



CIRCULAR 102-25

August 15, 2025

**DISCIPLINARY DECISION — SETTLEMENT AGREEMENT
MIZUHO SECURITIES USA LLC**

The Regulatory Division of the Bourse de Montréal Inc. (the “Bourse”) filed the following complaint against Mizuho Securities USA LLC (the “Respondent”), an Approved Participant:

1. Between April 29, 2018, and November 30, 2022, the Respondent provided access to the electronic trading system of the Bourse to two employees without having obtained the prior approval of the Bourse, contravening Articles 3.4 - “Access to Electronic Trading System” and 3.400 - “Application for Approval” (respectively Articles 6366A) and 7403 prior to January 1, 2019) of the Rules of the Bourse (the “Rules”).
2. Between June 4, 2018, and November 30, 2022, the Respondent authorized its client Mizuho Capital Markets LLC to transmit orders electronically to the Bourse through its systems without assigning Mizuho Capital Markets LLC a client identifier in the form and manner required by the Bourse, contravening Article 3.5 - “Sponsored Access” (Article 6366B) prior to January 1, 2019) of the Rules.
3. Between June 4, 2018, and November 30, 2022, the Respondent did not establish and maintain a system to supervise the activities of each employee that is reasonably designed to achieve compliance with the Rules, more specifically as it did not establish policies and procedures to ensure that only employees approved by the Bourse had access to the electronic trading system of the Bourse, contravening Article 3.100 - “Supervision, Surveillance and Compliance” (Article 3011 prior to January 1, 2019) of the Rules.

Following a hearing held on July 9, 2025, a Disciplinary Committee duly constituted pursuant to the Rules accepted the settlement agreement negotiated between the Bourse and the Respondent, which includes a fine totalling \$80,000 as well as the payment of an additional amount of \$10,000 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 email at mxrlegal@tmx.com.

CANADA
PROVINCE OF QUEBEC
File Number: MEA-24002

In the Matter of:

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

And

Mizuho Securities USA LLC, an approved participant of the Bourse (**“Respondent”**)

Members of the Disciplinary Committee:

M^e Douglas J. Simsovic, Chair
Rosanna Bruni, Member
Sylvain Racine, Member

DISCIPLINARY COMMITTEE REASONS FOR DECISION

On July 9, 2025, the Disciplinary Committee convened to decide whether to accept or reject a settlement agreement between the parties as detailed further below. The Respondent acknowledged breaching Articles 3.4 and 3.400, Article 3.5 and Article 3.100 of the Rules of the Bourse (the **“Rules”**). At the end of the hearing, following a brief deliberation, the panel determined to approve the Settlement Agreement, with reasons to follow.

I. Proceedings

1. An examination of the Respondent in October 2022 revealed that two of its employees had been granted access to the Electronic Trading System (**“ETS”**) of the Bourse without being registered as Approved Persons (as defined in the Rules).
2. On March 29, 2023, an investigation related to the aforementioned findings was opened. The investigation looked at potential breaches by the Respondent of the Rules pertaining to access to the ETS by its employees and its clients, as well as to the required supervision, surveillance and compliance from approved participants, for the period from June 1, 2018, to December 31, 2022.
3. Following the investigation, the Division issued a disciplinary complaint against the Respondent dated March 20, 2025 (**“Disciplinary Complaint”**).

II. Facts

4. Respondent is a foreign approved participant of the Bourse since 2004.

5. The Disciplinary Complaint against the Respondent was for the breaches of Articles 3.4 and 3.400 and Article 3.5 and Article 3.100

a) Articles 3.4 and 3.400

6. During the period between April 29, 2018, and November 30, 2022, two employees of the Respondent had access to the ETS without being duly approved by the Bourse pursuant to Article 3.400 of the Rules (“**unauthorized access**”).
7. One employee had unauthorized access to the ETS from April 29, 2018, until November 30, 2022 (when his access was removed) for a cumulative total of 1,676 days. During that period, the employee entered 54 orders for a total of 9,164 contracts executed.
8. The other employee had unauthorized access to the ETS from July 16, 2021, until November 30, 2022 (when her access was removed) for a cumulative total of 501 days. The employee did not trade on the ETS during that period.
9. The unauthorized access of both employees originated from a misinterpretation by the Respondent of the Bourse’s requirements in light of their employment status: both employees were dually employed, by the Respondent and by one of its affiliated companies.
10. The Respondent corrected the issue by immediately retracting both employees’ access to the ETS.

