to conduct an effective regulatory assessment.

102. Notwithstanding whether a formal RFI was issued at each stage of the expansion, RBCDS remained subject to its ongoing obligation under the Rules to respond fully and promptly to regulatory inquiries. The evidence established that documentation for 14 transactions in the initial sample was missing, incomplete, or inaccurate, preventing conclusive findings. RBCDS did not contest the facts relating to that initial sample, which ultimately resulted in confirmed violations in respect of 65 EFRP transactions in the Joint Submission.

103. RBCDS's contention that the absence of a formal RFI or the expansion of the Division's sampling constitutes a breach of natural justice is not persuasive. While administrative fairness requires notice of the case to be met and an opportunity to respond, it does not absolve an Approved Participant from compliance with express regulatory obligations, nor does it excuse deficiencies resulting from a failure to allocate adequate resources to regulatory compliance.

104. While principles of natural justice apply, the Bourse operates within a contractual regulatory framework voluntarily accepted by Approved Participants, including RBCDS. The Rules, developed in conjunction with market participants, serve a clear regulatory purpose. Having admitted the contraventions, RBCDS cannot now challenge the Bourse's authority or oversight powers as a basis for its noncompliance.

105. In this context, RBCDS's failure to provide the requested information is a serious matter and remains relevant to deterrence. The central question is therefore what sanction is necessary to achieve both specific and general deterrence.

106. In the context of disciplinary decisions by self regulatory authorities such as the Bourse, the principles articulated in *Re Mills (2001), [2001] I.D.A.C.D. No. 7* (Re Mills) and affirmed by the Supreme Court of Canada in *Cartaway Resources Corp (Re) [2004] 1 SCR 672, 2004 SCC 26* (Re Cartaway) emphasize that sanctions must be aligned with industry expectations and understanding. As noted in Mills, penalties that exceed those expectations risk undermining confidence in the regulatory process and, as a result, diminishing their deterrent effect. A properly functioning self regulatory regime also depends on regulated entities being open and transparent with their regulator, on the understanding that deficiencies may be identified either internally or through regulatory oversight. Disproportionate sanctions for technical violations may discourage the candour and constructive engagement that serve the public interest.

107. *Bourse v. BMO Nesbitt Burns Inc. et al., April 27, 2015* (Re BMO Nesbitt Burns Inc.) remains the only decision in recent years in which a Disciplinary Committee considered sanctions following a contested hearing. In that case, the Committee was guided by the principles set out in Re Mills, Re Cartaway, and *Re Mithras Management Ltd (1990), 13 OSCB 1600*, as endorsed by the Supreme Court of Canada in *Committee for the Equal Treatment of Asbestos Minority Shareholders v. Ontario (Securities Commission), 2001 SCC 37* (Asbestos). Those principles continue to inform the assessment of sanctions in proceedings before self regulatory authorities. However, the present matter is distinguishable. Unlike the inadvertent errors at issue in BMO, some of the deficiencies here arose from administrative practices that impeded the audit trail. While administrative convenience may provide context, it does not justify failures that undermine core regulatory requirements.

108. As cited in Re BMO Nesbitt Burns Inc., the "core of the discipline committee's mandate" is to "uphold" the norms set out in the Rules [*ACAIQ v. Proprio Direct inc., 2008 SCC 32, at para. 18*]. In discharging its mandate, the Committee has regard to the overarching principle of public interest that informs the regulatory regime. Referring to the Supreme Court of Canada in *Asbestos*, the Committee acknowledges that public interest is a concept animated by the goals of the regulatory regime, which are, in this case, the principles of derivatives regulation set out above. In interpreting the Rules, the Committee is also mindful of the case law that guards against "technical" or supercritical interpretations which could "obscure the true intent and import of the basic philosophies that underlie" the regulatory regime *[*P*acific Coast Coin Exchange v. Ontario Securities Commission*, [1978] 2 S.C.R. 112, at p. 127; *Re C.T.C. Dealer Holdings Ltd. et al. and Ontario Securities Commission et al.*, 1987 CanLII 4234 (ON SC); *Re YBM Magnex International Inc.* (2003), 26 O.S.C.B. 5285 (O.S.C.) at para. 518].

