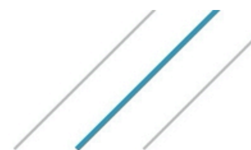
SECURITIES OPERATIONS

REGULATORY UPDATE



A PUBLICATION OF mediant

February 1, 2021

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TAKE ACTION NOW

SEC Announces Second Fee Rate Advisory for 2021 Reducing Fees

On January 15, 2021, the Securities and Exchange Commission ("SEC" or "Commission") announced that starting on February 25, 2021, the fee rates applicable to most securities transactions will be set at $5.10 per million dollars. Consequently, each Self-Regulatory Organization ("SRO") will continue to pay the Commission a rate of $22.10 per million for covered sales occurring on charge dates through February 24, 2021, and a rate of $5.10 per million for covered sales occurring on charge dates on or after February 25, 2021. The reduction in the fee rate for fiscal year 2021 is due primarily to the substantially higher dollar amount of covered sales in recent months, a trend that began in March of 2020 due to record market volume during the COVID-19 pandemic, which has resulted in the Commission already assessing a substantial proportion of its target collection amount for fiscal year 2021.
https://www.sec.gov/news/press-release/2021-8

SEC CHANGES IN PERSONNEL CONTINUE DURING TRANSITION

During January 2021, the SEC announced the appointment of several acting personnel as well as the departures of additional senior staff. Notably, Commissioner Allison Herren Lee was named Acting Chair of the SEC, Melissa Hodgman was named Acting Director of the Division of Enforcement, and Paul Munter was named SEC's Acting Chief Accountant. Departures included Manisha Kimmel, former Senior Policy Advisor to the SEC Chairman on the Consolidated Audit Trail, Kimberly Hamm, former Chief Counsel to the SEC Chairman, Shelley Parratt, former Acting Director of the Division of Corporation Finance, and Paul Cellupica, former Deputy Director and Chief Counsel of the Division of Investment Management.

FINRA RECEIVES APPROVAL TO ESTABLISH CORPORATE BOND NEW ISSUE REFERENCE DATA SERVICE

On January 15, 2021, the SEC published an order granting approval to a Financial Industry Regulatory Authority, Inc. ("FINRA")-proposed rule change, as modified by Amendment No. 2. The FINRA proposal establishes a new issue reference data service for corporate bonds ("New Issue Reference Data Service") that will provide a central depository for public dissemination of new issue corporate bond reference data. The proposal amends Rule 6760 (Obligation to Provide Notice) to require that underwriters who are FINRA members and subject to Rule 6760 report to FINRA a number of data elements, including some already specified by the rule, for new issues in Corporate Debt Securities as defined in FINRA's rules. The FINRA proposal also moves the definition of "Corporate Debt Security," which is currently located in FINRA Rule 2232 (Customer Confirmations), into the Trade Reporting and Compliance Engine ("TRACE") Rule Series (specifically Rule 6710 (Definitions)). Rule 6760(b)(2) will require that, in addition to the information required by Rule 6760(b)(1), for a new issue in a Corporate Debt Security, excluding bonds issued by religious organizations or for religious purposes, the following information must be reported, if applicable: (A) the International Securities Identification Number (ISIN); (B) the currency; (C) the issue date; (D) the first settle date; (E) the interest accrual date; (F) the day count description; (G) the coupon frequency; (H) the first coupon payment date; (I) a Regulation S indicator; (J) the security type; (K) the bond type; (L) the first coupon period type; (M) a convertible indicator; (N) a call indicator; (O) the first call date; (P) a put indicator; (Q) the first put date; (R) the minimum increment; (S) the minimum piece/denomination; (T) the issuance amount; (U) the first call price; (V) the first put price; (W) the coupon type; (X) rating (TRACE Grade); (Y) a perpetual maturity indicator; (Z) a Payment In-Kind (PIK) indicator; (AA) first conversion date; (BB) first conversion ratio; (CC) spread; (DD) reference rate; (EE) floor; and (FF) underlying entity ticker. Additionally, FINRA proposes to require underwriters to report all data fields for Corporate Debt Securities, as defined in FINRA's rules, prior to the first transaction in the security. FINRA will disseminate the corporate bond new issue reference data collected under Rule 6760 upon receipt. FINRA states that it will submit a separate filing to establish fees related to the New Issue Reference Data Service at a future date and will implement the service after those fees are adopted.

