SECURITIES OPERATIONS

REGULATORY UPDATE

A PUBLICATION OF mediant

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IN THIS ISSUE

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Exemptions from the Proxy Rules for Proxy Voting Advice

On July 22, 2020, the U.S. Securities and Exchange Commission ("SEC" or "Commission") adopted amendments to its rules governing proxy solicitations so investors who use proxy voting advice receive more transparent, accurate, and complete information on which to make their voting decisions. The amendments add conditions to the availability of certain existing exemptions from the information and filing requirements of the federal proxy rules that are commonly used by proxy voting advice businesses. These conditions require compliance with disclosure and procedural requirements, including conflicts of interest disclosures by proxy voting advice businesses and two principles-based requirements. The first principles-based requirement calls for proxy voting advice businesses to adopt written policies and procedures designed to ensure that the proxy voting advice is made available to registrants. The second principles-based requirement calls for proxy voting advice businesses to adopt written policies and procedures designed to ensure that they provide clients with a mechanism by which the clients can reasonably be expected to become aware of a registrant's views about the proxy voting advice so that they can take such views into account as they vote proxies. The amendments provide a non-exclusive list of methods, or safe harbors, that satisfy the conditions to the exemptions. In addition, the amendments codify the Commission's interpretation that proxy voting advice generally constitutes a solicitation within the meaning of the Securities Exchange Act of 1934 ("1934 Act"). Finally, the amendments clarify when the failure to disclose certain information in proxy voting advice may be considered misleading within the meaning of the antifraud provision of the proxy rules, depending upon the particular facts and circumstances.

Effective Date: 60 days after publication in the Federal Register
Adopting Release: https://www.sec.gov/rules/final/2020/34-89372.pdf

Supplement to Commission Guidance Regarding Proxy Voting Responsibilities of Investment Advisers

The SEC also published supplementary guidance to assist investment advisers in assessing how to consider additional information that may become more readily available to them as a result of the recent amendments, including in circumstances where the investment adviser utilizes a proxy advisory firm's electronic vote management system that "pre-populates" the adviser's proxies with suggested voting recommendations and/or for voting execution services. The supplementary guidance also addresses disclosure obligations and considerations that may arise when investment advisers use such services for voting.

Supplementary Commission Guidance Effective Date: Date of publication in Federal Register
Supplementary Commission Guidance: https://www.sec.gov/rules/policy/2020/ia-5547.pdf

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SEC, FDIC ADOPT FINAL RULES FOR ORDERLY LIQUIDATION OF COVERED BROKER-DEALERS

On July 24, 2020, the Federal Deposit Insurance Corporation ("FDIC") and the SEC, collectively the Agencies, in accordance with section 205(h) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), jointly adopted a final rule to implement provisions applicable to the orderly liquidation of certain brokers and dealers ("covered") in the event the FDIC is appointed receiver under Title II of the Dodd-Frank Act. The FDIC and SEC developed the final rule in consultation with the Securities Investor Protection Corporation. By statute, the orderly liquidation of a covered broker-dealer must be accomplished in a manner that ensures that customers of the covered broker-dealer receive payments or property at least as beneficial to them as would have been the case had the covered broker-dealer been liquidated under the Securities Investor Protection Act of 1970. The final rule describes the claims process applicable to customers and other creditors of a covered broker-dealer and clarifies the FDIC's powers as receiver with respect to the transfer of assets of a covered broker-dealer to a bridge broker-dealer.

Effective Date: 60 days after publication in the Federal Register
Adopting Release: https://www.sec.gov/rules/final/2020/34-89394.pdf
Press Release: https://www.sec.gov/news/press-release/2020-163

SEC PROPOSES INCREASED REPORTING THRESHOLD AND OTHER CHANGES FOR FORM 13F

On July 10, 2020, the SEC issued a proposed rule to update the reporting threshold for Form 13F reports by institutional investment managers for the first time in 45 years. This would raise the reporting threshold from $100 million to $3.5 billion to reflect the change in size and structure of the U.S. equities market since 1975 when Congress adopted the requirement for these managers to file holdings reports with the Commission. The proposal also would amend Form 13F to increase the information provided by institutional investment managers by eliminating the omission threshold for individual securities and requiring managers to provide additional identifying information. The Commission is also proposing to make certain technical amendments, including to modernize the structure of data reporting and amend the instructions on Form 13F for confidential treatment requests in light of a recent decision of the U.S. Supreme Court.

