



Ontario
Securities
Commission
3S8

Commission des
valeurs mobilières
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,
R.S.O. 1990, c. S.5, AS AMENDED**

- and -

IN THE MATTER OF OMEGA SECURITIES INC.

**SETTLEMENT AGREEMENT BETWEEN STAFF
OF THE ONTARIO SECURITIES COMMISSION and
OMEGA SECURITIES INC.**

PART I – INTRODUCTION

A. Regulatory Message

1. Accurate and timely collection and dissemination of information by marketplaces is critical to the integrity of Ontario's capital markets and investor confidence. The information disseminated by marketplaces forms the basis of trading decisions and inaccuracies may impact market and execution quality and market integrity. In addition, the dissemination of inaccurate market data could result in advantage to some investors and disproportionately disadvantage other investors. Accurate and timely information also assists regulators in discharging their enforcement and regulatory mandates.

2. In this matter, Staff of the Ontario Securities Commission ("**Staff**") identified deficiencies with the systems of Omega Securities Inc. ("**OSI**"). OSI is a registrant operating two Alternative Trading Systems ("**Omega ATS**" and "**Lynx ATS**") and was disseminating inaccurate information with respect to the identities of buy and sell brokers for certain transactions, the time of receipt of certain orders, and the time of execution of certain trades. In addition, the number of messages disseminated across OSI's data feeds did not always match.

3. The existence of these deficiencies had the potential to strike at the heart of the integrity and efficient operation of Ontario's capital markets. Staff considered that, because of the material nature of these deficiencies, and the need to ensure that any changes to address them were fully tested by OSI and its participants, it would have taken OSI a significant amount of time to ensure that its systems were in full compliance with Ontario securities laws.

4. With inaccurate information continuing to be publicly disseminated, Staff's view was that it could not allow such serious deficiencies to continue without immediate and public regulatory action.

B. Staff's Application for a Temporary Order

5. In certain respects, OSI cooperated with Staff's investigation by responding to requests for documents and attending interviews to provide information on a voluntary basis. Nonetheless, in Staff's view, in the nearly-one-year period leading up to Staff's application for a temporary order OSI failed to conduct itself in a manner expected of a market participant, including by:

- (i) inadequately responding to the requests for information made to OSI related to concerns raised by Staff with OSI;
- (ii) inadequately addressing the problems with its collection and dissemination of marketplace information;
- (iii) leaving it to Staff to piece together the serious deficiencies with OSI's systems – a task that OSI as a market participant should have discovered and fixed on its own; and, moreover,
- (iv) having had the serious deficiencies noted to it by Staff, OSI failed to correct the deficiencies in a timely manner.

6. On November 13, 2017, Staff commenced an application before the Commission seeking a temporary order suspending the registration of OSI and that trading in any securities by OSI cease until the conclusion of a hearing on the merits.

7. Staff alleged that Omega ATS and Lynx ATS may have failed to comply with National Instrument 21-101 in four respects:

- (i) Inaccurate identification of brokers participating in mid-point peg transactions;
- (ii) Time stamp deficiencies;
- (iii) Content discrepancies across OSI's data feeds; and
- (iv) Dissemination of data to certain subscribers prior to TMX Information Processor.

8. On November 14, 2017, Staff also published OSC Staff Notice 23-706, advising that "marketplaces and marketplace participants may consider declaring 'self-help'" under Part 6 of NI 23-101 (the "**Self-Help Notice**").

9. The hearing was held on November 17, 20, and 21, 2017. On November 23, 2017, the Commission declined to suspend OSI's registration but did issue a temporary order (the "**Temporary Order**") imposing the following terms and conditions on OSI's registration (pursuant to subsection 127(5) and paragraph 1 of subsection 127(1) of the Act):

