

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, CHAPTER 418, AS AMENDED

- AND -

IN THE MATTER OF MARITRA TRADING SERVICES INC.

UNDERTAKING AGREEMENT

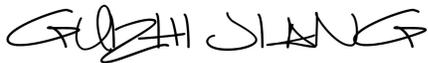
Maritra Trading Services Inc. ("**Maritra**") hereby undertakes that it will do as follows in the event the Nova Scotia Securities Commission (the "**Commission**") approves the settlement agreement reached between Maritra and the Director of Enforcement for the Commission ("**Settlement Agreement**"), a copy of which is attached hereto as "**Schedule 1**". Maritra understands and acknowledges that failure to comply with any of the undertakings contained herein constitutes a violation of Section 29EB of the Nova Scotia *Securities Act*, RSNS 1989, c 14.

1. If the Settlement Agreement is approved by the Commission, Maritra will, at its own expense, engage Mr. Christopher Climo, Regulatory Consultant (the "**Monitor**"), to design a new compliance structure for Maritra.
2. Maritra will instruct the Monitor to ensure that the new compliance system is reasonably designed, having regard to the business and affairs of Maritra, to prevent and detect manipulative and / or improper trading practices by Maritra's proprietary traders.
3. Maritra will implement the new compliance structure designed by the Monitor within six months following approval of the Settlement Agreement.
4. Maritra will ensure that the Monitor provides a written report to the Director of Enforcement detailing the implementation of the new compliance structure within six months following approval of the Settlement Agreement.
5. Maritra will ensure that the Monitor tests the new compliance structure and provides a final written report to the Director of Enforcement detailing the implementation and performance of the new compliance structure within one year following approval of the Settlement Agreement.

[signature page follows]

DATED at Halifax, Nova Scotia, this 31day of August , 2022

**SIGNED, SEALED AND DELIVERED in
the presence of:**



Witness: GUIZHI JIANG

Maritra Trading Services Inc.



Per: Frank Q. Zhang
Director of Operations
Maritra Trading Service Inc

SCHEDULE 1

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, CHAPTER 418, AS AMENDED (the "**Act**")

- AND -

IN THE MATTER OF MARITRA TRADING SERVICES INC. (the "**Respondent**")

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The parties to this Settlement Agreement ("**Agreement**") are the Respondent, Maritra Trading Services Inc. (the "**Respondent**" or "**Maritra**") and the Director of Enforcement for the Nova Scotia Securities Commission (the "**Director of Enforcement**").
2. The parties agree that the Nova Scotia Securities Commission (the "**Commission**") has jurisdiction over this matter.
3. The parties agree to recommend to the Commission approval of this Agreement in accordance with the terms and process set out herein.

PART II – PROCEDURE FOR APPROVAL OF THE AGREEMENT

4. The Director of Enforcement agrees to request that a Notice of Hearing be issued setting down a hearing ("**Settlement Hearing**") wherein the Commission will consider whether it is in the public interest to approve this Agreement and to issue an Order in the form attached hereto as Schedule "A".
5. The parties agree that this Agreement constitutes the entirety of evidence to be submitted to the Commission at the Settlement Hearing.
6. The Director of Enforcement agrees to recommend that the allegations acknowledged and admitted by the Respondent be resolved and disposed of in accordance with this Agreement.
7. The Parties acknowledge that this Agreement will become a public document upon its approval by the Commission at the Settlement Hearing.

PART III – STATEMENT OF AGREED FACTS

Acknowledgment

8. The Director of Enforcement and the Respondent agree with the facts and conclusions set out in this Part of the Agreement.