Count 4 – Surveillance and Compliance

109. The Disciplinary Complaint sets forth the fourth violation of the Rules admitted by RBCDS:

    During the period from January 1, 2017, to December 31, 2019, RBCDS contravened article 3011 (article 3.100 from January 1, 2019) – "Surveillance and Compliance" by failing to establish and maintain a system to supervise the activities of each employee that is reasonably designed to achieve compliance with the requirements of article 6815

(article 6.208 from January 1, 2019) and articles 6380a. and 6380b. (articles 6.203 and 6.204 from January 1, 2019) of the Rules.

110. Article 3.100 from January 1, 2019:

> Supervision, Surveillance and Compliance
> (a) Each Approved Participant at the time of its approval and so long as it remains approved, must establish and maintain a system to supervise the activities of each employee, Approved Person and agent of the Approved Participant, that is reasonably designed to achieve compliance with the Regulations of the Bourse and with any legislation and regulations applicable to Securities and Derivative Instruments activities. Such a supervisory system must provide, at a minimum, the following:
> (i) the establishment, maintenance and enforcement of written policies and procedures acceptable to the Bourse regarding the conduct of the type of business in which it engages and the supervision of each employee, Approved Person and agent of the Approved Participant that are reasonably designed to achieve compliance with the applicable legislation and regulation;
> (ii) procedures reasonably designed to ensure that each employee, Approved Person and agent of the Approved Participant understand their responsibilities under the written policies and procedures in subparagraph (i);
> (iii) procedures to ensure that the written policies and procedures of the Approved Participant are amended as appropriate within a reasonable time after changes in applicable laws, regulations, Rules and policies and that such changes are communicated to all relevant personnel;
> (iv) sufficient personnel and resources to fully and properly enforce the written policies and procedures in paragraph (i);
> (v) the designation of supervisory personnel with the necessary qualifications and authority to carry out the supervisory responsibilities assigned to them;
> (vi) procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions; and
> (vii) the maintenance of adequate records of supervisory activity, compliance issues identified and the resolution of those issues.
>
> (b) Notwithstanding any other provision in the Regulations of the Bourse, each Approved Participant must comply with:
> (i) the Electronic Trading Rules, especially regarding the risk management and supervisory controls, policies and procedures, the authorization to set or adjust these risk management and supervisory controls, policies and procedures, as well as the use of automated order systems; and
> (ii) the requirements of any legislation applicable to the regulation of brokerage and accounts.

111. Considering that RBCDS has admitted to the violation of Count 4, the Committee must review the aggravating and mitigating factors as set out in the Guidelines.

E. FACTORS CONSIDERED BY THE COMMITTEE

112. As an approved participant, RBCDS occupied a critical gatekeeper role in the derivatives market, bearing responsibility not only for executing transactions but also for safeguarding market integrity through strict adherence to reporting and compliance obligations. Gatekeepers function as the first line of defense against market abuse by ensuring that transactions are legitimate, accurately structured, and transparently disclosed. RBCDS's conduct in relation to EFRP transactions represents a fundamental failure to discharge this role.

113. First, RBCDS violated the structural requirement that EFRPs involve a single buyer and a single seller. This requirement is central to the legitimacy of EFRPs: it ensures that the transaction reflects a bona fide exchange of risk between clearly identified counterparties, rather than a synthetic or circular arrangement designed to evade exchange trading rules. By allowing or facilitating EFRPs with unclear counterparty relationships, RBCDS introduced material uncertainty as to whether the reported trades were genuine EFRPs or impermissible off-exchange transactions. This uncertainty directly undermined

confidence in the accuracy of reported market activity and weakened the integrity of the EFRP mechanism itself.