- (i) OSI shall forthwith provide notice on its website and to its subscribers in writing that the time of execution of trades disseminated pursuant to its ITCH protocol may differ, at the millisecond level, from the time internally recorded by OSI in its matching engine for the execution of these trades;
- (ii) OSI shall upgrade from the ITCH 3.0 protocol to the ITCH 5.0 protocol as expeditiously as possible, in compliance with existing regulatory requirements;
- (iii) OSI shall report, on a monthly basis, in writing, to Staff of the Commission and to IIROC, if IIROC so requests, on the ongoing steps taken by OSI to upgrade to the ITCH 5.0 protocol;
- (iv) OSI shall implement a MRF Feed patch as expeditiously as possible, in compliance with existing regulatory requirements, including IIROC approvals or certification;

- (v) OSI shall forthwith notify its subscribers that after seven days, all order acknowledgement messages sent pursuant to its FIX Feed will be sent at the millisecond level, except to such subscribers which notify OSI in writing within seven days that they choose not to receive such acknowledgements to the millisecond level;
- (vi) OSI shall comply with the terms of the notification referred to in paragraph (v), above, and provide a written report to Staff of the Commission within 14 days and to IIROC, if requested by IIROC, outlining steps taken to so comply; and
- (vii) OSI shall retain, within 14 days or such later time period as approved by Staff of the Commission, at its own expense, the services of an independent systems reviewer or reviewers that are approved by Staff of the Commission to provide reporting to OSI and Staff of the Commission and to IIROC, if IIROC so requests, regarding the effectiveness of the MRF Feed patch and the ITCH 5.0 protocol, on a quarterly basis for a 12 month period, after each respectively, is implemented (the “**Independent Systems Reviewer**”).

10. Staff of the Commission and OSI agree that, up to the date of this Settlement Agreement, OSI has fully complied with the terms of the Temporary Order.

PART II – JOINT SETTLEMENT RECOMMENDATION

11. The parties shall jointly file a request that the Ontario Securities Commission (the “**Commission**”) issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “**Act**”), it is in the public interest for the Commission to make certain orders against OSI in respect of the conduct described herein.

12. Staff recommend settlement of the proceeding commenced by the Notice of Hearing dated November 16, 2017, (the “**Proceeding**”) against OSI according to the terms and conditions set out in Part VI of this Settlement Agreement (the “**Settlement Agreement**”). OSI consents to the making of an order in the form attached as Schedule “A” (the “**Order**”), based on the facts set out below.

13. For the purposes of this Proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, OSI agrees with the facts as set out in Part III and the conclusion in Part IV of this Settlement Agreement.

PART III – AGREED FACTS

A. Overview & Regulatory Framework

14. The establishment and operations of ATSS are governed by the regulatory framework set out in the Act as well as National Instrument 21-101 (“**NI 21-101**”) and its related companion policies (collectively, the “**Marketplace Rules**”).

15. The transparency requirements for marketplaces set out in Part 7 of NI 21-101 are a critical component of the regulatory framework and support fair and efficient markets and confidence in those markets. They are also critical to support the regulator’s ability to monitor markets and monitor compliance with regulatory requirements.

16. These transparency requirements require that marketplaces (including those operated by OSI) disseminate accurate and timely information relating to orders and trades to an information processor.

17. As a result of an upgrade to OSI’s systems in July 2013, OSI began to disseminate inaccurate information with respect to the identities of buy and sell brokers for certain transactions. Since 2012, OSI has also disseminated inaccurate information with respect to the time of receipt of certain orders, the time of execution of certain trades, and the number of messages disseminated across OSI’s data feeds.

B. Background

18. As noted above, OSI is a registrant operating two Alternative Trading Systems in Ontario: Omega ATS and Lynx ATS.

19. Omega ATS began operations on or about December 6, 2007. Lynx ATS began operations on or about February 3, 2014.

20. OSI's regulation services provider is the Investment Industry Regulatory Organization of Canada ("**IROC**").

C. OSI's Trading Platform

21. While the Marketplace Rules set out requirements for ATSS, including information transparency requirements, they do not dictate how an ATS implements these requirements. ATSS determine the appropriate measures they will implement in order to meet the requirements of the Marketplace Rules, including the marketplace software and computer hardware they choose to implement (commonly referred to as their "**Trading Platform**").