Approval Order: https://www.sec.gov/rules/sro/finra/2021/34-90939.pdf
Public Statement: https://www.sec.gov/news/public-statement/roisman-statement-finra-new-issue-reference-data-proposal-011521

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FINRA AMENDS CAT COMPLIANCE RULE RELATING TO ALLOCATION REPORTING

On January 11, 2021, the SEC published for comment a FINRA proposal, effective on filing, to amend the FINRA Rule 6800 Series, FINRA's compliance rule ("Compliance Rule") regarding the National Market System Plan Governing the Consolidated Audit Trail ("CAT NMS Plan" or "Plan") to be consistent with a conditional exemption granted by the Commission from certain allocation reporting requirements set forth in Sections 6.4(d)(ii)(A)(1) and (2) of the CAT NMS Plan ("Allocation Exemption"). The Allocation Exemption was approved as set forth in Securities Exchange Act Release No. 90223 (October 19, 2020), 85 FR 67576 (October 23, 2020) ("Allocation Exemptive Order").

Notice Release: https://www.sec.gov/rules/sro/finra/2021/34-90887.pdf
Comments Due: February 05, 2021

FINRA EXTENDS IMPLEMENTATION DATE OF CERTAIN AMENDMENTS TO FINRA RULE 4210

On January 5, 2021, the SEC published for comment a FINRA proposal, effective on filing, to extend from March 25, 2021 to October 26, 2021, the implementation date of the amendments to FINRA Rule 4210 (Margin Requirements) pursuant to SR-FINRA-2015-036, other than the amendments pursuant to SR-FINRA-2015-036 that were implemented on December 15, 2016. The proposal does not make any changes to the text of FINRA rules. This is the third extension of the implementation date. During the extension, FINRA is considering, in consultation with industry participants and other regulators, potential amendments to the requirements of SR-FINRA-2015-036 and anticipates submitting a proposed rule change to the SEC. FINRA believes that this is appropriate in the interest of avoiding unnecessary disruption to the Covered Agency Transaction market. FINRA notes that the risk limit determination requirements pursuant to SR-FINRA-2015-036 became effective on December 15, 2016 and, as such, the implementation of such requirements is not affected by the proposal. The operative date of the proposal is the filing date of the proposal.

Notice Release: https://www.sec.gov/rules/sro/finra/2021/34-90852.pdf

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NASDAQ RECEIVES SEC APPROVAL TO EXCLUDE SPACS FROM REQUIREMENTS RELATED TO HOLDINGS OF ROUND LOT HOLDERS

On January 26, 2021, the SEC issued an order approving Nasdaq's proposal to exclude companies listed pursuant to Nasdaq RuleIM-5101-2 whose business plan is to engage in a merger or acquisition with one or more unidentified companies within a specified period of time ("SPACs"), prior to the completion of any such merger or acquisition, from the requirement that at least 50% of the company's required minimum number of round lot holders must each hold unrestricted securities with a market value of at least $2,500 at the time of initial listing ("Required Minimum Amount"). Nasdaq imposed the Required Minimum Amount to help ensure that at least 50% of the required minimum number of shareholders hold a meaningful value of unrestricted securities and that a company has sufficient investor interest to support an exchange listing. Nasdaq states that it does not believe the Required Minimum Amount is as relevant to the listing of SPACs because, in contrast to observations regarding operating companies, typically the only investors holding shares in a SPAC prior to an IPO are its founders and that all other round lot holders generally represent new investors in the SPAC's IPO. Accordingly, Nasdaq believes that SPACs should be excluded from the Required Minimum Amount and proposes to revise Nasdaq Rules 5315(f)(1)(C)(for the Nasdaq Global Select Market), 5405(a)(3) (for the Nasdaq Global Market), and 5505(a)(3) (for the Nasdaq Capital Market) to exclude SPACs from the requirement to meet the Required Minimum Amount at the time of initial listing. Although SPACs will be excluded from the Required Minimum Amount at the time of initial listing, Nasdaq believes requiring SPACs to satisfy Nasdaq's other initial listing standards would continue to help ensure that SPACs have sufficient public float, investor base, and trading interest likely to generate depth and liquidity to support exchange listing and trading, which should help to protect investors and the public interest.