Comments Due: 60 days after publication in the Federal Register
Release Notice: https://www.sec.gov/rules/proposed/2020/34-89290.pdf
Press Release: https://www.sec.gov/news/press-release/2020-152

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FINRA INCREASES POSITION LIMITS ON OPTIONS ON CERTAIN ETFS

On July 22, 2020, the SEC published for comment a Financial Industry Regulatory Authority, Inc. ("FINRA") proposal, which was effective on filing, to amend Rule 2360 (Options) to increase the position and exercise limits for conventional options on certain exchange-traded funds ("ETFs").

Comments Due: August 19, 2020
Notice Release: https://www.sec.gov/rules/sro/finra/2020/34-89381.pdf

FINRA TO ADOPT NEW RULE 3241 FOR REGISTERED PERSONS

On July 2, 2020, the SEC published for comment a FINRA proposal to adopt new Rule 3241 to create a uniform, national standard to govern registered persons holding positions of trust. Proposed Rule 3241 would provide that a registered person must decline: (1) being named a beneficiary of a customer's estate or receiving a bequest from a customer's estate upon learning of such status unless the registered person provides written notice upon learning of such status and receives written approval from the member firm, and (2) being named as an executor or trustee or holding a power of attorney or similar position for or on behalf of a customer unless, upon learning of such status, the registered person provides written notice and receives written approval from the member firm and does not derive financial gain from acting in such capacity other than from fees or other charges that are reasonable and customary. The proposed rule change would not apply where the customer is a member of the registered person's immediate family.

Notice Release: https://www.sec.gov/rules/sro/finra/2020/34-89218.pdf

NASDAQ DEFERS ENTRY FEES FOR ACQUISITION COMPANIES

On July 27, 2020, the SEC published for comment, and granted immediate effectiveness to, a rule proposal by The Nasdaq Stock Market LLC ("Nasdaq") to defer entry fees for acquisition companies for one year from the date of listing and to make minor attendant technical changes.

Comments Due: 21 days after publication in the Federal Register
Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-89403.pdf

NASDAQ WAIVES ALL-INCLUSIVE ANNUAL LISTING FEE FOR NON-LISTED COMPANIES ACQUIRING A LISTED SPAC

On July 23, 2020, the SEC published for comment, and granted immediate effectiveness to, a Nasdaq rule proposal to amend Listing Rule IM-5900-4 to waive the all-inclusive annual listing fee for any company not listed on a national securities exchange that is listing upon closing of its acquisition of a special purpose acquisition company listed on another national securities exchange.

Comments Due: 21 days after publication in the Federal Register
Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-89386.pdf

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NOTICE OF LONGER PERIOD FOR SEC ACTION ON NASDAQ RULES RELATED TO LISTING CRITERIA FOR COMPANIES

On July 20, 2020, the SEC published a Notice of Designation of a Longer Period for Commission Action on two Nasdaq-proposed rule changes: (1) to amend IM–5101–1 (Use of Discretionary Authority) to deny listing or continued listing or to apply additional and more stringent criteria to an applicant or listed company based on considerations related to the company's auditor or when a company's business is principally administered in a jurisdiction that has secrecy laws, blocking statutes, national security laws, or other laws or regulations restricting access to information by regulators of U.S.-listed companies in such jurisdiction ("Restrictive Markets"); and (2) to adopt a new requirement related to the qualification of management for companies from Restrictive Markets. September 6, 2020 is the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the first proposed rule change, and September 10, 2020 for the second. On July 21, 2020, the SEC published another Notice of Designation of a longer period for Commission Action on a related Nasdaq-proposed rule change to apply additional Initial Listing Criteria for companies primarily operating in Restrictive Markets. September 10, 2020 is also the date by which the SEC shall either approve or disapprove, or institute proceedings to determine whether to disapprove, that proposed rule change.

Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-89344.pdf
Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-89342.pdf
Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-89358.pdf

NASDAQ AMENDS EQUITY 7, SECTION 118(a)

On July 20, 2020, the SEC published a Nasdaq proposal, which was effective on filing, to amend the schedule of credits, as set forth in Equity 7, Section 118(a) of the Nasdaq Rulebook to raise its requirements to qualify for an existing credit, provide a new credit for displayed quotes/orders, and adopt a supplemental credit for displayed quotes/orders.

Comments Due: August 14, 2020
Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-89343.pdf

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NASDAQ ADDS CAT COMPLIANCE RULES TO MINOR RULE VIOLATIONS

On July 17, 2020, the SEC published a Nasdaq proposal, which was granted accelerated approval, to add the Consolidated Audit Trail ("CAT") industry member compliance rules to the list of minor rule violations in IM-9216 and in Options 11, Section 1. Upon effectiveness of this rule change, Nasdaq will publish a regulatory alert notifying its members, associated persons, or Options Participants of the rule change and the specific factors that will be considered in connection with assessing minor rule fines.

Comments Due: August 13, 2020
Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-89339.pdf

NASDAQ TO ADOPT A NEW "EARLY MARKET ON CLOSE" ORDER TYPE

On July 16, 2020, the SEC published a Nasdaq proposal to adopt "Early Market On Close" as a new order type. Early Market On Close would enable market participants that wish to buy or sell Nasdaq-listed securities as part of the Nasdaq closing auction (the "Nasdaq Closing Cross"), and to obtain matched executions at the Nasdaq Closing Cross price, the ability to do so at a time that is earlier than what is possible with ordinary Market On Close orders. Nasdaq also proposes to amend Rule 4754 and make conforming changes to Rules 4703 and 4756.

Comments Due: August 12, 2020
Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-89334.pdf

NASDAQ AMENDS RULES 6130 AND IM-6200-1

On July 6, 2020, the SEC published a Nasdaq proposal, which was effective on filing, to amend Rule 6130 (Nasdaq Kill Switch) and IM-6200-1 (Risk Settings) to provide participants with additional optional settings in order to assist them in their efforts to manage their risk levels. Once the optional risk controls are set, Nasdaq is authorized to take automated action if a designated risk level for a participant is exceeded. The proposed pre-trade risk controls are meant to supplement, and not replace, the participant's own internal systems, monitoring and procedures related to risk management.

Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-89225.pdf

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NYSE DELETES SUPPLEMENTARY MATERIAL .20 TO RULE 76

On July 21, 2020, the SEC published for comment a New York Stock Exchange ("NYSE") proposal, which was effective on filing, to delete Supplementary Material .20 to Rule 76 and lift the temporary suspension on "crossing" orders pursuant to Rule 76, which was implemented, among other safety measures, to prevent the spread of COVID-19. Crossing transactions, which require a verbal representation of the proposed crossing transaction, involve face-to-face interactions on the Trading Floor. The NYSE believes that crossing transactions can be resumed in a manner consistent with the safety measures required on the Trading Floor and the Rule 76 requirement that such proposed transactions be clearly announced to the trading crowd.

Comments Due: August 17, 2020
Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-89369.pdf

NYSE AMENDS ITS PRICE LIST

On July 15, 2020, the SEC published for comment an NYSE proposal, which was effective on filing, to amend its Price List to (1) adopt a new Step Up Tier 4 Adding Credit, and (2) extend through July 2020 the waiver of equipment and related service charges and trading license fees for NYSE Trading Floor-based member organizations implemented for April, May and June 2020. The NYSE implemented the fee changes effective July 1, 2020.