22. The Trading Platform implemented by OSI to operate Omega ATS and Lynx ATS functions as follows:

- (i) An OSI subscriber sends an order instruction (*e.g.* a buy order);
- (ii) This instruction passes through the primary gateway at OSI by placing the message in a queue to be submitted to the "Matching Engine", which is a software program designed to match orders between buyers and sellers;
- (iii) The Matching Engine then submits this information to other OSI processes in preparation for dissemination;
- (iv) OSI disseminates the information (*i.e.* messages) regarding trading activity (including orders and executions) that takes place on Omega ATS and Lynx ATS to multiple third parties using three data feeds:
 - (a) The "**ITCH Process**," which is used to disseminate data on the "**ITCH Feed**" to OSI's information processor ("**TMX IP**") and direct purchasers of OSI's data;

- (b) The market regulation feed process (“**MRF Process**,”) which is used to disseminate data on the “**MRF Feed**” to IIROC; and
- (c) The participant-facing processes used to disseminate data on the “**FIX Feed**” in real time to the following three destinations, with a copy to OSI’s own history database of all trade executions:
 - (A) FIX 4.2 execution messages sent back to the trade execution system of the party who placed the order;
 - (B) FIX 4.2 “drop copies”, which certain OSI users request primarily to be able to maintain intra-day “state” on their own outstanding orders and trade executions; and
 - (C) the CDS file, the cumulative file of which is sent to CDS at end-of-day as the definitive record of all OSI trade executions for a trading day.

D. Inaccurate Identification of Brokers Participating in Mid-Point Peg Transactions

23. Omega ATS and Lynx ATS failed to comply with the Marketplace Rules and the Act by providing inaccurate identification of brokers participating in approximately 65,000 mid-point peg transactions.

24. To meet Canadian regulatory requirements, subsection 7.2(1) of NI 21-101 requires a marketplace to provide “accurate and timely information regarding trades... to an information processor”, which includes properly identifying the buyer and seller broker IDs that were part of an execution.

25. In July 2013, OSI introduced a new order type that would allow investors to place mid-point peg orders on Omega ATS and Lynx ATS.

26. From July 2013 to June 2016, OSI's Trading Platform altered the data identifying the actual buyer and seller brokers for over 65,000 mid-point peg transactions on Omega ATS and Lynx ATS publicly disseminated by OSI via the ITCH Feed. In particular, OSI reversed the buyer broker ID and the seller broker ID for mid-point peg transactions when the buyer was "active" (i.e. meaning the buyer's order was matched with a previously entered or "passive" sell order).
27. This incorrect information was disseminated to TMX IP via OSI's ITCH Feed contrary to Part 7 of NI 21-101.
28. On May 26, 2016, a market participant complained to IIROC about a dealer identification error on a mid-point peg trade. IIROC notified OSI and Staff, who contacted OSI.
29. OSI corrected its systems in June 2016, with IIROC certification, and reported to IIROC and Market Regulation while doing so. Since that time, messages regarding mid-point peg transactions disseminated by OSI for Omega ATS and Lynx ATS using the ITCH feed have reflected the accurate and proper buyer and seller brokers IDs.
30. In discussions with Staff, OSI acknowledged that the company was aware of the reversal of broker IDs but believed that doing so was industry standard, to avoid excessive information leakage for large "hidden" orders. OSI admitted they had misinterpreted the way that the industry handled mid-point peg transactions.

E. Time Stamp Deficiencies and Other Discrepancies

31. OSI's Trading Platform resulted in four types of time stamp deficiencies and other discrepancies:
- (a) Time stamp deficiencies for unmatched orders;
 - (b) Time stamp deficiencies for matched orders (i.e. executed trades);
 - (c) Time stamp discrepancies for identical events on different feeds; and
 - (d) Content discrepancies across OSI's data feeds.

(a) Time stamp deficiencies for unmatched orders

32. Subsection 7.1(1) of NI 21-101 requires marketplaces to provide “accurate and timely information regarding orders” to the information processor. Subsection 9.1(2) of the Companion Policy to NI 21-101 indicates that the information to be provided to the information processor “should contain all relevant information including details as to... time of the order...”