Overview

9. Maritra is engaged in the business of proprietary day trading on Canadian securities markets. Maritra has approximately 66 proprietary traders, most of whom are located in China.
10. During a period spanning April of 2015 to March of 2022, certain, but not all, traders at Maritra engaged in spoofing and / or layering activities on Canadian securities markets. On multiple separate occasions, traders at Maritra posted non-*bona fide* orders that were subsequently cancelled thereby creating a false or misleading appearance of market activity which allowed those traders to trade securities at artificial prices in violation of Section 132A(1)(a) of the Act.
11. Maritra was alerted by the investment dealers with whom it maintained accounts about instances of its traders engaging in potential spoofing activities as early as 2016, and on several occasions thereafter. Although Maritra warned, suspended, or terminated those traders after being alerted, spoofing and / or layering activities on Maritra's accounts continued into 2022.
12. Maritra did not adequately monitor trading activities on its accounts or ensure that there was an adequate compliance structure in place to identify and prevent manipulative trading by its proprietary traders. Despite previously being alerted on several occasions to instances of potential spoofing and layering activities on its accounts, Maritra failed to take necessary and appropriate action, thereby allowing these practices to continue. Having been made aware of potential spoofing and layering activities by its traders through its accounts as early as 2016, Maritra knew, or reasonably ought to have known, that its failure to implement an adequate monitoring and compliance structure permitted or failed to prevent continued manipulative trading activities.
13. Spoofing and layering are a species of market manipulation. Consequently, Maritra directly or indirectly engaged or participated in an act, practice or course of conduct relating to securities that the Respondent knew, or reasonably ought to have known, would result in or contribute to a misleading appearance of trading activity in, or an artificial price for a security in breach of Section 132A(1)(a) of the Act.

The Respondent and its Business Activities

14. Maritra is registered in Nova Scotia as an extra-provincial corporation, incorporated pursuant to the *Canada Business Corporations Act* on January 4, 2011. Maritra's registered address is 5276 Morris Street, Halifax, Nova Scotia.
15. Maritra is not a registrant or reporting issuer in Nova Scotia or elsewhere in Canada and has not engaged in any activities that would require registration with the Commission. Maritra does not have any clients or any business dealings with the investing public. Maritra invests and trades its own capital exclusively through a registered Investment Dealer and is exempt from registration pursuant to Part 8.5 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

16. Maritra has three directors. Two of Maritra's directors are former registrants with the Commission. Between 2014 and 2018, each of Maritra's directors were residents of Nova Scotia. One of Maritra's directors remains a resident of Nova Scotia.
17. Between 2014 and June of 2018, Maritra's trading activities on Canadian securities markets were performed using direct electronic access trading accounts controlled by Maritra and held at JitneyTrade Inc. ("**JitneyTrade**"). During that time, JitneyTrade was a registered Investment Dealer in all provinces and territories of Canada.
18. On or about June 6, 2018, JitneyTrade was acquired by Canaccord Genuity Group Inc. ("**Canaccord**"). Subsequent to that acquisition, Maritra's trading accounts transferred to Canaccord, and Maritra's trading activities were performed using its direct electronic access trading accounts at Canaccord.
19. Maritra provides capital to its traders. The traders are given access to funds, and to software that is linked to Maritra's trading accounts which they use to trade on Canadian securities markets. Each of Maritra's proprietary traders are compensated by receiving a portion of the net profits that they generate from investing Maritra's capital.
20. Maritra's traders in China work either by themselves or in a group. A trader can work from anywhere if an internet connection is available. Each trader is provided with their own user identification and log-in credentials for the software linked to Maritra's trading accounts. Maritra's proprietary traders trade using the same trading accounts used by Maritra's directors.
21. Maritra's trading software enables Maritra to view and monitor all trading activities on its accounts in real time. Maritra administers a manager account that allows Maritra to set and control trading parameters for all of its traders, including the amount of capital each trader has access to, daily stop loss limits, maximum shares that can be purchased, number of orders per buy / sell side per security, blocked securities, maximum dollar value per order, maximum position per security, and which securities can be shorted. If a trader reaches their daily stop loss, the trader's positions will be flattened, and they will not be able to trade for the rest of the day.
22. At all material times, as the account holder at Jitney Trade and, later, Canaccord, Maritra was responsible for the oversight, supervision, and compliance of its traders and for the monitoring, supervision, and compliance of all trading performed on the direct electronic access trading accounts under Maritra's control.
23. At no time did Maritra ever appoint a compliance officer, provide comprehensive training to its traders, or develop a policies and procedures manual.