Approval Order: https://www.sec.gov/rules/sro/nasdaq/2021/34-90995.pdf

SEC DELAYS ACTION ON NASDAQ PROPOSAL TO AMEND REQUIREMENTS FOR MINIMUM NUMBER OF BENEFICIAL HOLDERS AND SHARES OUTSTANDING

On January 26, 2021, the SEC announced it had designated a longer period within which to act on a Nasdaq proposal to amend certain listing requirements in Nasdaq Rule 5704 relating to maintaining a minimum number of beneficial holders and minimum number of shares outstanding. The SEC designates April 4, 2021 as the date by which the Commission shall either approve or disapprove the proposed rule change.

Notice Release: https://www.sec.gov/rules/sro/nasdaq/2021/34-90994.pdf

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NASDAQ AMENDS TRANSACTION CREDITS AT EQUITY 7, SECTION 118

On January 19, 2021, the SEC published for comment a Nasdaq Stock Market LLC ("Nasdaq") proposal, effective upon filing, to amend its credit schedule. Nasdaq proposes to amend its schedule of credits at Equity 7, Section 118, to add a new credit for executing orders in securities in all three Tapes. Presently, the Exchange offers a member a credit of $0.0030 per share of displayed orders/quotes (other than Supplemental Orders or Designated Retail Orders) to the extent such member has shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 1.30% or more of Consolidated Volume during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or the New York Stock Exchange LLC ("NYSE") that represent 0.40% or more of Consolidated Volume. The purpose of this credit is to incentivize members to add substantial liquidity to Nasdaq, and to do so to a significant extent by adding liquidity in securities listed on exchanges other than Nasdaq or NYSE. Nasdaq now proposes to add a new, lower credit for members that meet similar criteria, albeit with less stringent volume requirements. Specifically, Nasdaq proposes to provide a new credit of $0.00295 per share of displayed orders/quotes (other than Supplemental Orders or Designated Retail Orders) that provide liquidity for a member with shares of liquidity provided in all securities through one or more of its Nasdaq Market Center MPIDs that represent 0.90% or more of Consolidated Volume during the month, which includes shares of liquidity provided with respect to securities that are listed on exchanges other than Nasdaq or NYSE that represent 0.25% or more of Consolidated Volume.

Proposed Rule: https://www.sec.gov/rules/sro/nasdaq/2021/34-90954.pdf
Comments Due: 21 days after publication in the Federal Register

SEC DELAYS ACTION ON NASDAQ PROPOSALS RELATED TO BOARD DIVERSITY

On January 19, 2021, the SEC announced that it had designated a longer period within which to act on two Nasdaq-proposed rule changes to (1) adopt listing rules related to board diversity, and (2) offer certain listed companies access to a complimentary board recruiting solution to help advance diversity on company boards. The proposed rule change relating to board diversity would adopt listing rules as follows: (i) adopt Rule 5605(f) (Diverse Board Representation); (ii) adopt Rule 5606 (Board Diversity Disclosure); (iii) update Rule 5615 and IM-5615-3 (Foreign Private Issuers) and Rule 581(c) (Types of Deficiencies and Notifications) to incorporate Rules 5605(f) and 5606; and (iv) make other non-substantive conforming changes. The SEC designates March 11, 2021 as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change. The proposed rule change relating to providing certain listed companies access to a complimentary board recruiting solution to help advance diversity on company boards would adopt Listing Rule IM-5900-9, which defines "Eligible Companies." The SEC designates March 10, 2021 as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change