33. When a buy or sell order is received by OSI’s systems, a “time of order receipt” is assigned to that order. However, prior to June 8, 2018, that “time of order receipt” was not sent through OSI’s ITCH Feed to TMX IP but was instead replaced with a time label that reflected the “time of transmission”. Consequently, messages disseminated by OSI on the ITCH Feed included the “time of transmission” and not the “time of order receipt”. Prior to December 11, 2017, this was also the case with respect to the MRF Process.

34. In compliance with the terms of the Temporary Order, on December 11, 2017, OSI implemented an MRF Feed patch, such that the “time of order receipt” is currently being disseminated accurately on the MRF Feed. The process was certified by IIROC.

35. Also in compliance with the terms of the Temporary Order, on June 8, 2018, OSI upgraded the ITCH Feed from the ITCH 3.0 protocol to the ITCH 5.0 protocol, such that the “time of the order receipt” is currently being disseminated accurately on the ITCH Feed.

(b) Time stamp deficiencies for executed trades

36. Subsection 7.2(1) of NI 21-101 requires marketplaces to provide “accurate and timely information regarding trades” to the information processor. Subsection 9.1(2) of the Companion Policy to NI 21-101 indicates that the information to be provided to the information processor “should contain all relevant information including details as to... time of the... trade...”

37. When a buy order is matched with a sell order on OSI's marketplaces, the resulting "trade execution message" is time-stamped by OSI's Matching Engine with the "time of the trade" as recorded in the Matching Engine. However, prior to June 8, 2018, that "time of the trade" was not sent through OSI's ITCH Feed to TMX IP but was instead replaced with a time label that reflected the "time of transmission". Consequently, messages disseminated by OSI on the ITCH Feed included the "time of transmission" and not the "time of the trade." Prior to December 11, 2017, this was also the case with respect to the MRF Process.

38. In compliance with the terms of the Temporary Order, on December 11, 2017, OSI implemented an MRF Feed patch, such that the "time of the trade" is currently being disseminated accurately on the MRF Feed. The process was certified by IIROC.

39. Also in compliance with the terms of the Temporary Order, on June 8, 2018, OSI upgraded the ITCH Feed from the ITCH 3.0 protocol to the ITCH 5.0 protocol, such that the "time of the trade" is currently being disseminated accurately on the ITCH Feed.

(c) Time stamp discrepancies for identical events on different feeds.

40. The internal clocks for OSI's ITCH Feed and the MRF Feed were, at times, desynchronized, such that the "time of transmission" was not always the same for the two feeds. As a result, the "time labels" assigned to orders and trades not only did not accurately reflect the "time of order receipt" or "time of the trade," but were not the same across multiple feeds.

41. Staff's investigation found that in almost all cases, the time stamp discrepancies were within one to two milliseconds. In a number of instances, during periods of exceptional market conditions or when Omega was experiencing technical difficulties, the variance between the time stamps across the feeds exceeded 50 milliseconds.

42. As a result of the MRF Patch, which was implemented on December 11, 2017, and OSI's upgrade of the ITCH Feed from the ITCH 3.0 protocol to the ITCH 5.0 protocol, which was completed on June 8, 2018, any variance between time stamps on the ITCH and MRF Feeds is expected to have been eliminated.

(d) Content discrepancies across OSI's data feeds

43. OSI disseminates the ITCH Feed of Omega ATS from two different computer ports: "Port 4005" and "Port 4006".

44. From June 2013 through to June 2016, on certain trading days, the number of messages (*i.e.* orders and transactions) disseminated via Port 4005 differed from the number of messages disseminated via Port 4006. As a result, market participants accessing the ITCH Feed from the port that did not include certain messages did not receive full information about trading activity on Omega ATS.

45. Also on certain trading days the number of transactions disseminated on the MRF Feed was either higher or lower than the number of transactions disseminated on either Port 4005 or 4006. As a result, on some of those trading days, IIROC was not provided with copies of all messages transmitted to market participants.

46. The highest content discrepancies appear to have occurred on dates on which Omega experienced known market data or internal connectivity issues.