Market Manipulation by Maritra Traders

24. Between April 23, 2015, and March 30, 2022, (the “**Material Time**”), certain proprietary traders at Maritra engaged in repeated incidents of spoofing and / or layering activities on Canadian securities markets involving at least 15 different securities.
25. Spoofing and layering are manipulative trading practices whereby a trader places non-*bona fide* orders on one side of the market which the trader intends to cancel prior to execution, while contemporaneously entering orders on the other side of the market that the trader intends to fill. The purpose of the non-*bona fide* orders is to temporarily manipulate the price of a security by creating a false or misleading appearance of market activity on one side of the order book.
26. Spoofing and layering disrupt and distort the genuine price formation process of the marketplace. The non-*bona fide* orders are entered at prices that are higher or lower than the market value of a security at the time the “bait” order is entered. The bait orders deceive other market participants into increasing or decreasing their bid or offer prices for the security by creating a false or misleading appearance of supply or demand on one side of the order book. In the result, an artificial price for the security can be created, which the trader can then use to secure a price advantage on the other side of the order book, to the detriment of other market participants.
27. On multiple separate occasions during the Material Time, certain Maritra traders committed spoofing and / or layering by engaging in the following trading patterns in quick succession:
 - a. repeatedly entering non-*bona fide* buy orders at prices higher than the National Best Bid (“**NBB**”), which resulted in an artificial increase to the NBB and caused counterparties to increase their bids, then immediately cancelling the buy orders and executing sell orders with the counterparties at the artificially higher prices; and
 - b. repeatedly entering non-*bona fide* sell orders at prices lower than the National Best Offer (“**NBO**”), which resulted in a decrease to the NBO and caused counterparties to lower their offering prices, then immediately cancelling the sell orders and executing buy orders with the counterparties at the artificially lower prices.
28. As a result of these activities, trades were executed at artificial prices because orders placed by Maritra’s traders were filled at a price that was either higher, or lower than the NBB / NBO before the non-*bona fide* orders were entered. The spoofing and layering practices committed by Maritra’s traders created a false or misleading appearance of trading activity on one side of the order book, which manipulated the NBB / NBO, induced other market participants into changing their bid or offer prices, and resulted in artificial prices on at least 15 different securities. These traders then immediately cancelled the non-*bona fide* orders and executed transactions on the other side of the order book to take advantage of the artificial prices caused by the non-*bona fide* orders.
29. These trading activities were intended to deceive, and did deceive, other market participants into buying securities from Maritra at prices that that were artificially raised or selling securities to Maritra at prices that had been artificially lowered. After these traders

cancelled the non-*bona fide* orders on one side of the market and secured price advantages in completed transactions on the other side of the market, the prices for the securities returned to their pre-spoofing level.

30. The manipulative trading activities were committed by Maritra's outsourced proprietary traders in China. None of Maritra's directors or officers directly engaged in any manipulative trading activities. Maritra's principals were not aware of potentially manipulative trading on Maritra's accounts until Maritra received alerts from its Investment Dealer and investigated the trading activities in question.
31. Maritra was first alerted to potentially manipulative trading on its accounts by JitneyTrade on or about July 22, 2016. Maritra was subsequently alerted to activity on its accounts raising red flags on numerous further occasions throughout 2018, 2019, and 2022.
32. Although Maritra worked with JitneyTrade and Canaccord throughout the Material Time to identify, investigate, and sanction traders whose conduct was identified by its Investment Dealer as raising red flags, Maritra did not take appropriate action to ensure that the manipulative trading did not continue. Having been made aware that its traders were engaging in potentially manipulative trading as early as 2016, Maritra should have taken appropriate steps to ensure that manipulative trading would not continue to occur.
33. Maritra did not adequately monitor trading activities on its accounts and did not ensure that there was an adequate compliance structure in place to identify and prevent manipulative trading.
34. Having previously been alerted to potentially manipulative trading in 2016 and on several occasions thereafter, Maritra knew, or reasonably ought to have known, that its failure in this regard allowed manipulative trading activities to continue and amounted to directly or indirectly engaging in acts, practices, or a course of conduct that resulted in, or contributed to a misleading appearance of trading activity and artificial prices for securities.

