SECURITIES OPERATIONS

REGULATORY UPDATE

A PUBLICATION OF mediant

February 1, 2020

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SEC Issues Important Announcements Related to Municipal Disclosure, Market Data Plans, Cybersecurity and Exam Priorities

In January 2020, the Securities and Exchange Commission ("SEC" or "Commission") issued press releases on the following important topics:

- **Conference on Municipal Securities Disclosures** – On January 23rd, the SEC announced it will host a conference on March 10, 2020 to discuss the state of secondary market disclosure in the municipal securities market. https://www.sec.gov/news/press-release/2020-17

- **Governance of Market Data Plans** – On January 8th, the SEC announced it is seeking comment on a proposed order to modernize the governance of National Market System ("NMS") plans that produce public consolidated equity market data and disseminate trade and quote data from trading venues. https://www.sec.gov/news/press-release/2020-5

- **Cybersecurity and Resiliency Observations** – On January 27th, the Office of Compliance Inspections and Examinations ("OCIE") at the SEC issued staff guidance related to combating cybersecurity risk and the maintenance and enhancement of operational resiliency observed from thousands of examinations of market participants. *See also,* the Information Notice dated January 23, 2020 titled Heightened Terror Threat Risk issued by Financial Industry Regulatory Authority, Inc. ("FINRA") related to a Department of Homeland Security bulletin that addresses the heightened risk of potential cyber attacks by Iran against the United States.

- **2020 Exam Priorities** – On January 7th, OCIE published its 2020 examination priorities, which identify key areas of risk, both existing and emerging, that self-regulatory organizations ("SROs"), clearing firms, investment advisors and other market participants are expected to both identify and mitigate. https://www.sec.gov/news/press-release/2020-4

SEC ADOPTS UPDATED EDGAR FILER MANUAL

On January 27, 2020, the SEC published notice of a final rule adopting a new Electronic Data Gathering, Analysis, and Retrieval System ("EDGAR") filer manual and related rules. The EDGAR System was updated in Release 20.1 and corresponding amendments to the Filer Manual are being made to reflect the changes. The Commission also adopted amendments to regulatory requirements in Regulation ATS under the Securities Exchange Act of 1934 ("Exchange Act") applicable to alternative trading systems ("ATS") that trade NMS stocks. EDGAR Release 20.1 will update Form ATS-N submission types to provide filers with a textbox to explain when orders in the NMS Stock ATS can be routed from the ATS. EDGAR Release 20.1 provides additional support for XBRL validation of Document Entity Identifier data in XBRL submissions to improve consistency with existing EDGAR data and data in EDGAR header elements. The EDGAR Filer Manual has been revised to provide additional instructions for tagging Document Entity Identifier data in submissions that contain XBRL. Along with the adoption of the Filer Manual, the SEC is amending Rule 301 of Regulation S-T to provide for the incorporation by reference into the Code of Federal Regulations of the current revisions.

Effective Date: Date of publication in the Federal Register
Notice Release: https://www.sec.gov/rules/final/2020/33-10749.pdf

FINRA PROPOSES TO AMEND RULE REGARDING CORPORATE DEBT SECURITIES

On January 24, 2020, the SEC published for comment and granted immediate effectiveness to a FINRA-proposed rule change to amend Rule 11900 to accept certain transactions in corporate debt securities. FINRA is proposing to amend the Rule to provide an exception for over-the-counter transactions between members (the "parties") where the same member (the "carrying member") is clearing and settling both the purchase and the sale side of a transaction in a corporate debt security, and where such clearance and settlement occurs through book-keeping transfers between the parties' accounts at the carrying member. Where the same carrying member is the clearing firm for both sides of the transaction, the seller's delivery and the buyer's receipt of the corporate debt security can be affected exclusively through book-keeping transfers between the parties' accounts at the carrying member, resulting in no net settlement obligation to or from a clearing agency. Further, where there is no net settlement obligation, the risks and inefficiencies that the Rule is intended to protect against (e.g., trade fails) are not present, and the use of a clearing agency to clear the transaction provides no additional benefit while nonetheless incurring costs for the carrying member. FINRA is, therefore, proposing the instant exception and believes that it is appropriate because the intended benefits of the Rule—i.e., to reduce or eliminate the risks and inefficiencies associated with broker-to-broker clearing—do not exist for transactions that do not result in a net settlement obligation on the clearing firm level. The proposed exception is limited to transactions where a carrying member clears for both the buyer and the seller in a transaction (i.e., where an obligation to deliver securities to, or receive securities from, a third party is not created with respect to the individual transaction).