PART IV – NON-COMPLIANCE WITH ONTARIO SECURITIES LAW

47. By engaging in the conduct described above, OSI admits and acknowledges that it has breached Ontario securities law. In particular:

- (i) OSI disseminated inaccurate post-trade information relating to mid-point peg transactions executed on Omega ATS and Lynx ATS, in breach of subsection 7.2(1) of NI 21-101;
- (ii) OSI disseminated inaccurate pre-trade information relating to orders for exchange-traded securities displayed by Omega ATS and Lynx ATS to the information processor, in breach of subsection 7.1(1) of NI 21-101; and

- (iii) OSI disseminated inaccurate post-trade information relating to trades for exchange-traded securities executed on Omega ATS and Lynx ATS to the information processor, in breach of subsection 7.2(1) of NI 21-101.

48. OSI agrees that it is in the public interest for the Commission to make an order on the terms set out in Part VI below, to ensure the resolution of the identified deficiencies in the OSI Trading Platform in a manner that instills greater confidence in the accuracy of information recorded and disseminated by OSI and to reinforce the importance of transparency and accuracy of market data.

PART V – OSI’S POSITION

49. OSI requests that the Panel at the Settlement Hearing consider the following mitigating circumstances:

- (i) OSI immediately took steps to begin to address the technical issues identified in Staff’s application for a temporary order, and proposed fixes to each of them at the temporary order hearing, which formed the basis for the terms imposed in the Temporary Order.
- (ii) Since Staff made OSI aware of potential content discrepancies in November 2017, OSI has been conducting daily comparisons of the content disseminated on the different market data ports, and has observed no discrepancies between the feeds on any trading day.
- (iii) OSI has complied with all terms of the Temporary Order, and in particular:
 - a. On November 24, 2017, OSI provided notice on its website and to its subscribers in writing that the time of trades disseminated on its ITCH Feed could on occasion differ, at the millisecond level, from the time internally recorded by OSI in its Matching Engine for execution of these trades;

- b. On November 27, 2017, OSI notified all of its subscribers that after seven days, all order acknowledgment messages sent by its gateways would be sent at the millisecond level. Since December 1, 2017, OSI's Trading Platform has recorded the time that all incoming messages are first received by OSI to the millisecond level. OSI provided a written report of this change to OSC Staff and to IIROC;
 - c. On December 11, 2017, OSI implemented an MRF Feed patch such that the correct matching engine time stamp is being disseminated on the MRF Feed;
 - d. On June 8, 2018, OSI upgraded the ITCH Feed from the ITCH 3.0 protocol to the ITCH 5.0 protocol, such that the correct "time of the order" and "time of the trade" are being disseminated on the ITCH Feed; and
 - e. OSI has engaged E&Y to provide a quarterly review of all data feeds, and determined the scope and format of this testing, in cooperation with IIROC and OSC's Market Regulation branch.
- (iv) OSI did not profit from or avoid any losses as a result of the impugned conduct;
 - (v) With regard to paragraph 33, in almost all cases, except when there was heavy message traffic in OSI's environment, the "time of transmission" was the same as or within one to two milliseconds of the "time of order receipt";
 - (vi) With regard to paragraph 37, in almost all cases, except when there was heavy message traffic in OSI's environment, the "time of transmission" was the same as or within one to two milliseconds of the "time of the trade"; and
 - (vii) The Temporary Order proceedings and the issuance of the Self-Help Notice have already had a detrimental impact on OSI. In particular:

- a. During the 10 day period from Staff's issuance of the Self-Help Notice to the Commission's issuance of the Temporary Order, OSI's trading volumes dropped over 96%, and commission revenues fell accordingly. As of the date of this Settlement Agreement, OSI's market share has just recently returned to its approximate levels prior to the commencement of these enforcement proceedings;
- b. OSI has suffered harm to its business and reputation as a result of the Temporary Order proceedings and of the Self-Help Notice;
- c. OSI incurred significant legal costs in responding to Staff's application for a temporary order; and
- d. OSI has incurred significant costs to comply with the Temporary Order, including the following:
 - i. OSI has incurred additional costs to complete the migration to the ITCH 5.0 protocol on an accelerated timeline; and
 - ii. The Temporary Order required OSI to retain an independent systems reviewer to provide written reporting on the effectiveness of the MRF Feed patch and the ITCH 5.0 protocol.