Comments Due: August 11, 2020
Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-89324.pdf

NYSE EXTENDS WAIVER OF CERTAIN SHAREHOLDER APPROVAL REQUIREMENTS IN NYSE LISTED COMPANY MANUAL

On July 2, 2020, the SEC published for comment an NYSE proposal, which was effective on filing, to extend through and including September 30, 2020 its existing waiver, subject to certain conditions, of the application of certain of the shareholder approval requirements set forth in Section 312.03 of the NYSE Listed Company Manual.

Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-89219.pdf

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NYSE AND NYSE AMERICAN AMEND RULES FOR MEMX DATA FEEDS

On July 21, 2020, the SEC published NYSE and NYSE American LLC ("NYSE American," collectively "NYSE Exchanges") proposals, which were effective on filing, to amend the applicable sections of each exchange's Rule 7.37 to specify the source of data feeds from MEMX LLC ("MEMX") for purposes of order handling, order execution, order routing, and regulatory compliance. Specifically, the NYSE Exchanges propose to amend the tables in each of their rules to specify that, with respect to MEMX, the NYSE Exchanges will receive the SIP feed as its primary source of data for order handling, order execution, order routing, and regulatory compliance. The NYSE Exchanges will not have a secondary source for data from MEMX.

Comments Due: August 17, 2020
NYSE Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-89369.pdf
NYSE American Notice Release: https://www.sec.gov/rules/sro/nyseamer/2020/34-89370.pdf

NYSE EXPANDS DEFINITION OF UTP EXCHANGE TRADED PRODUCT

On July 21, 2020, the SEC published for comment proposals for the NYSE Exchanges, which were effective on filing, to the applicable sections of each exchange's Rule 1.1 to include Active Proxy Portfolio Shares, Tracking Fund Shares, Proxy Portfolio Shares, and Index Fund Shares in the definition of "UTP Exchange Traded Product."

Comments Due: August 17, 2020
NYSE Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-89357.pdf
NYSE American Notice Release: https://www.sec.gov/rules/sro/nyseamer/2020/34-89367.pdf

NYSE AMERICAN ADDS CAT COMPLIANCE RULES TO MINOR RULE VIOLATIONS IN RULE 9217

On July 27, 2020, the SEC published an NYSE American proposal, which was granted accelerated approval, to add the Consolidated Audit Trail ("CAT") industry member compliance rules to the list of minor rule violations in Rule 9217. Upon effectiveness of this rule change, the NYSE American will publish a regulatory bulletin notifying its member organizations of the rule change and the specific factors that will be considered in connection with assessing minor rule fines.

Comments Due: 21 days after publication in the Federal Register
Notice Release: https://www.sec.gov/rules/sro/nyseamer/2020/34-89402.pdf

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NYSE AMERICAN AMENDS OPTIONS FEE SCHEDULE FEES AND CREDITS

On July 17, 2020, the SEC published for comment an NYSE American proposal, which was effective on filing, to modify the NYSE American Options Fee Schedule regarding certain limits or caps on transactions fees and credits. The NYSE American implemented the fee changes on July 10, 2020.

Comments Due: August 13, 2020
Notice Release: https://www.sec.gov/rules/sro/nyseamer/2020/34-89338.pdf

NYSE AMERICAN AMENDS OPTIONS FEE SCHEDULE FOR REBATE

On July 16, 2020, the SEC published for comment an NYSE American proposal, which was effective on filing, to amend the NYSE American Options Fee Schedule to offer a new rebate for initiating a Complex Customer Best Execution Auction, provided the American Trading Permit ("ATP") Holder meets the minimum volume requirements. The NYSE American implemented the fee change on July 10, 2020.

Comments Due: August 12, 2020
Notice Release: https://www.sec.gov/rules/sro/nyseamer/2020/34-89335.pdf

NYSE AMERICAN AMENDS OPTIONS FEE SCHEDULE TO WAIVE CERTAIN FIXED FEES

On July 7, 2020, the SEC published for comment an NYSE American proposal, which was effective on filing, to modify the NYSE American Options Fee Schedule to waive certain Floor-based fixed fees for July 2020. The NYSE American implemented the fee change on July 1, 2020.