114. Second, these deficiencies were not isolated execution errors but were symptomatic of a broader breakdown in internal supervision and compliance controls during a three-year period. RBCDS discontinued quarterly supervisory reviews, experienced turnover, failed to provide adequate training to relevant staff, and did not implement effective daily monitoring of EFRP activity. Together, these omissions demonstrate that compliance standards were not actively enforced or meaningfully operationalized. A gatekeeper cannot fulfill its function if it lacks systems designed to detect, prevent, and correct regulatory breaches. Furthermore, by allowing its compliance processes to erode in favour of administrative convenience, RBCDS effectively abdicated its responsibility to serve as a critical control point between market participants and the regulatory framework governing derivatives trading.

115. Third, RBCDS reported EFRPs inaccurately and/or with unacceptable delays, further compounding its gatekeeper failure. Timely and accurate reporting is a cornerstone of market transparency, enabling regulators and market participants to assess price formation, liquidity, and risk exposure. Inaccurate or late reporting distorts the informational environment, impeding regulatory oversight and increasing the risk that problematic trading practices go undetected. Market fairness depends on all participants being subject to and complying with the same rules, and when a major dealer fails to ensure the reliability of its reporting, it does not merely breach technical obligations - it compromises the broader market's ability to function efficiently and fairly.

116. Taken together, these failures illustrate that RBCDS did not merely fall short in discrete operational respects; it failed in its institutional role as a market gatekeeper. Rather than preventing questionable EFRP practices from entering the market and regulatory reporting systems, RBCDS allowed deficient trades to pass through unchecked - apparently tolerating noncompliance. By prioritizing ease of processing and reduced supervisory burden over adherence to core structural and reporting requirements, RBCDS undermined both market transparency and regulatory confidence. This erosion of the gatekeeper function is particularly serious given the reliance that exchanges and regulators place on large, sophisticated dealers to uphold standards and model compliant behavior for the market as a whole.

117. The Committee has considered the following as **mitigating** factors in its sanctions analysis:

- ***The Regulated Person has acknowledged their own responsibility or that of an employee, where applicable. (2)***
- ***The Approved Participant has implemented corrective measures. (4)***
- ***The risk of re-offence. (10)***

RBCDS did not ultimately contest the complaint; however, by disputing the findings regarding the number of impugned EFRP transactions, it highlighted the depth of its internal compliance deficiencies during the relevant period rather than materially mitigating them. That position reflects a lack of reliable internal controls and recordkeeping during the relevant period. Nevertheless, the Committee notes evidence of subsequent remedial measures. As such, Raymond testified that recent routine examinations have not identified deficiencies in RBCDS's EFRP transactions or surveillance practices. This evidence was consistent with Shea's testimony confirming that, while RBCDS continues to engage in EFRPs, it now does so strictly on a one-to-one

basis. Taken together, these measures indicate improved compliance practices following the period under review.

118. The Committee has considered the following as **aggravating** factors in its sanctions analysis:

- ***The disciplinary record of the Regulated Person. (1)***
- ***The number of orders or transactions and the trading volume. (7)***
- ***The consequences of the offence for the Bourse's reputation and the integrity of markets. (8)***
- ***The nature and seriousness of the offence. (9)***
- ***The length of the offending conduct. (12)***

The conduct at issue reflects a systemic failure of compliance and a sustained disregard for regulatory obligations over a three-year period, from January 1, 2017 to December 31, 2019. During much of this period, RBCDS held a dominant position in the EFRP market. In that context, the scope and duration of the non-compliance warranted heightened regulatory scrutiny, even in the absence of direct evidence of actual market harm.

Shea's summary analysis underscores the seriousness of the deficiencies. It indicates that only approximately 50% of the 773 EFRPs reviewed were compliant for the purposes of Count 3, leaving a substantial volume of transactions potentially non-compliant, irrespective of separate audit-trail documentation requirements tied to Counts 1, 2 and 4. These deficiencies were compounded by incomplete or delayed record production, which materially impaired the regulator's ability to conduct a full and timely assessment of the transactions at issue. In light of these deficiencies, a Committee member observed that a strong culture of compliance entails an expectation that internal compliance review each transaction brought forward by the Bourse.

Taken together, the scale, persistence, and opacity of the violations justify the imposition of sanctions to denounce the conduct, promote future compliance, and reinforce confidence in the integrity of the regulatory framework.