PART VI – TERMS OF SETTLEMENT

50. OSI agrees to the terms of settlement set forth below and agrees that an Order approving the Settlement Agreement and imposing the terms and conditions below on OSI's registration would be in the public interest.

51. OSI consents to the Order, pursuant to which it is ordered that:

- (a) The Settlement Agreement is approved;
- (b) Pursuant to paragraph 1 of subsection 127(1) of the Act, the following terms and conditions be imposed on OSI's registration:

- a. OSI shall continue to ensure that:
 - i. The broker IDs of counterparties to a trade are recorded accurately;
 - ii. Timestamps pertaining to the “time of order receipt” and the “time of the trade” are disseminated in accordance with Part 7 of NI 21-101, and if transmission times are disseminated, they are disseminated in addition to the aforementioned timestamps and identified as such;
 - iii. The MRF Feed is providing IIROC with accurate timestamps of order receipt and execution of trades;
 - b. OSI shall continue to retain the Independent Systems Reviewer to perform quarterly reviews and provide written reports regarding the effectiveness of the MRF Patch, on a quarterly basis for a 12 month period following December 11, 2017, and provide these reports to Staff and IIROC, if IIROC so requests.
 - c. OSI shall continue to retain the Independent Systems Reviewer to perform quarterly reviews and provide written reports regarding the effectiveness of the upgrade to the ITCH 5.0 protocol on a quarterly basis for the four quarters ending after June 8, 2018, and provide these reports to Staff and IIROC, if IIROC so requests.
 - d. OSI shall maintain policies and procedures designed to ensure, on an ongoing and consistent basis, that mechanisms are in place that are designed to ensure that OSI’s systems and their operations are compliant with NI 21-101; and
- (c) Pursuant to paragraph 9 of section 127(1) of the Act, OSI shall pay to the Commission an administrative penalty in the amount of \$500,000, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act.

52. OSI will make the payment specified in paragraph 51(c), above, by bank draft prior to the issuance of any Commission order approving this Settlement Agreement.

53. OSI undertakes to consent to a regulatory Order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the terms and conditions set out in subparagraphs 51(b)(a) and 51(b)(d), above. These terms and conditions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

54. OSI acknowledges that this Settlement Agreement and proposed Order 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 further notice to OSI. OSI should contact the securities regulator of any other jurisdiction in which it may intend to engage in any securities related activities, prior to undertaking such activities.

PART VII – FURTHER PROCEEDINGS

55. If the Commission approves this Settlement Agreement, Staff will not commence or continue any proceeding against OSI under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless OSI fails to comply with any term in this Settlement Agreement, in which case Staff may bring proceedings under Ontario securities law against OSI that may be based on, among other things, the facts set out in Part III of this Settlement Agreement as well as the breach of this Settlement Agreement.

56. OSI acknowledges that, if the Commission approves this Settlement Agreement and the OSI fails to comply with any term in it, the Commission is entitled to bring any proceedings necessary.

57. OSI waives any defences to a proceeding referenced paragraphs 55 and 56, above, that are based on the limitation period in the Act, provided that no such proceeding shall be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

58. The parties will seek approval of this Settlement Agreement at a public hearing (the “**Settlement Hearing**”) before the Commission, which shall be held on a date determined by the Secretary to the Commission in accordance with this Settlement Agreement and the Commission’s *Rules of Procedure (2017)*, 40 OSCB 8981.

59. OSI’s senior management will attend the Settlement Hearing in person.

60. The parties confirm that this Settlement Agreement sets forth all of 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.

61. If the Commission approves this Settlement Agreement:

- (a) OSI irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and
- (b) neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing.

62. Whether or not the Commission approves this Settlement Agreement, OSI will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any attack on the Commission’s jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT

63. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule “A” to this Settlement Agreement:

- (a) This Settlement Agreement and all discussions and negotiations between Staff and OSI before the settlement hearing takes place will be without prejudice to Staff and OSI; and

(b) Staff and OSI will each be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations contained in the Statement of Allegations. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.