Comments Due: August 3, 2020
Notice Release: https://www.sec.gov/rules/sro/nyseamer/2020/34-89241.pdf

DTC REVISES CLEARING AGENCY POLICY ON CAPITAL REQUIREMENTS

On July 21, 2020, the SEC published for comment a Depository Trust Company ("DTC") proposal, which was effective on filing, to amend the Clearing Agency Policy on Capital Requirements ("Capital Policy" or "Policy") of DTC and its affiliates, National Securities Clearing Corporation ("NSCC") and Fixed Income Clearing Corporation ("FICC," and together with DTC and NSCC, the "Clearing Agencies"). In particular, the revisions to the Capital Policy (1) update the frequency of the calculation of the Total Capital Requirement (as defined in the Policy) to align with the Clearing Agencies' quarterly financial statements; (2) replace the description of the calculation of the Recovery/Wind-down Capital Requirement (as defined in the Policy) with a reference to the Clearing Agencies' Recovery & Wind-down Plans to eliminate redundancy between these documents; (3) revise the description of the additional liquid net assets funded by equity, referred to as the "Buffer" to provide the Clearing Agencies with flexibility in calculating this discretionary amount; and (4) make other updates and revisions to the Capital Policy in order to simplify the language and improve the clarity of the Policy.

Comments Due: August 17, 2020
Notice Release: https://www.sec.gov/rules/sro/dtc/2020/34-89361.pdf

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DTC AMENDS CLEARING AGENCY RISK MANAGEMENT FRAMEWORK

On July 9, 2020, the SEC published for comment a DTC proposal, which was effective on filing, to amend the Clearing Agency Risk Management Framework ("Risk Management Framework" or "Framework") of the Clearing Agencies. Specifically, the rule change (1) includes a description of a set of policies that addresses the Clearing Agencies' compliance with Rule 17Ad- 22(e)(22) of the Standards for Covered Clearing Agencies under the 1934 Act, (2) updates the Risk Management Framework to reflect recent changes to certain processes and other matters described in the Framework, and changes to the status of documents identified in the Framework; and (3) clarifies the descriptions of certain matters within the Framework to improve comprehensiveness and correct errors.

Comments Due: August 5, 2020
Notice Release: https://www.sec.gov/rules/sro/dtc/2020/34-89269.pdf

OCC PROPOSES ENHANCEMENTS TO STOCK LOAN CLOSE-OUT

On July 24, 2020, the SEC published for comment an Options Clearing Corporation ("OCC") proposal to amend OCC Rules 2211 and 2211A, which concerns the close-out of a defaulting Hedge Clearing Member's or Market Loan Clearing Member's (each a "defaulting Clearing Member") stock loan positions, respectively, to require Lending Clearing Members or Borrowing Clearing Members (each a "non-defaulting Clearing Member") whom OCC instructs to buy-in or sell-out securities to execute such transactions and provide OCC notice of such action by the settlement time for a Clearing Member's obligations to OCC on the business day after OCC gives the instruction. In addition, OCC proposes to amend Rules 2211 and 2211A to provide that if a non-defaulting Clearing Member so instructed does not execute the trades and provide notice by that time, OCC will terminate the Stock Loan and effect settlement based upon the marking price at the close of business on the day that OCC provided the instruction.

Comments Due: 21 days after publication in the Federal Register
Notice Release: https://www.sec.gov/rules/sro/occ/2020/34-89393.pdf

OCC MODIFIES MARGIN METHODOLOGY TO CREATE SYNTHETIC FUTURES MODEL

On July 24, 2020, the SEC published for comment an OCC proposal, which was effective on filing, to revise its Margin Methodology to clarify the intended scope and use of its existing OCC margin model for Volatility Index Futures, renamed the "Synthetic Futures Model." The proposal also modified the OCC's Margins Methodology to describe certain model parameter calibrations more generally for a given futures product. As a result of other changes, the Synthetic Futures Model is available for use for the AMERIBOR Futures cleared by OCC.