119. The Committee has considered the following factors as **unapplicable** factors in its sanctions analysis:

- ***Similar or identical behavior. (11)***
- ***The misconduct by the Regulated Person is intentional (14)***

For clarity, the Committee did not find it appropriate to draw any inference of intent to engage in market manipulation or that the misconduct was intentional. The Committee also declined to draw any parallel with the CFTC decision against its affiliate RBC Capital Markets, LLC (CFTC Docket No. 19-47), as doing so would have been highly prejudicial.

120. The Committee has considered the following factors as **neutral** in its sanctions analysis:

- ***The Approved Participant informed the Bourse of the offence. (3)***
- ***The gains generated, losses avoided, or costs saved by the Regulated Person. (5)***
- ***The Regulated Person has compensated the aggrieved person. (6)***
- ***The Regulated Person tried to conceal the offence or failed to send relevant information to the Division. (13)***
- ***Internal sanctions imposed by the Approved Participant on an employee. (15)***
- ***The level of cooperation with the Division demonstrated by the Regulated Person. (16)***

Several of these factors were inapplicable on the evidence. RBCDS did not self-report the violations to the Bourse, no directly aggrieved person could be identified given the inability to determine which market participants were affected, and neither party meaningfully addressed the specific employees responsible for EFRP processing during the relevant three-year period. For the reasons set out above, the Committee accords limited weight to the number of impugned EFRP transactions, given the absence of reliable evidence regarding trade fees, commissions, or profitability. Although the Bourse proposed a profitability methodology, it lacked evidentiary support, and neither party addressed whether RBCDS acted as principal or agent. In these circumstances, transaction counts and profit estimates provide limited assistance in determining an appropriate sanction.

F. CASE LAW

121. While the present case is the first of its kind to be considered by the Committee of the Bourse and therefore does not lend itself to direct comparison, prior decisions addressing late reporting, recordkeeping, and compliance and surveillance obligations were considered for contextual purposes only. In addition, the Committee reviewed cases that arose during a similar time period to the matter before it, in order to situate the violations within its broader regulatory context.

122. In accordance with the Guidelines, the Committee had regard to relevant decisions of the Canadian Investment Regulatory Organization (CIRO) as part of the broader context of RBCDS's regulatory history. In *Re RBC Dominion Securities*, 2024 CIRO 76, and *Re RBC Dominion Securities et al.*, 2019 IIROC 30, both settlement agreements addressed the regulatory implications of off-market transactions, respectfully in 2023 and in 2018. In each case, the failure to report trades on a marketplace was found to undermine transparency and to adversely affect market integrity and the orderly operation of the marketplace. From a sanctions perspective, the $1,000,000 fine imposed in the 2024 decision reflected the seriousness of the misconduct, which involved a single transaction, as well as considerations of deterrence in light of similar conduct occurring after the 2019 decision, in which a fine of $500,000 was imposed.

123. These cases underscore the degree of care expected of market participants when engaging in off-market transactions and highlight the seriousness of the regulatory consequences that may arise from failures in this area. Off-market transactions are privileges, as such they should be conducted with the upmost diligence. Drawing a parallel to the present matter, the Committee noted that deficient, late, or inaccurate reporting similarly undermines regulatory oversight and market transparency, increases the risk that improper trading will go undetected, and compromises market fairness by impairing the consistent application of the Rules.

124. In *Re Desjardins Securities Inc.*, EN-DC-22002 March 8, 2024, the Approved Participant contravened article 3011 (article 3.100 as of January 1, 2019) of the Rules by failing to maintain an adequate supervisory and surveillance system reasonably designed to detect or prevent manipulative or deceptive trading in CGB and CGF Futures negotiated at the Bourse. During a 12-month period, between November 15, 2017 and November 16, 2018, an employee engaged in at least 213 potentially manipulative trades, reflecting a recurring and non-isolated pattern. Although the misconduct was not intentional, the Division

emphasized that comprehensive supervisory tools, policies, and procedures constitute the first line of defense for market integrity. The Approved Participant's lack of fully functional supervisory tools for futures during the relevant period resulted in a fine of $450,000, plus costs of $38,100, for contravening article 3011 (article 3.100 as of January 1, 2029).