Notice Release on Board Diversity: https://www.sec.gov/rules/sro/nasdaq/2021/34-90951.pdf
Notice Release on Recruiting Solution: https://www.sec.gov/rules/sro/nasdaq/2021/34-90952.pdf
Comments Due: 21 days after publication in the Federal Register

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NYSE PROPOSES SEVERAL AMENDMENTS TO ITS PRICE LIST

On January 19, 2021, the SEC published for comment a NYSE proposal, effective upon filing, to amend its price list. NYSE proposes to amend its price list to (1) provide an alternative way to qualify for the adding tier for MPL orders; (2) eliminate current Adding Tier 4 and Step Up Tier 3; (3) introduce a new Step Up Adding Tier 4; (4) restrict Supplemental Liquidity Providers ("SLP") National Best Bid and Offer ("NBBO") Setter pricing tier credits to member organizations that are SLPs; and (5) eliminate the optional monthly per security credit payable to Designated Market Makers ("DMMs") and make related non-substantive conforming changes. NYSE proposes to implement the fee changes effective January 4, 2021.

Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-90947.pdf
Comments Due: 21 days after publication in the Federal Register

SEC DELAYS ACTION ON NYSE COMMENTARIES AND RELATED CHANGES

On January 13, 2021, the SEC announced that it had designated a longer period within which to act on a NYSE-proposed rule change to make permanent commentaries .01(a) and (b) and .06 to Rule 7.35A (DMM-Facilitated Core Open and Trading Halt Auctions) and Commentaries .01 and .03 to Rule 7.35B (DMM-Facilitated Closing Auctions) and make related changes to Rules 7.32 (Order Entry), 7.35C (Exchange-Facilitated Closing Auctions), 46B (Regulatory Trading Official), and 47 (Floor Officials - Unusual Situations). The SEC designates March 1, 2021, as the date by which the Commission shall either approve or disapprove or institute proceedings to determine whether to approve or disapprove, the proposed rule change.

Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-90917.pdf

NYSE AMENDS PRICE LIST TO EXTEND WAIVER FOR NEW FIRM BOND TRADING LICENSE FEES

On January 11, 2021, the SEC published for comment a NYSE proposal, effective on filing, to amend its Price List to (1) extend a fee waiver for new firm application fees for applicants seeking only to obtain a bond trading license ("BTL") for 2021; and (2) waive the BTL fee for 2021. NYSE proposes to implement the fee changes effective January 4, 2021.

Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-90891.pdf
Comments Due: February 05, 2021

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NYSE AMENDS SECTION 902.02 OF NYSE LISTED COMPANY MANUAL

On January 11, 2021, the SEC published for comment a NYSE proposal, effective on filing, to amend Section 902.02 of the NYSE Listed Company Manual ("Manual"). Section 902.02 of the Manual provides a fee discount applicable only to an Investment Management Entity and its Eligible Portfolio Companies (the "Investment Management Entity Group Fee Discount"). The Investment Management Entity Group Fee Discount is (i) limited to annual fees and (ii) represents a 50% discount on all annual fees of an Investment Management Entity and each of its Eligible Portfolio Companies in any year in which the Investment Management Entity has one or more Eligible Portfolio Companies. As currently applied, the Investment Management Entity Group Fee Discount is subject to a maximum aggregate discount ("Maximum Discount"). NYSE proposes to eliminate the Maximum Discount effective the calendar year commencing January 1, 2021. Consequently, the Investment Management Entity and each Eligible Portfolio Company would receive a discount from each company's annual fee bill equal to 50% of such company's annual fees, without any limitation imposed by the application of the Maximum Discount. The purpose of this proposal is to remove the arbitrary differences the application of the Maximum Discount imposes on the benefits companies receive from the Investment Management Entity Group Fee Discount. NYSE also proposes to make some non-substantive changes to Section 902.02 to remove provisions that are no longer needed, as they do not apply by their terms to any calendar year starting after January 1, 2019.

Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-90890.pdf
Comments Due: February 05, 2021

NYSE EXTENDS WAIVER OF SHAREHOLDER APPROVAL REQUIREMENTS

On January 7, 2021, the SEC published for comment a NYSE proposal, effective on filing, to extend through and including March 31, 2021 its waiver, subject to certain conditions, of the application of certain of the shareholder approval requirements set forth in Section 312.03 of the NYSE Manual. This is the fourth extension of the waiver.

Notice Release: https://www.sec.gov/rules/sro/nyse/2021/34-90865.pdf

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NYSE AMERICAN AMENDS THE NYSE AMERICAN OPTIONS FEE SCHEDULE

On January 21, 2021, the SEC published for comment a New York Stock Exchange American ("NYSE American") proposal, effective on filing, to amend the NYSE American Options Fee Schedule (Fee Schedule) regarding the credit for certain American Customer Engagement ("ACE") Program Simple transactions. NYSE American is modifying the fee schedule regarding a certain credit available to ACE Program participants who also have an affiliated or appointed Market Maker that participates in the Prepayment Program. Currently, NYSE American offers a range of credits to ACE Program participants for each electronic Customer contract, including certain credits available to participants with affiliated or appointed Market Makers that prepay their Market Maker fees. The credits are tiered based on increasing levels of Customer Electronic Average Daily Volume ("ADV") or, for Tiers 3 through 5, Total Electronic ADV, of which 20% of the qualifying volume for the Tier must be Customer volume. NYSE American proposes to modify the Fee Schedule to amend the per contract credit applicable to Tier 5 Simple executions by Order Flow Providers that have an affiliated or appointed Market Maker that prepays its Market Maker Fees ("Credit"). Specifically, NYSE American proposes to modify the amount of the Credit from ($0.24) per contract to ($0.23) per contract. Because the volume of Electronic executions has increased across the industry, NYSE American believes the proposed change would still encourage more participants to try to achieve the Credit by directing more order flow to NYSE American. NYSE American proposes to implement the fee change effective January 13, 2021.

Proposed Rule: https://www.sec.gov/rules/sro/nyseamer/2021/34-90956.pdf
Comments Due: 21 days after publication in the Federal Register

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NOTABLE ENFORCEMENT ACTIONS

This month's enforcement actions evidence the importance of oversight over the use of technology and third parties to meet compliance obligations, especially required reporting to FINRA.

On November 19, 2020, a firm was fined $55,000 and the firm owner suspended from association with any FINRA member in all capacities for six months for failing to develop and implement an anti-money laundering (AML) program that was reasonably designed to achieve and monitor the firm's compliance with the Bank Secrecy Act of 1970 and the implementing regulations thereunder. The findings stated that the firm's written AML procedures were not reasonably designed in light of its business model and did not address the specific AML risks arising from servicing its customer base that came from jurisdictions considered to present heightened AML risks. Although the firm permitted customers to wire funds into and out of their accounts, including third-party wires, the firm's procedures offered no specific steps or required actions to take during the review process concerning incoming wires. The firm's written AML procedures did not specify how it would monitor, detect and investigate red flags indicative of suspicious activity and did not list reports or documents that it intended to rely upon, the systems by which it would conduct reviews, the frequency of any reviews and how it would document each. The findings also stated that the firm failed to conduct periodic reviews of a customer's account, which was a correspondent account of a foreign financial institution, failed to document enhanced due diligence of the customer's account, and failed to provide reasonable additional AML training to firm personnel responsible for compliance with AML review responsibilities. Further, the firm made no effort to tailor the limited AML training to the firm's risks and customer base, nor did they reasonably train firm compliance staff regarding the execution of their AML duties. Additionally, FINRA found that the firm failed to establish, maintain and enforce a supervisory system, including Written Supervisory Procedures (WSPs), reasonably designed to prevent a terminated representative from continuing to access his firm email, which contained customer records, including non-public personal information. Further, the firm did not have any written policies and procedures regarding email access of terminated representatives. The firm ignored several red flags that demonstrated that the representative continued to access his firm email address. (**FINRA Case #2018059545203**)
https://www.finra.org/sites/default/files/fda_documents/2018059545203%20Southern%20Trust%20Securities%2C%20Inc.%20%20Susan%20Molina%20Escobio%20CRD%201062322%20CRD%20103781%20AWC%20va%20%282020-1608423593543%29.pdf