Comments Due: 21 days after publication in the Federal Register
Notice Release: https://www.sec.gov/rules/sro/occ/2020/34-89392.pdf

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Notable Enforcement Actions

This month's enforcement actions draw attention to registration requirements for firm personnel and the importance of oversight procedures to ensure accurate reporting of required data.

A firm was fined $10,000 and a principal $5,000 and suspended from association with any FINRA® member in any principal capacity for 10 business days. The findings state the firm and principal failed to maintain books and records reflecting an accurate computation of the firm's net capital and filed inaccurate Financial and Operational Combined Uniform Single (FOCUS) reports. The firm received invoices that it owed $19,569 to a company that conducted an annual audit for it and the principal failed to direct the firm's bookkeeper to book the invoices until a later date when the firm received additional capital. Booking the invoices at the time they were received would have caused the firm's books and records to show that it had fallen below its required minimum net capital amount. The principal permitted the firm to conduct a securities business while below its minimum net capital requirement. The firm's Financial and Operations Principal (FINOP) was unaware of the expenses until it booked them. The FINOP then determined that the firm had fallen below its minimum net capital requirement and filed a notice with FINRA to notify it that the firm had engaged in a securities business while below its required minimum net capital. **(FINRA Case #2017055209801)**
https://www.finra.org/sites/default/files/fda_documents/2017055209801%20BHA%20Select%20Network%20LLC%20CRD%20168883%20Daniel%20Conor%20McDermott%20CRD%204521850%20AWC%20sl%20%282020-1592093968472%29.pdf

A firm was fined $120,000. FINRA did not impose an undertaking because the firm updated its supervisory system, including Written Supervisory Procedures (WSPs), and addressed the supervisory deficiencies identified in the AWC. The firm consented to the entry of findings that it failed to report to FINRA new issue offerings in Trade Reporting and Compliance Engine (TRACE®)-eligible asset-backed securities and TRACE-eligible collateralized mortgage obligations securities within the timeframe required by FINRA. The findings state that the violations resulted from various operational errors including human error by firm employees or as the result of its operations team receiving the information from the business team after the pricing time of the newly issued securities. The findings also state that the firm's supervisory system, including its WSPs, was not reasonably designed to achieve compliance with its TRACE reporting obligations. While the firm's WSPs provided for a supervisory review to ensure that the firm's operations team submitted new issue forms within the timeframe set forth in FINRA Rule 6760(c), the supervisory system did not provide for a review to ensure that the operations team timely received information pertaining to the offerings, resulting in late new issuance form submissions. In addition, the firm's supervisory system, including its WSPs, did not provide for the escalation to a supervisor of reporting violations that were due to operational errors. **(FINRA Case #2017053076601)**

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https://www.finra.org/sites/default/files/fda_documents/2017053076601%20Morgan%20Stanley%20%26%20Co%20LLC%20CRD%208209%20AWC%20sl.pdf

A firm was fined $325,000 and required to retain one or more qualified independent consultant to conduct a comprehensive review of the adequacy of its compliance with the issues identified in the AWC. The firm consented to the entry of findings that it failed to timely amend the Uniform Application for Securities Industry Registration or Transfer forms (Form U4) for registered representatives of the firm in order to disclose liens, judgments and/or bankruptcies that totaled more than $5.6 million. The findings state that the firm was informed of some of these financial events through its own reviews of background check reports, wage levies, annual compliance questionnaires and from communications from FINRA, yet it was between four months to more than six years late in disclosing them. The firm failed to reasonably respond to red flags received through its own reviews and FINRA inquiries that its representatives were not timely disclosing reportable financial events. The findings also state that the firm failed to establish, maintain and enforce a supervisory system, including WSPs, reasonably designed to ensure the timely reporting of disclosable events. **(FINRA Case #2017056511101)**
https://www.finra.org/sites/default/files/fda_documents/2017056511101%20Western%20International%20Securities%2C%20Inc.%20CRD%2039262%20AWC%20va%20%282020-1591240764751%29.pdf