125. In *Re Wedbush Securities Inc.*, EN-DC-21001, August 25, 2023, although the reporting obligation differed from the case at hand, weaknesses in post-trade monitoring, controls, and procedures resulted in sustained surveillance and compliance failures over an extended period from December 16, 2014 to December 31, 2016, from January 1, 2017 to November 30, 2018, and a subsequent period from August 31, 2017 to June 14, 2019, which deficiencies ultimately led to the imposition of aggregate fines totaling $300,000 on multiple counts.

126. The Committee also considered settlement decisions, including R*e RBC Dominion Securities Inc.*, EN-DC-17007 (June 30, 2020), which involved lower fines for deficiencies relating to recordkeeping, timely reporting, and surveillance. However, those cases were not comparable to the matter before the Committee. The present case is materially more complex, as it concerns RBCDS' obligation to maintain books and records sufficient to enable the Division to assess whether the deficiencies were isolated or systemic over the period from January 1, 2017, to December 31, 2019. The violations occurred repeatedly over a three-year period, reflecting sustained issues with compliance with internal policies and the Rules.

127. Lastly, the cases cited above arose from settlement agreements for violations that occurred, in which the panel's mandate differs from that exercised following a contested hearing. While negotiated sanctions are considered in the settlement context, the Committee, in a contested hearing on sanctions, must determine the appropriate penalties independently and in accordance with governing principles. In doing so, the Committee applied the principles of proportionality and deterrence.

128. RBCDS committed four distinct violations during a three-year period from January 1, 2017, to December 31, 2019: (i) incomplete recordkeeping for 21 EFRP transactions; (ii) confirmed delayed and inaccurate reporting of trades in 2 instances and inability to confirm timely reporting for all the other 19 EFRP analyzed as a result of the recordkeeping failures; (iii) execution of prearranged transactions involving multiple counterparties in violation of the Rules, the amount ranging anywhere between 65 and 749 EFRP transactions; and (iv) failure of supervision and compliance due to discontinued reviews and lack of training. Taken together, the scale, persistence, and opacity of the violations fully justify the imposition of sanctions to denounce the conduct and uphold regulatory standards. Exercising its mandate and discretion, the Committee concluded that a single global sanction in the amount of $500,000 was necessary and appropriate to reflect the seriousness, duration, and systemic character of the violations alleged across Counts 1, 2, 3 and 4 of the Disciplinary Complaint.

129. The Committee finds that sanctions must reflect the seriousness of the contraventions and achieve a meaningful deterrent effect, without being punitive. To this effect, the Committee is satisfied that the penalties imposed are fair, reasonable, and proportionate, and that they serve as an effective deterrent to both RBCDS and market participants generally.

G. ALLOCATION OF COSTS

130. With respect to costs, RBCDS submitted that they should be divided equally. The Committee was not persuaded, as no convincing basis was provided to justify such an allocation in a contested proceeding. The efficiencies typically associated with settlements do not arise in this context, and no reduction in costs is therefore warranted. Accordingly, costs in the amount set out below are assessed against RBCDS, and the remaining to be borne by the Bourse.

H. CONCLUSIONS

FOR THESE REASONS, THE DISCIPLINARY COMMITTEE:

DETERMINES that RBCDS must pay an aggregate fine totaling $500,000 for Counts 1, 2, 3 and 4 of the Disciplinary Complaint;

ATTRIBUTES COSTS AND EXPENSES TO RBCDS in the amount of $110,000, as justified by the circumstances of the case, with the remaining balance to be borne by the Bourse;

ORDERS the sum of $610,000 set out in the paragraphs above to be paid by RBCDS within thirty (30) days of the date of service of the written decision of the Disciplinary Committee imposing it.

Montréal, May 1st, 2026

Signed by:
Marie-Julie Nicolo
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Me Marie-Julie Nicolo, Chair

Signed by:
3DC4045AB4F54E9...
Pierre-Philippe Ste-Marie, Member

Signé par :
Danielle Le May
E8CE803EBDE149E...
Danielle Le May, Member