Violations of Nova Scotia Securities Laws

35. The Respondent admits to the following breaches of Nova Scotia securities laws:
 - (a) The Respondent directly or indirectly engaged or participated in an act, practice or course of conduct relating to securities that it knew or reasonably ought to have known resulted in or contributed to a misleading appearance of trading activity in, or an artificial price for a security in violation of Section 132A(1)(a) of the Act.

PART IV – STATEMENT OF ALLEGATIONS ACKNOWLEDGED AND ADMITTED BY THE RESPONDENT

36. The Respondent admits the facts set forth in Part III herein and acknowledges that it violated Nova Scotia securities laws.

37. The Respondent acknowledges and admits that it violated Section 132A(1)(a) of the Act.
38. The Respondent acknowledges that its conduct undermined investor confidence in the fairness and efficiency of capital markets and was contrary to the public interest.

PART V - MITIGATING FACTORS

39. Prior to the execution of this Agreement, all of the traders who were responsible for the manipulative trading were terminated and their names and addresses were provided to Enforcement Staff.
40. Prior to the execution of this Agreement, the Respondent has taken measures to improve Maritra's compliance program to restrict the opportunity for traders at Maritra to engage in manipulative trading in the future.
41. Pursuant to the terms of its settlement with the Director of Enforcement, the Respondent has provided Enforcement Staff with a written undertaking that Maritra will retain a qualified independent third-party consultant (the "**Monitor**"), who was approved in advance by the Director of Enforcement, to design a new compliance structure that will be implemented by Maritra. The Monitor will provide a written report to the Director of Enforcement detailing the implementation of the compliance structure within six months following approval of the settlement. The new compliance structure will be tested by the Monitor within one year following approval of this Agreement, and the Monitor will provide a final report to the Director of Enforcement detailing the implementation and performance of the new compliance structure within one year following the approval of this settlement.
42. The Respondent is a small company and the monetary penalty is proportionately severe relative to Maritra's revenues.
43. The Respondent acknowledges and accepts responsibility for its conduct which is the subject matter of this Agreement.
44. The Respondent has no past record of violations of Nova Scotia securities laws.
45. The Respondent fully cooperated with Enforcement Staff's investigation of this matter.
46. The Respondent recognizes the seriousness of its conduct and is remorseful.

PART VI – TERMS OF SETTLEMENT

47. The terms of settlement are set forth in the Order contained in Schedule "A" to this Agreement which is expressly incorporated herein.
48. The Respondent consents to the Order contained in Schedule "A".

49. The terms of the settlement as set out in the Order contained in Schedule "A" are as follows:
- i. the settlement agreement dated _____, 2022, a copy of which is attached, is approved;
 - ii. pursuant to Section 134(h) of the Act, the Respondent is reprimanded;
 - iii. pursuant to Section 134(1)(a) of the Act, the Respondent shall comply with, and cease contravening Nova Scotia securities laws;
 - iv. pursuant to Section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of One Hundred and Ten Thousand dollars (\$110,000.00) forthwith; and
 - v. pursuant to Section 135A of the Act, the Respondent shall pay costs in connection with the investigation and conduct of the proceedings before the Commission in the amount of Ten Thousand Dollars (\$10,000.00) forthwith.

