IN THE MATTER OF
THE INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES AND THE UNIVERSAL MARKET INTEGRITY RULES
AND
MARTIN DANIELAK

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Corporation[1] will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the "Investment Dealer Rules") to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and Martin Danielak (the "Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Enforcement Staff and the Respondent jointly recommend that the hearing panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

Overview

4. In October and November 2019, the Respondent entered 47 unsolicited buy orders on behalf of a client that he ought reasonably to have known would create, or could reasonably be expected to create, a false or misleading appearance of trading activity in

or interest in the purchase of a security. The pattern and method of the order entry demonstrates that the client had no intention to execute the buy orders.

5. The Respondent had an obligation to be aware of, and alert to, manipulative and deceptive activity when entering orders on Canada's equity marketplaces. UMIR 2.2 prohibits manipulative and deceptive trading activities, which harm market integrity and undermine confidence in the marketplaces.

6. In addition, the Respondent communicated with and received client instructions by way of text messages, using an unapproved third-party communication application.

Background

7. The Respondent has been a Registered Representative since May 2012 and is presently working as a Portfolio Strategist at Raymond James. He was registered with Richardson Wealth from May 2012 to December 2019 as an Investment Advisor and Portfolio Manager. Between January 2020 and July 2020, he was a Registered Representative at Raymond James. Between July 2020 and March 2022, he was a Registered Representative at Canaccord Genuity Corp.

8. The Respondent's client engaged in manipulative and deceptive trading activity in shares of Citation Growth Corp. ("CGRO"), a CSE-listed security, through a corporate account for which an individual ("LT") had trading authority. The Respondent handled all the orders in question for the corporate account.

9. LT had a significant financial interest in CGRO. He was an initial investor and together with his spouse and personal holding company held a 1.14 million CRGO shares, valued at approximately $422,000 on October 31, 2019. LT had a personal account with another Registered Representative at Richardson Wealth in which account LT was selling CRGO

shares during the same period. There is no evidence that the Respondent was aware of this fact at the time of entering the buy orders in CRGO.

10. On November 29, 2019, Branch Management questioned the Respondent about the orders. The Respondent advised that in hindsight he understood that the purpose of the trades was to "support the stock".

The Manipulative and Deceptive Activity

11. In October 2019 and November 2019 (the "Relevant Period"), the Respondent entered 47 buy orders for CGRO on behalf of the client. The buy orders expired at the end of the day unfilled. Only 1 of the 47 buy orders was filled.

12. In October 2019, 28 buy orders were entered, none of which were filled. Each of the 28 buy orders were entered as day orders and expired at the end of the trading day.

13. In November 2019, 19 buy orders were entered, one of which was filled.

14. All the buy orders were for 20,000 common shares. Generally, two orders were entered within minutes at prices that were marginally different.

15. The Respondent would cancel an order or enter a Change Formal Order ("CFO") to amend the limit price of the order lower if the best bid price dropped.

16. The Respondent received trading instructions from LT by text message. The Respondent deleted the text messages and did not provide them to his Dealer Member or Enforcement Staff.

17. The following four examples illustrate the pattern and method of order entry:

(i) On October 18, 2019, at 10:27:01, the Respondent entered two buy orders for 20,000 shares of CGRO, one with a limit price of $0.35 and one with a limit price of $0.34. At the time of order entry, the bid price was $0.38 and there was 47,661 available volume ahead in line of the $0.35 buy order. The bid price dropped to $0.35 at 13:25:35. Approximately twenty-two minutes later at 13:47:20, there was only 300 available volume ahead of the $0.35 buy order. The Respondent cancelled the original $0.35 buy order and entered a buy order for 20,000 shares of CGRO at a limit price of $0.33. There was 58,000 available volume ahead in line of the $0.33 buy order. The buy orders expired at the end of the trading day.

(ii) On October 21, 2019, at 9:36:32, the Respondent entered two buy orders for 20,000 shares of CGRO; one with a limit price of $0.30 and one with a limit price of $0.295. At the time of order entry, the bid price was $0.31. The bid price dropped to $0.305 at 09:37:21. Approximately two hours later, at 11:36:46, the Respondent cancelled the original $0.30 buy order and re-entered a buy order for 20,000 shares of CGRO at a lower limit price of $0.29. Both buy orders expired at the end of the trading day.

(iii) On November 12, 2019, at 10:37:20, the Respondent entered two buy orders for 20,000 shares of CGRO; one with a limit price of $0.37 and one with a limit price of $0.36. At the time of order entry, the bid price was $0.385 and there was 90,500 available volume ahead in line of the $0.37 buy order. The bid price dropped to $0.38 at 11:57:24. Approximately nine minutes later, at 12:06:11, there was only 500 available volume ahead of the $0.35 buy order. The Respondent cancelled the original buy order with the limit price of $0.37 and re-entered a buy order for 20,000 shares of CGRO to a lower limit price of $0.35. There was 73,000 available volume ahead in line of the $0.35 buy order. The bid price dropped to $0.37 at 13:52:29. Approximately 34 minutes later, at 14:26:32,

the Respondent cancelled the second order at a limit price of $0.36 and re-entered a buy order for 20,000 shares of CGRO at a lower limit price of $0.34. The buy orders expired at the end of the day.