b) Article 3.5 “Sponsored Access”

11. At all times during the aforementioned periods, both employees were acting for Mizuho Capital Markets LLC (“**MCM**”), an affiliate and client of the Respondent.
12. MCM was a client with Sponsored Access (as that term is defined and in accordance with Article 3.5 of the Rules) for the entire period that the employees had access to the ETS.
13. Subparagraph 3.5 (b) (vii) of the Rules, prior to its amendment on June 28, 2024¹, stated that an Approved Participant (as defined in the Rules) is to ensure that its Sponsored Access clients were assigned a client identifier and that orders entered by such clients included the appropriate client identifier.
14. MCM was never assigned a client identifier in the form and manner required by the Bourse and its Sponsored Access therefore did not meet the conditions prescribed by the Rules.
15. MCM’s Sponsored Access status was overlooked during the Respondent’s periodic reviews in part because of the dual hatted employment status of the employees’ placing orders and because of a similarity in account numbers.
16. The Respondent corrected the issue by retracting MCM’s access to the ETS and by updating its periodic reviews procedures.

¹ Following the amendment of the Rules on June 28, 2024, this requirement has been moved from article 3.5 to article 6.115 (d) of the Rules.

c) Article 3.100 “Supervision, Surveillance and Compliance”

17. The Respondent’s Compliance Manual correctly indicated that approval had to be obtained from the Bourse for any employee who had to access the ETS.
18. The Respondent’s Policies and Procedures only provided for periodic reviews of new and terminated Sponsored Access clients and not of employees who actually had access to the ETS. No reviews related to Approved Persons were therefore conducted prior to Q4 2022. Consequently, the Respondent’s supervision was not reasonably designed to ensure compliance with the Bourse’s requirements regarding access to its ETS.
19. The Respondent performed a thorough review of its accesses to the ETS and implemented corrective measures by updating its records, policies and procedures, and periodic reviews.
20. Other than the two employees, there was no other unauthorized access.
21. As a result of the above, the Bourse issued the Complaint.
22. Following the issuance of the Complaint, the Respondent acknowledged the breaches of the above Articles.

III. Settlement Agreement

23. A settlement agreement was reached between the parties on or about April 11, 2025 (the “**Settlement Agreement**”).
24. According to the Settlement Agreement, the parties agreed as follows:
 - a. a fine totaling 20,000 CAD for contravening articles 3.4 and 3.400 of the Rules;
 - b. a fine totaling 20,000 CAD for contravening article 3.5 of the Rules;
 - c. a fine totaling 40,000 CAD for contravening article 3.100 of the Rules; and
 - d. an additional amount of 10,000 CAD as reimbursement of the related costs of this matter.

IV. Discussion

a) Role of this Disciplinary Committee

25. It is well established 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.²
26. Further, in *Re Toh*, 2011 IIROC 51, it was stated that the Disciplinary Committee’s role is not to decide if it would arrive at the same agreement as that contained in a

² See *Bourse de Montreal Inc. and Citigroup Global Markets Inc.*, File ENDC-22001 par.27.

settlement agreement, but if “the penalties jointly submitted fall within the range of appropriateness” (see para 6).

b) Analysis

27. The Bourse issued sanctioning guidelines dated February 21, 2022 (the “**Guidelines**”). The Guidelines are there to “establish the principles and factors that should be considered in order to arrive at fair and appropriate sanctions”. This Disciplinary Committee is bound by and relied on those principles in arriving at its decision.

- **Principles**

28. The Guidelines list 5 principles that should be considered in rendering a decision.
29. In principle 1, the Guidelines instruct that “a sanction must not be less than the profit generated by committing the offence”.
30. No evidence was presented to Disciplinary Committee regarding this point. However, based on the number of trades and the proposed sanction, the Disciplinary Committee finds that this principle is met.

