



CIRCULAR 073-26

June 3, 2026

DISCIPLINARY DECISION - SETTLEMENT AGREEMENT

SCOTIA CAPITAL INC.

The Regulatory Division of Montréal Exchange Inc. (the "Exchange") filed the following disciplinary complaint against Scotia Capital Inc. (the "Respondent"), an Approved Participant:

1. On December 17, 2024 and December 30, 2024, the Respondent failed, on four (4) occasions, to comply with one of the conditions to prearrange a transaction on the Electronic Trading System of the Bourse, more specifically as it failed to respect the prescribed time period between submitted orders, thus contravening to Subparagraph (b) ii) of Article 6.205 - "Prearranged Transactions" of the Rules of the Exchange;
2. On December 17, 2024, December 30, 2024, and February 21, 2025, the Respondent failed, on five (5) occasions, to properly identify orders entered into the Electronic Trading System of the Exchange, more specifically as it did not ensure to include the "prearranged transaction marker", thus contravening to Paragraph (b) of Article 6.115 - "Order Identification" of the Rules of the Exchange.

On May 5, 2026, proceeding on the face of the record pursuant to Article 4.211 of the Rules of the Exchange, a duly constituted Disciplinary Committee accepted the settlement agreement negotiated between the Exchange and the Respondent, which includes a fine totaling \$20,250, as well as an additional amount of \$6,000 as reimbursement of the related costs of this matter.

The Disciplinary Committee's reasons for the decision are attached.

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

Camila Esteves
Assistant Secretary of the Disciplinary Committee

CANADA
PROVINCE OF QUEBEC
File Number: MEA-25004

In the Matter of:

The Regulatory Division of the Bourse de Montréal Inc., (“Bourse”)

And

Scotia Capital Inc., an approved participant of the Bourse (“Respondent”)

Members of the Disciplinary Committee:

Me Douglas J. Simsovic, Chair

Robert Catani, Member

Harvey Naglie, Member

DISCIPLINARY COMMITTEE REASONS FOR DECISION

The parties requested that the Disciplinary Committee proceed on the face of the record and the Settlement Agreement (as defined below) and not hold a formal hearing. This is provided for at Article 4.211 of the Rules of the Montreal Exchange (the “**Rules**”). The Disciplinary Committee agreed to proceed on the face of the record, reserving its right to ask any questions of the parties as necessary. The Disciplinary Committee discussed the record, the Settlement Agreement and the joint written submission and decided to convene the parties for a few questions and clarifications. Following this meeting, the Disciplinary Committee deliberated and approved the Settlement Agreement.

The Disciplinary Committee notes that given that it was asked to proceed on the face of the record, the joint written statement provided by the parties to aid in its deliberation could have been a bit more fulsome which may have avoided the need for follow-up questions and clarifications.

I. Facts

1. At all times the Respondent was an approved participant of the Bourse.
2. On December 19, 2024 and December 31, 2024, upon completion of internal reviews, the Respondent, pursuant to paragraph (c) of Article 3.105 of the Rules of the Montreal Exchange (“**Rules**”), notified the Bourse that it had identified three possible violations of Subparagraph (b) ii) of Article 6.205 of the Rules (“**3 Transactions**”).
3. The Bourse’s surveillance system identified two other transactions of potential concern. (“**2 Other Transactions**”).

4. The Bourse's market analysis team completed its review and analysis ("**Review & Analysis**") of the 3 Transactions and the 2 Other Transactions (together, the "**Transactions**") on or about March 25, 2025.
5. The Review & Analysis revealed that:
 - a. On December 17, 2024 and December 30, 2024, the Respondent entered first orders for the following prearranged transactions in eligible derivatives into the Electronic Trading System of the Bourse:
 - "Transaction 1": on December 17, 2024, for ninety-eight (98) equity options contracts;
 - "Transaction 2": on December 17, 2024, for three-hundred five (305) equity options contracts;
 - "Transaction 3": on December 30, 2024, for ninety-one (91) equity options contracts;
 - "Transaction 4": on December 30, 2024, for ninety-one (91) equity options contracts.
 - b. The Respondent entered the second orders for each of these transactions before the five-second prescribed time period of market exposure had elapsed (subparagraph (b) ii) of Article 6.205 of the Rules) ("**Five Second Rule Violation**").
 - c. On December 17, 2024, December 30, 2024, and February 21, 2025, the Respondent did not properly identify its orders by failing to ensure that the "prearranged transaction marker" was included for each order entered into the Electronic Trading System of the Bourse as required pursuant to paragraph (b) of Article 6.115 of the Rules ("**Marker Violation**").
 - d. The Marker Violation relates to Transactions 1 to 4, as well as to a prearranged transaction for five hundred (500) equity options contracts made on February 21, 2025 ("**Transaction 5**").
6. Following its Review & Analysis, the Bourse served a disciplinary complaint against the Respondent on October 10, 2025 ("**Complaint**").
7. On October 27, 2025, the Respondent admitted the facts alleged in the summary statement of the facts included with Complaint as prescribed by Article 4.203 of the Rules.