PART VII – COMMITMENTS

50. If this Agreement is approved and the Order as set out in Schedule "A" is granted, the parties agree to waive any right to a full hearing and judicial review and appeal of this matter.
51. If this Agreement is approved by the Commission, the parties will not in any way make any statement, public or otherwise, that is inconsistent with the terms of this Agreement.
52. If this Agreement is approved by the Commission, the Respondent agrees to abide by all terms of this Agreement.
53. If, for any reason whatsoever, this Agreement is not approved, or the Order set forth in Schedule "A" is not granted by the Commission:
- a. The Director of Enforcement and the Respondent will be entitled to proceed to a hearing of the allegations which are the subject matter of this Agreement unaffected by the Agreement or the settlement negotiations;
 - b. The negotiations, the terms of this Agreement, and this Agreement will not be raised in any other proceeding or disclosed to any person except with the written consent of the Director of Enforcement and the Respondent or as may otherwise be required by law; and
 - c. The Respondent agrees that it will not raise in any proceeding the Agreement or the negotiations or process of approval thereof as a basis of any attack or

challenge of the Commission's jurisdiction, alleged bias, appearance of bias, alleged unfairness or any other challenge that may otherwise be available.

54. The Respondent acknowledges that the Director of Enforcement has the discretion to withdraw from this Agreement if, prior to the approval of this Agreement by the Commission in the view of the Director of Enforcement, additional facts or issues are discovered that cause her to conclude that it would not be in the public interest to request approval of this Agreement. In the event of such withdrawal, notice will be provided to Respondent in writing. In the event of such notice being given, the provisions of paragraph 53 in this Part will apply as if this Agreement had not been approved in accordance with the procedures set out herein.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

55. The Director of Enforcement or the Respondent may refer to any or all parts of this Agreement as required by Rule 15-501 *General Rules of Practice and Procedure* and in the course of the Settlement Hearing. Otherwise, this Settlement Agreement and its terms will be treated as confidential by all parties to it until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

56. The Respondent acknowledges that Orders made by the Commission may form the basis for parallel Orders in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions may allow Orders made in this matter to take effect in those other jurisdictions automatically without notice to the Respondent.
57. This Agreement may be signed in one or more counterparts that together shall constitute a binding agreement and a facsimile or electronic copy of any signature shall be as effective as an original signature.

[signature page follows]

Witness:

) Stephanie Atkinson
) Director of Enforcement
) Nova Scotia Securities Commission
)

SCHEDULE "A"

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("**Act**")

- AND -

IN THE MATTER OF MARITRA TRADING SERVICES INC. (the "**Respondent**")

ORDER
(Sections 134, 135, 135A)

WHEREAS on _____, 2022 the Nova Scotia Securities Commission (the "**Commission**") issued a Notice of Hearing to the Respondent pursuant to Sections 134, 135 and 135A of the Act;

AND WHEREAS the Respondent entered into a settlement agreement with the Director of Enforcement for the Commission, whereby it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND WHEREAS the Director of Enforcement and the Respondent recommended approval of the settlement agreement;

AND WHEREAS the Commission is of the opinion that the Respondent has contravened Nova Scotia securities laws and it is in the public interest to make this Order;

AND UPON reviewing the settlement agreement and the Notice of Hearing, and upon hearing submissions of counsel for the Director of Enforcement and the Respondent;

IT IS HEREBY ORDERED, pursuant to Sections 134, 135 and 135A of the Act, that:

- i. the settlement agreement dated _____, 2022, a copy of which is attached, is approved;
- ii. pursuant to Section 134(h) of the Act, the Respondent is reprimanded;
- iii. pursuant to Section 134(1)(a) of the Act, the Respondent shall comply with, and cease contravening Nova Scotia securities laws;
- vi. pursuant to Section 135 of the Act, the Respondent shall pay an administrative penalty in the amount of One-Hundred and Ten Thousand dollars (\$110,000.00) forthwith; and
- vii. pursuant to Section 135A of the Act, the Respondent shall pay costs in connection with the investigation and conduct of the proceedings before the Commission in the amount of Ten Thousand Dollars (\$10,000.00) forthwith.

DATED at Halifax, Nova Scotia, this ____ day of _____, 2022.

NOVA SCOTIA SECURITIES COMMISSION

(Chair)