A firm was fined $47,500 and consented to the entry of findings that it failed to submit accurate minimum denomination and maximum interest rates to the Municipal Securities Rulemaking Board's (MSRB) Short-Term Obligation Rate Transparency (SHORT) system. The findings state that as a remarketing agent for variable rate demand obligations, the firm submitted information regarding the result of an interest rate reset to the MSRB's SHORT system but failed to report the minimum denomination and the maximum interest rate. The reporting failures occurred because the firm's reporting system, which transmits data to the MSRB's Electronic Municipal Market Access (EMMA) system for SHORT reporting, did not require the entry of the minimum denomination and maximum interest rate fields. Firm traders mistakenly left the minimum denomination and maximum interest rate fields blank. The findings also state that the firm lacked a supervisory system, including WSPs, to review if the required information was submitted to the SHORT system and to confirm the accuracy of the submitted information, including the minimum denomination and maximum interest rate fields. Subsequently, the firm updated its WSPs and addressed the deficiencies. **(FINRA Case #2018057742501)**
https://www.finra.org/sites/default/files/fda_documents/2018057742501%20BB%26T%20Securities%2C%20LLC%20CRD%20142785%20AWC%20sl%20%282020-1591489169269%29.pdf

A firm was fined $150,000 and required to certify to FINRA that the individual referred to in this AWC is not actively engaged in the management of its securities business, or if the individual is, the individual has obtained the requisite registrations. The firm consented to the entry of findings that it allowed an individual who was an executive with its non-FINRA

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member affiliate to function as a principal in the firm's prime brokerage business without being registered with FINRA. The findings state that the individual was actively engaged in the management of the firm's prime brokerage business in the United States and exercised overall managerial decision-making authority. The individual was also a voting member of pricing and commitment committees that made specific business decisions directly impacting the firm's securities business. Additionally, the individual solicited business from firm customers and prospective clients and approved the on-boarding of at least one customer. The individual also ran weekly sales meetings of the prime brokerage sales group and played a leading role in covering several of the prime brokerage department's more important clients. **(FINRA Case #2018058319801)**
https://www.finra.org/sites/default/files/fda_documents/2018058319801%20Merrill%20Lynch%2C%20Pierce%20Fenner%20%26%20Smith%20Incorporated%20CRD%207691%20AWC%20va%20%282020-1592007566266%29.pdf

A firm was fined $100,000 and consented to the entry of findings that it overstated its executed trade volume advertised through Bloomberg, L.P. (Bloomberg), a private subscription-based provider of market data. The findings state that the data submitted by a firm's registered representative overstated the firm's executed trade volume by including access only order flow that was attributable to other broker-dealers that used the firm as a technology vendor, not as a broker-dealer. The firm neither executed nor routed that order flow and should not have advertised it as the firm's executed trade volume. In addition, the firm inadvertently submitted duplicate trade volume to Bloomberg for one symbol. The firm ceased advertising executed trade volume on Bloomberg after FINRA inquired about the firm's trade volume advertisements. The findings also state that the firm failed to establish and maintain a supervisory system and failed to establish, maintain, and enforce written procedures that were reasonably designed to achieve compliance with the regulatory requirements that govern the accuracy of advertised trading volumes. The firm had no supervisory system or WSPs addressing advertising executed trade volume, or how such trade volume should be collected and submitted to Bloomberg. In addition, the representative tasked by the firm to collect and submit trade volume to Bloomberg had no prior experience advertising trade volume, received no training in how to properly advertise, and was unaware of Bloomberg's rules regarding advertising trade volume. Furthermore, no one at the firm supervised the representative in connection with the publication of its executed trade volume on Bloomberg and it failed to supervise the representative's collection and submission of the firm's executed trade volume to Bloomberg. **(FINRA Case #2015046847001)**
https://www.finra.org/sites/default/files/fda_documents/2015046847001%20Lime%20Brokerage%20LLC%20CRD%20104369%20%20AWC%20va%20%282020-1592180370203%29.pdf