II. Settlement Agreement

8. In the settlement agreement dated March 17 2026 ("**Settlement Agreement**"), the

Respondent acknowledges breaching:

- a. Subparagraph (b) ii) of Article 6.205 - “Prearranged Transactions”, by not respecting the prescribed time period between submitted orders, on four (4) occasions; and
 - b. Paragraph (b) of Article 6.115 - “Order Identification” by not properly identifying orders entered into the Electronic Trading System of the Bourse, as it did not ensure to include the “prearranged transaction marker” on five (5) occasions.
9. The Bourse and the Respondent have agreed that the Respondent would pay a total amount of \$26,250.00, ventilated as follows:
- a) a fine totaling \$9,000 CAD for contravening Subparagraph (b) ii) of Article 6.205 of the Rules;
 - b) a fine totaling \$11,250 CAD for contravening Paragraph (b) of Article 6.115 of the Rules; and
 - c) an additional amount of \$6,000 CAD as reimbursement of the related costs.

III. Discussion

A. Role of this Disciplinary Committee

10. It is now very well established in numerous decisions, that the role and responsibility of this Disciplinary Committee is to (1) review the Settlement Agreement and (2) ensure that it falls within a reasonable range of appropriateness given the offences and relevant circumstances making sure that it does not run afoul public order or bring the administration of the Rules into disrepute.¹

B. Analysis

11. The Bourse issued Guidelines on Disciplinary Sanctions (the “**Guidelines**”). The Guidelines “establish the principles and factors that should be considered in order to arrive at fair and appropriate sanctions”. This Disciplinary Committee relied on those principles in arriving at its decision.
12. Disciplinary record: The Respondent has a disciplinary record from violations in 2016 and 2018 for matters unrelated to the facts in this matter. The Discipline Committee accepts the position of the parties that the violations in this matter and the prior record do not point to a pattern of systemic non-compliance. The parties downplayed the prior

¹ See the recent *Re Laurentian Bank Securities Inc.* (April 25, 2023), at paragraphs 28 & 29 as an example.

sanctions maintaining that other bank-owned investment dealers that are significant participants also have disciplinary records.

13. Acknowledgement of responsibility: Respondent self-reported once it knew of the issue, acknowledged its responsibility and admitted the facts in the Complaint very quickly.
14. Corrective measures: The Respondent undertook to work with its internal provider and traders to reduce trader error, especially with respect to the inclusion, or lack thereof, of the required prearranged transaction marker.
15. Compensation to the aggrieved person: The Disciplinary Committee was not informed of any aggrieved person.
16. The number of orders or transactions and the trading volume: The number of faulty transactions is low but the orders involved for some can be viewed as high.
17. The nature and seriousness of the offence: Mechanisms establishing the requirements for prearranging transactions on the Bourse are important for market transparency and for market surveillance efficiency
18. Risk of re-offence: Respondent took action prior to and following the Bourse's investigation and findings. Accordingly, the risk of re-offence is low.
19. Similar or identical behavior: There is no evidence of similar behavior that would have occurred prior or after the facts at hand. The isolated incidents do not suggest any pattern of wrongful behaviour.
20. The length of the offending conduct: The offending conduct was limited to the isolated occurrences stated in the complaint.
21. No Concealment: No evidence was presented that the Respondent tried to conceal the offence nor that the Respondent failed to send relevant information to the Bourse.
22. There was no evidence presented to the Disciplinary Committee that the misconduct of the Respondent was intentional.
23. Respondent fully cooperated with the Bourse during the investigation.

IV. Decision

24. The Disciplinary Committee must review the Settlement Agreement presented to it and ultimately ensure that it is within a reasonable range of appropriateness with respect to the offense, the facts and the Guidelines.
25. The Disciplinary Committee notes that prior to March 12, 2026 the Minor Violations provision of the Rules provided that a time of market exposure violation was subject to a pre-determined fine for a first offence of \$2,500.00. It was repealed as of March 12, 2026.
26. The Disciplinary Committee in arriving at its decision in the present matter, having taken into account the settlement process and the fact that the parties have agreed, is satisfied that the Settlement Agreement falls within a reasonable range of appropriateness to the offenses and the relevant circumstances, and this despite Transaction 2 and 5 being identified by the Bourse's surveillance system and not by the Respondent.

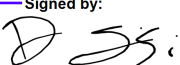
FOR THESE REASONS, THE DISCIPLINARY COMMITTEE:

APPROVES the Settlement Agreement;

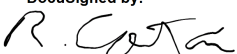
ORDERS the Respondent to pay a total fine of \$26,250 within a delay of 30 days of the present decision, as follows:

- a fine totaling \$9,000 CAD for contravening Subparagraph (b) ii) of Article 6.205 - "Prearranged Transactions" of the Rules;
- a fine totaling \$11,250 CAD for contravening Paragraph (b) of Article 6.115 - "Order Identification" of the Rules;
- an additional amount of \$6,000 CAD as reimbursement of the related costs of this matter.

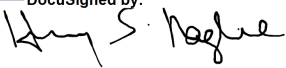
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Me Douglas J. Simsovic, Chair of the Disciplinary Committee

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Robert Catani, Member of the Disciplinary Committee

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Harvey Naglie, Member of the Disciplinary Committee