- **Mitigating factors**

31. Disciplinary record: There is no prior disciplinary record for the Respondent.
32. Acknowledgement of responsibility: Respondent acknowledged its responsibility as it relates to the breach of the Articles 3.4 and 3.400, Article 3.5 and Article 3.100 of the Rules.
33. Corrective measures: Once notified, the Respondent took immediate appropriate steps to rectify the situation, by removing the employees from the ETS, retracting access and updating its policies.
34. Gains Generated, losses avoided, costs saved: Based on the pleadings, the Disciplinary Committee finds that the potential costs saved by not having registered the two employees is minimal, as are any costs saved arising from supervision.
35. Number of Orders: Although trades were made by one employee who was not authorised to do so, the amount of unauthorised access trades fall in the lower bracket of similar cases.³ Further, only one of the two employees executed any trades. Also, these were the only two employees who had unauthorised access.
36. Risk of re-offence: Respondent took immediate action following the Bourse’s investigation and findings, as such, the risk of re-offence is very very low.

³ See *Bourse de Montreal Inc. and Marex Capital Markets*, File EN-DC-23004 page 6, par.2.

37. At no point did the Respondent try to conceal the offence nor did the Respondent fail to send relevant information to the Bourse. In fact, the Respondent fully cooperated with the Bourse during the investigation, and the Bourse even informed the Disciplinary Committee that the Respondent's behaviour was "exemplary."
38. No evidence was presented to the Disciplinary Committee that the misconduct of the Respondent was intentional. Rather, it was presented as a misinterpretation of the Rules.

- **Aggravating factors**

39. Corrective measures: The Respondent was more reactive than proactive, which is logical given the facts.
40. Length of the offending conduct: The offending conduct occurred from April 29, 2018, to November 30, 2022, upon its discovery.
41. Gains generated, losses avoided, or costs saved: Neither the Respondent nor the Bourse were able to present any evidence of gains or the losses avoided or costs saved as a result of the violations.
42. Nature and seriousness of the offence: As is constantly reiterated, registration requirements are a cornerstone of market integrity which are essential for the conduct of the Bourse's regulatory activities. Proper, effective and compliant reporting and supervision must be respected at all times, and were lacking here.

V. Decision

43. The Disciplinary Committee is bound to review the settlement agreement presented to it and ultimately ensure that it is within a reasonable range of appropriateness with respect to the offenses committed, the facts surrounding the breaches and the Guidelines.
44. The Disciplinary Committee, in arriving at its decision, having taken into account the settlement process and the facts as presented, is satisfied that the Settlement Agreement, including the recommended penalties contained therein, falls within a reasonable range of appropriateness.
45. Further, considering Marex⁴ and the Wedbush⁵ (as it relates to the sponsored access breach) decisions in particular, and other decisions of disciplinary committees of the Bourse, the Disciplinary Committee finds that the recommended penalties are fair, reasonable and proportionate to the seriousness of the breaches.

⁴ *Ibid.*

⁵ *Bourse de Montreal Inc. and Wedbush Securities Inc.*, File EN-DC-21001.

FOR THESE REASONS, THE DISCIPLINARY COMMITTEE:

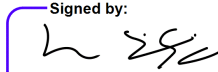
APPROVES the Settlement Agreement; and

ORDERS the Respondent to pay a total fine of \$90,000 within a delay of 30 days of the present decision, which is broken-down as follows:

- a fine totaling 20,000 CAD for contravening articles 3.4 and 3.400 of the Rules;
- a fine totaling 20,000 CAD for contravening article 3.5 of the Rules;
- a fine totaling 40,000 CAD for contravening article 3.100 of the Rules; and
- an additional amount of 10,000 CAD as reimbursement of the related costs of this matter.

Montreal, August 14, 2025

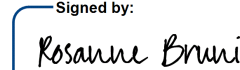
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M^e Douglas J. Simsovic
Chair of the Disciplinary Committee

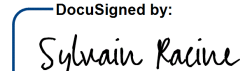
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Rosanna Bruni
Member of the Disciplinary Committee

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Sylvain Racine
Member of the Disciplinary Committee