On November 4, 2020, a firm was fined $300,000 for distributing account statements to customers containing valuation information for one or more Direct Participation Programs (DPPs) or Real Estate Investment Trusts (REITs) that did not comply with NASD Rule 2340(c). The firm obtained much of its valuation data regarding DP and REIT securities from third-party vendors. One of the firm's third-party valuation vendors sent a letter identifying several dozen DPP and REIT securities for which it was unable to provide rule-compliant, per-share estimated values. That vendor then provided the firm with valuation data, which included zeros as valuations for those DPPs and REITs for which compliant valuations were unavailable. However, when the firm subsequently created its customer account statements, its security pricing team manually overrode the zeros that the vendor had provided for those DPP and REIT securities, and instead populated the statements for customers holding those securities with the valuations that the vendor supplied for those positions the previous month. Thus, rather than learning that compliant valuations were not available, customers who owned one or more of the affected DPPs or REITs received

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account statements showing outdated valuations for those holdings. Because those earlier valuations did not derive from an approved methodology, they did not comply with Rule 2340(c). The findings also stated that the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to ensure compliance with NASD Rule 2340(c). The findings also included that the firm failed to maintain accurate books and records when it created and distributed monthly and quarterly account statements that contained non-compliant valuations for DPP and REIT securities. **(FINRA Case # 2016051352401)**
https://www.finra.org/sites/default/files/fda_documents/2016051352401%20First%20Clearing%20LLC%20nka%20Wells%20Fargo%20Clearing%20Services%20BD%2019616%20AWC%20va%20%282020-1607127597063%29.pdf

On November 10, 2020, a firm was fined $475,000 for omitting required disclosures in equity research reports that it was either a manager or co-manager of a public offering of equity securities for the companies covered in the reports. The findings stated that the firm used data feeds from a third-party service provider to identify its role in transactions for issuers covered by firm research reports. The firm did not test whether the data received from the third-party service provider was accurate and complete and did not test the accuracy and completeness of its manager/co-manager disclosures in the research reports it published by comparing the disclosures against the public offerings for which the firm or an affiliate acted as manager or co-manager. The firm discovered that on occasion, the vendor data did not identify the correct entities involved in a relevant transaction and on other occasions failed to document a relevant transaction altogether. Those errors caused the firm's systems not to disclose that it was a manager or co-manager of an equity public offering as required by NASD and FINRA rules. As a result, the firm deprived the investing public of important information regarding conflicts of interest. The findings also stated that the firm failed to establish and maintain a system, including written procedures, reasonably designed to achieve compliance with the manager/co-manager disclosure rules, particularly in light of its obligation to supervise the activities of its third-party service provider and the firm's prior disciplinary history. It was incumbent upon the firm to take reasonable steps to ensure that the data supporting the population of its manager/co-manager disclosures was complete and accurate. **(FINRA Case #2017055673701)**
https://www.finra.org/sites/default/files/fda_documents/2017055673701%20Citigroup%20Global%20Markets%20Inc.%20CRD%207059%20AWC%20sl%20%282020-1607645999660%29.pdf