(iv) On November 14, 2019, at 10:09:17 the Respondent entered two buy orders for 20,000 shares of CGRO, one with a limit price of $0.345 and one with a limit price of $0.34. At the time of order entry, the bid price was $0.365 and there was 77,000 available volume ahead in line of the $0.345 buy order. The bid price dropped to $0.35 at 10:55:46. At 14:35:52, there was only 1,000 available volume ahead of the $0.345 buy order. The Respondent cancelled the first order at a limit price of $0.345 and re-entered a buy order for 20,000 shares of CGRO at a lower limit price of $0.335. The buy orders expired at the end of the day.

18. This pattern and method of order entry, along with the Respondent's understanding that the client intended to "support" the stock should have caused the Respondent to question the entry of the orders on the basis that the orders were non-*bona fide* and that the client had no intention to execute the orders.

19. The Respondent has admitted that he acted as an order taker. The Respondent followed the client's trading instructions by entering the unsolicited orders. The Respondent failed to ask questions about the orders. He never questioned or raised any issues or concerns with the fact that the orders were repeatedly entered despite never being filled, nor why buy orders were repeatedly amended when the price declined to levels that the client had previously entered orders to buy.

20. On November 28, 2019 GMP Securities Compliance staff reviewed an alert related to a trade entered on November 14, 2019 for CGRO within the Corporate Account whereby the client changed a limit price of an order which placed the trade further away from the

bid. This resulted in an internal investigation and the filing of a Gatekeeper Report with IIROC.

The Internal Investigation

21. Richardson GMP conducted an internal investigation which determined, among other things, that the Respondent "failed to discharge his duties as a gatekeeper to the financial markets, by placing orders without ensuring their legitimacy". The review found that the Respondent ought to have raised concerns about LT's trading pattern to his supervisor but did not.

22. At the time that the investigation was concluded, the Respondent had left Richardson GMP and therefore did not face disciplinary action from the firm.

Financial Benefit

23. The financial benefit to the Respondent from the trading activity was minimal. The total gross commissions for the Corporate Account during the Relevant Period were $700. Between July to December 2019, the Respondent received 15% of gross revenue or $105.

Mitigating Factors and Early Resolution Offer

24. The Respondent has admitted the misconduct described above reducing the length of time required to investigate this matter and agreed to resolve this matter in a timely manner. The Respondent accepted Enforcement Staff's Early Resolution Offer which granted a 30% reduction on the fine Enforcement Staff otherwise would have sought.

PART IV – CONTRAVENTIONS

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

    (i) Between October 2019 and November 2019, the Respondent entered orders for the shares of Citation Growth Corp., that he ought reasonably to have known would create, or could reasonably be expected to create, a false or misleading appearance of trading activity or interest in the purchase or sale of the security, contrary to UMIR 2.2(2).

    (ii) Between October 2019 and November 2019, the Respondent failed to comply with his Dealer Member's policies and procedures by communicating with his client by way of text messages using unapproved third-party communication applications, contrary to Investment Dealer Rule 1400.

PART V – TERMS OF SETTLEMENT

26. The Respondent agrees to the following sanctions and costs:

    (i) Fine of $21,000 fine;

    (ii) $105 disgorgement for commissions;

    (iii) Two months suspension from access to a marketplace regulated by the Corporation;

    (iv) re-write Conduct Practices Handbook; and

    (v) $2,500 in costs.

27. If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Enforcement Staff and the Respondent.

PART VI – STAFF COMMITMENT

28. If the hearing panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.

29. If the hearing panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

30. This Settlement Agreement is conditional on acceptance by the hearing panel.

31. This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.

32. Enforcement Staff and the Respondent agree that this Settlement Agreement will form all the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the hearing panel.

33. If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules of the Corporation and any applicable legislation to any further hearing, appeal and review.

34. If the hearing panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.

35. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.

36. This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and the Corporation will post a copy of this Settlement Agreement on the Corporation website. The Corporation will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the hearing panel's written reasons for its decision to accept this Settlement Agreement.

37. If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.

38. This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

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

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

DATED this 10 day of April, 2023.

"Witness"
Witness

"Martin Danielak"
Martin Danielak

"April Engelberg"
April Engelberg
Senior Enforcement Counsel on behalf of Enforcement Staff of the Corporation

The Settlement Agreement is hereby accepted this "10" day of "May", 2023 by the following Hearing panel:

Per: "Eric Spink"
Chair

Per: "Jonathan Lund"
Industry Member

Per: "Martin Davies"
Industry Member

[1]On January 1, 2023, IIROC and the MFDA were consolidated into a single self-regulatory organization recognized under applicable securities legislation. The New Self-Regulatory Organization of Canada (the "Corporation") has adopted interim rules that incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-law, rules and policies of the MFDA (the "Interim Rules"). The Interim Rules include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules. These rules are largely based on the rules of IIROC and the rules and certain by-laws and policies of the MFDA that were in force immediately prior to amalgamation. Where the rules of IIROC and the rules and by-laws and policies of the MFDA that were in force immediately prior to amalgamation have been incorporated into the Interim Rules, Enforcement Staff have referenced the relevant section of the Interim Rules.