64. All parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement, subject to the parties' need to make submissions for purposes of the public hearing.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

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

66. A facsimile copy or other electronic copy of any signature will be as effective as an original signature.

Dated at Toronto this 19th day of September, 2018.

“Sean Debotte”
Omega Securities Inc.

“Raymond Tung”

Per: Sean Debotte

Raymond Tung [Print]

I am authorized to bind the corporation

Witness

Dated at Toronto this 21st day of September, 2018.

“Jeff Kehoe”

Jeff Kehoe

Director, Enforcement Branch of the Ontario Securities Commission

Schedule “A”



Ontario
Securities
Commission
3S8

Commission des
valeurs mobilières
de l'Ontario

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IN THE MATTER OF OMEGA SECURITIES INC.

[Name(s) of Commissioners comprising the Panel]

Date

ORDER

(Subsections 127(1) and 127.1 of the *Securities Act*, RSO 1990, c S.5)

WHEREAS:

1. On [date], the Ontario Securities Commission (the “**Commission**”) issued a Notice of Hearing (the “**Notice of Hearing**”) in relation to the Statement of Allegations filed by Staff of the Commission (“**Staff**”) on November 16, 2017, with respect to Omega Securities Inc. (“**OSI**”);
2. The Notice of Hearing gave notice that on October 4, 2018, the Commission would hold a hearing to consider whether it is in the public interest to approve a settlement agreement between the Respondent and Staff dated [date] (the “**Settlement Agreement**”);
3. OSI acknowledges that the Settlement Agreement and this Order may form the basis for orders of parallel effect in other jurisdictions in Canada;
4. The Commission has reviewed the Settlement Agreement, the Notice of Hearing, and the Statement of Allegations and heard submissions from counsel for the OSI and Staff; and
6. The Commission is of the opinion that it is in the public interest to make this Order.

ON READING the Settlement Agreement, the Notice of Hearing, the Statement of Allegations of Staff dated November 16, 2017, and hearing submissions from Staff and from counsel for OSI;

IT IS ORDERED THAT:

1. The Settlement Agreement is approved, pursuant to subsection 127(1) of the Securities Act, RSO 1990, c S.5 (the “Act”);
2. Pursuant to paragraph 1 of subsection 127(1) of the Act, the following terms and conditions are imposed on OSI’s registration:
 - (a) OSI shall continue to ensure that:
 - (i) The broker IDs of counterparties to a trade are recorded accurately;
 - (ii) Timestamps pertaining to the “time of order receipt” and the “time of the trade” are disseminated in accordance with Part 7 of NI 21-101, and if transmission times are disseminated, they are disseminated in addition to the aforementioned timestamps and identified as such;
 - (iii) The MRF Feed is providing IIROC with accurate timestamps of order receipt and execution of trades;
 - (b) OSI shall continue to retain the Independent Systems Reviewer to perform quarterly reviews and provide written reports regarding the effectiveness of the MRF Patch, on a quarterly basis for a 12 month period following December 11, 2017, and provide these reports to Staff and IIROC, if IIROC so requests.
 - (c) OSI shall continue to retain the Independent Systems Reviewer to perform quarterly reviews and provide written reports regarding the effectiveness of the upgrade to the ITCH 5.0 protocol on a quarterly basis for the four quarters ending after June 8, 2018, and provide these reports to Staff and IIROC, if IIROC so requests.

- (d) OSI shall maintain policies and procedures designed to ensure, on an ongoing and consistent basis, that mechanisms are in place that are designed to ensure that OSI's systems and their operations are compliant with NI 21-101.
3. Pursuant to paragraph 9 of section 127(1) of the Act, OSI pay to the Commission an administrative penalty in the amount of \$500,000, which shall be designated for allocation or for use by the Commission in accordance with subsections 3.4(2)(b)(i) or (ii) of the Act.

DATED at Toronto, this 4th day of October, 2018.