A firm was fined $17,500 and consented to the entry of findings that it reported customer transactions to TRACE as agent when those transactions should have been reported as principal. The findings state that these violations were the result of the firm's belief that it was acting as agent between counterparties despite executing the transactions through its

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principal account. The findings also state that the firm failed to provide the correct capacity on customer confirmations. The firm believed that it was acting in the capacity of agent, and therefore disclosed a capacity of agent on its customer confirmations. These trades involved sales and purchases from or into the firm's principal account, so the firm's customer confirmations therefore should have reflected a capacity of principal. **(FINRA Case #2015046182402)**
https://www.finra.org/sites/default/files/fda_documents/2015046182402%20VectorGlobal%20WMG%20CRD%2032396%20AWC%20va%20%282020-1592180369254%29.pdf

A firm was fined $125,000 and consented to the entry of findings that it published inaccurate data in monthly reports it was required to make public pursuant to Rule 605 of Regulation National Market System (Regulation NMS). The findings state that two separate system flaws at the firm caused these inaccuracies, and these flaws affected all of the orders that received partial executions. Both system flaws began when the firm contracted with a third-party vendor to produce the firm's reports. The findings also state that the firm failed to establish and maintain a supervisory system and WSPs reasonably designed to achieve compliance with Rule 605 of Regulation NMS. The firm's WSPs did not require, nor did the firm conduct, a review for the accuracy of the data contained within its Rule 605 reports, including the accuracy of the total number of cumulative shares, in covered orders that were executed or cancelled. **(FINRA Case #2016048498401)**
https://www.finra.org/sites/default/files/fda_documents/2016048498401%20CODA%20Markets%2C%20Inc%20CRD%2036187%20AWC%20sl%20%282020-1592525967181%29.pdf

A firm was fined $30,000 and required to revise its supervisory system and WSPs. The firm consented to the entry of findings that it failed to reasonably supervise its credit trading desk that executed and reported to TRACE fixed income transaction pairs that were non-bona fide. The findings state that in each instance, traders on the firm's credit trading desk caused it to buy or sell fixed income securities from or to another broker-dealer as the counterparty and then, during the same day in virtually all cases, sold or bought the same bonds to or from the same counterparty. The foreign bank parent company of the firm held the fixed income inventory traded by the credit trading desk, drafted a risk management policy that established permissible holding periods for bond positions traded by the credit trading desk, monitored the holding periods and calculated whether positions were aged. The parent company would apply a provision to fixed income positions maintained longer than the holding period. A provision was an unrealized loss that applied to the overall credit trading desk, not to individual traders. If there were provisions in place during the last month of the fiscal year, those provisions would be factored into the credit trading desk's profit and loss calculation. The credit trading desk engaged in the transaction pairs to reset the holding period for bond positions that were approaching or more than the aging period. The transaction pairs were not bona fide because they involved no transfer of risk or ultimate change in beneficial ownership, were not conducted at negotiated prices, and were with the same counterparty over a short period of time. The transactions had no legitimate economic purpose. The findings also state that the firm failed to establish a

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reasonably designed supervisory system, including WSPs, to achieve compliance with FINRA's prohibition on non-bona fide trading. The firm failed to detect the non-bona fide transactions. Although the firm had a supervisory system, including WSPs, requiring daily review of the credit trading desk's transactions, there was no required review for non-bona fide transactions. The firm's supervisory personnel were unaware of the parent company's risk management policy and, therefore, did not understand or appreciate the risk that firm traders may engage in non-bona fide trading. Additionally, the firm's compliance personnel were unaware of the impact of the provision deduction to the credit trading desk's profit and loss under the parent company's risk management policy. **(FINRA Case #2014041254102)**
https://www.finra.org/sites/default/files/fda_documents/2014041254102%20Santander%20Investment%20Securities%20Inc.%20CRD%2037216%20AWC%20va%20%282020-1592698770339%29.pdf

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