On November 13, 2020, a firm was fined $180,000 for a system issue that caused it to report equity sale transactions to the FINRA/NASDAQ Trade Reporting Facility ("FNTRF") with an inaccurate short sale indicator. The findings stated that the firm released a new system designed to implement new order marking and trade reporting methodologies. However, the firm inadvertently omitted one of its execution systems as part of the release and thus reported trades using the historical methodology. This omission caused the firm to report short sale equity transactions to the FNTRF without the short sale indicator. The firm remediated the issue after FINRA notified it of the issue. The findings also stated that the firm failed to have a supervisory system, including WSPs, that was reasonably designed to achieve compliance with FINRA rules requiring the use of short sale indicators. The firm conducted end of day reviews for the accuracy of short sale transaction reporting, but these reviews did not include trades effected through all of its execution systems. Even if the firm had included all execution systems in its

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supervisory reviews, it would not have reviewed the misreported transactions for short sale reporting requirements because the supervisory reviews only looked at order activity covered by Regulation SHO of the Securities Exchange Act of 1934. Unlike FINRA's trade reporting rules, Regulation SHO did not apply to the misreported transactions because it mandates the marking of sell orders and here the misreported transactions were limited to the execution of incoming orders rather than order entry or routing. The firm addressed the deficiencies in its WSPs after FINRA brought the issue to its attention. **(FINRA Case #2016051085001)**

https://www.finra.org/sites/default/files/fda_documents/2016051085001%20Citadel%20Securities%20LLC%20CRD%20116797%20AWC%20sl%20%282020-1608164396539%29.pdf

On November 19, 2020, a firm was fined $25,000 for failing to report trades to the Municipal Securities Rulemaking Board's ("MSRB") Real-time Transaction Reporting System ("RTRS") in increments of seconds. The findings stated that the firm changed its order management system, which gave rise to a system issue that resulted in transactions being reported with "00" in the seconds field. This persisted until FINRA notified the firm of the issue. In addition, due to a manual trade entering process, the firm failed to report the correct time of trade in municipal transaction reports to the RTRS and failed to timely report the same transactions within 15 minutes of the time of trade. The findings also stated that the firm maintained inaccurate books and records related to municipal securities by creating and maintaining municipal security order tickets that failed to reflect an accurate time of execution. The findings also included that the firm failed to conduct a documented comparison required by its WSPs to confirm the accuracy of the time of trade reported to the MSRB. In addition, the WSPs failed to designate the frequency of and supervisor responsible for the time of trade review. **(FINRA Case #2018057239701)**

https://www.finra.org/sites/default/files/fda_documents/2018057239701%20Dealerweb%20Inc.%20CRD%2019662%20AWC%20va%20%282020-1608423593532%29.pdf

On November 23, 2020, a firm was fined $120,000 and required to review and revise its supervisory systems and procedures concerning Order Audit Trail System ("OATS™") reporting to ensure that they are reasonably designed to achieve compliance with FINRA Rule 7450. The findings stated that the firm transmitted Reportable Order Events ("ROEs") to OATS with inaccurate account type codes that provided information about the type of account for which the orders were submitted. The firm inaccurately reported an account type code that indicated that it received orders from another broker-dealer for unknown beneficial owners, even though it did not receive the order from another broker-dealer and the account owners were known to the firm. These inaccurate reports occurred after the firm acquired multiple affiliates with separate Market Participant Identifier (MPIDs) and the orders were associated with those MPIDs. In addition, the firm transmitted execution reports to OATS that were required to be matched to the related trade report in a FINRA transaction reporting facility. These reports contained inaccurate reporting exception codes, generated by the firm's electronic systems, which incorrectly indicated that there were no corresponding trade reports to match to each report. The firm also failed to match execution reports to a media trade report because it had not updated its execution protocol and related technology system to address the requirements for certain types of executions. Further, the firm, through several of its MPIDs, failed to transmit ROEs to OATS and timely repair ROEs that were rejected by OATS for context or syntax errors. The firm attempted to resubmit the ROEs, but the resubmissions were untimely because it failed to make the repairs within five business days. The findings

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also stated that the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with its OATS reporting requirements. The firm's minimum sample of five order types was unreasonably narrow, given the broad range of transactions it had to report and the fact that it transmitted approximately 9 billion ROEs to OATS on a quarterly basis. **(FINRA Case #2016052398201)**

https://www.finra.org/sites/default/files/fda_documents/2016052398201%20VIRTU%20Americas%20LLC%20FKA%20KCG%20Americas%20LLC%20and%20Knight%20Capital%20Americas%20LLC%20CRD%20149823%20AWC%20rrm%20%282020-1608855598200%29.pdf

On November 24, 2020, a firm was fined $70,000, of which $30,000 is payable to FINRA, for failing to obtain a locate in connection with proprietary short sale transactions as required by Rule 203(b)(1) of Regulation SHO. The findings stated that the firm's failure was attributable to a system coding issue that went undetected. The firm misidentified certain securities as easy to borrow (ETB). The firm received ETB lists from its clearing firms, however one of the clearing firms modified an electronic tag on its ETB list without notifying the firm of the modification. The firm's system did not recognize the modified tag, coding certain securities as ETB when they were not on the ETB list. Those executions comprised a small fraction of all short sales that the firm executed during that time period. The firm stopped using the clearing firm and, therefore, no longer relied on its ETB list for locates. The findings also stated that the firm failed to have a reasonable supervisory system to achieve compliance with the locate requirement. The firm's system did not include any means by which to determine if the clearing firm's ETB lists were correctly recognized by its systems and that its locate decisions were consistent with accurate ETB information. **(FINRA Case #2016051549205)**

https://www.finra.org/sites/default/files/fda_documents/2016051549205%20GTS%20Securities%20LLC%20CRD%20149224%20AWC%20sl%20%282020-1608941999055%29.pdf

On November 24, 2020, a firm was fined $150,000 for failing to capture emails from employee email accounts for supervisory review due to a coding error. The findings stated that following a server switch, the existing process to ensure emails were journaled to the email review platform from the new server did not work as it had before. The firm had no process in place to ensure that emails from the new server were journaled to its email review platform as intended. The firm didn't monitor the volume of email ingested into its review platform for irregularities or conduct any reconciliation of the email addresses to be monitored with the emails that were ingested. The firm identified this issue when searching for a specific email within its review platform system. After identifying the issue, the firm self-reported it. The firm then investigated the underlying causes of the failure and implemented changes to its policies and procedures to prevent a similar issue going forward. The firm also conducted a lookback review of a sample of the emails not initially captured. **(FINRA Case #2019061735701)**

https://www.finra.org/sites/default/files/fda_documents/2019061735701%20Santander%20Investment%20Securities%20Inc.%20CRD%2037216%20AWC%20va%20%20%282020-1608855598022%29.pdf

On November 25, 2020, a firm was fined $75,000 for failing to make and preserve accurate books and records. The findings stated that the firm failed to record an accurate order receipt time in certain situations when registered representatives entered the order receipt time manually. The most common examples of these instances occurred when large orders required approval, or other unique situations

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where, after receiving the order from the customer, the representative had to seek approval from his or her manager or others before entering the order into the firm's system. The firm's representatives entered inaccurate order receipt times in different ways. Although OATS requires reporting in eastern military time, some of the firm's representatives entered order times reflecting another time zone or in 12-hour time. In addition, some of the firm's representatives entered orders with inaccurate time stamps. The findings also stated that the firm populated the order receipt time field in its OATS submissions with the time that was entered in its order management system. Thus, the inclusion of inaccurate receipt times in the firm's system also caused the firm to submit inaccurate submissions to OATS. The firm also failed to report a desk receipt time stamp to OATS as a result of an automation issue. The firm's system was not set up to report desk receipt times to OATS. In addition, the firm reported orders to OATS with an account type code that is used when an order is originated in a firm's error account. These instances involved trade corrections of customer orders, but the firm failed to submit reports with the account type code for the customer orders that were corrected. **(FINRA Case #2017054001501)**

https://www.finra.org/sites/default/files/fda_documents/2017054001501%20Wells%20Fargo%20Clearing%20Services%2C%20LLC%20CRD%2019616%20AWC%20sl%20%282020-1608941998792%29.pdf

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