Comments Due: February 20, 2020
Effective Date: January 27, 2020
Notice Release: https://www.sec.gov/rules/sro/finra/2020/34-88037.pdf

FINRA TO EXTEND EXPIRATION DATE OF RULE 0180 RELATING TO SECURITY-BASED SWAPS

On January 23, 2020, the SEC published for comment and granted immediate effectiveness to a FINRA-proposed rule change to amend Rule 0180. In July 2011, both the SEC and FINRA granted temporary exemptive relief from compliance with certain provisions of the Securities Exchange Act of 1934 ("Exchange Act") in connection with the revision, pursuant to Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") of the Exchange Act definition of "security" to encompass security-based swaps. In 2014, the SEC, noting the need to avoid a potential unnecessary disruption to the security-based swap market in the absence of an extension of the temporary exemptions, and the need for additional time to consider the potential impact of the revision of the Exchange Act definition of "security" in light of ongoing Commission rulemaking efforts under Title VII of the Dodd-Frank Act, issued an Order that extended and refined the applicable expiration dates for the previously granted temporary exemptions. The SEC previously noted that extending the temporary exemptions would facilitate a coordinated consideration of these issues with relief provided pursuant to FINRA Rule 0180. In establishing Rule 0180, and in extending the rule's expiration date, FINRA noted that the relief provided by Rule 0180 is appropriate pending the extended compliance period for the Commission's security-based swaps-related requirements and the termination of relevant provisions of the temporary exemptions.

Comments Due: February 19, 2020
Effective Date: February 12, 2020
Notice Release: https://www.sec.gov/rules/sro/finra/2020/34-88023.pdf

NASDAQ PROPOSES RULE CHANGE CONCERNING RESUMPTION OF TRADING FOLLOWING A LEVEL 3 MARKET-WIDE CIRCUIT BREAKER HALT

On January 17, 2020, the SEC published for comment a proposed rule change by The Nasdaq Stock Market LLC ("Nasdaq") to amend Rule 4121(b) concerning the resumption of trading following a Level 3 market-wide circuit breaker ("MWCB") halt. Nasdaq is proposing this rule change in conjunction with other national securities exchanges and FINRA. Upon feedback from industry participants, Nasdaq has been working with other national securities exchanges and FINRA to establish a standardized approach for resuming trading in all NMS Stocks following a Level 3 halt. The proposed approach would allow for the opening of all securities the next trading day after a Level 3 halt as a regular trading day, and is designed to ensure that Level 3 MWCB events are handled in a more consistent manner that is transparent for market participants. To effect this change, Nasdaq proposes to delete the language in Rule 4121(b)(ii) requiring the Nasdaq to wait until the primary listing exchange opens the next trading day following a Level 3 market decline, and specify that Nasdaq will halt trading for the remainder of the trading day.

Comments Due: February 13, 2020
Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-88004.pdf

ACTION PERIOD BY SEC ON NASDAQ AMENDMENT TO RULE 4121 EXTENDED

On January 16, 2020, the SEC published a notice to designate a longer period for SEC action on a Nasdaq proposed rule change. Nasdaq has proposed to amend Nasdaq Rule 4121 ("Trading Halts Due to Extraordinary Market Volatility") to enhance the re-opening auction process for Nasdaq-listed securities following trading halts due to extraordinary market volatility. The Commission has designated March 20, 2020 as the date by which the SEC shall either approve or disapprove the proposed rule change.

Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-87995.pdf
Proposed Rule: https://www.sec.gov/rules/sro/nasdaq/2019/34-86412.pdf

NASDAQ PROPOSES MODIFICATION TO THE DELISTING PROCESS

On January 15, 2020, the SEC published for comment a Nasdaq proposed rule change to modify the delisting process for securities with a bid price below $0.10 and for securities that have had one or more reverse stock splits with a cumulative ratio of 250 shares or more to one over the prior two-year period. Currently, Nasdaq rules require that primary equity securities, preferred stocks and secondary classes of common stock maintain a minimum $1.00 bid price for continued listing. Under Listing Rule 5810(c)(3)(A), a security is considered deficient if its bid price closes below $1.00 for a period of 30 consecutive business days. A company with a bid price deficiency has 180 calendar-day period to regain compliance, generally, by maintaining a $1.00 closing bid price for a minimum of 10 consecutive business days during the compliance period. A second 180 calendar-day period to regain compliance is also available under certain circumstances. The process is designed to allow a company facing temporary business issues to come back into compliance. However, Nasdaq observed that the two scenarios that are the subject of the proposed rule change may not be appropriate for a compliance period of up to 360 days. In order to enhance investor protection, Nasdaq proposes to modify the listing rules so that these companies are subject to shortened compliance periods, which could lead to earlier delisting, and enhanced review procedures. With respect to securities with very low prices, Nasdaq proposes to modify the Listing Rules to provide that a company in a bid price compliance period (i.e., the company's security has already traded below $1.00 for 30 consecutive days) will immediately receive a Staff Delisting Determination if the security trades below $0.10 for a period of 10 consecutive trading days, ending any otherwise applicable compliance period. Nasdaq also proposes to change the Listing Rules to require the issuance of a Staff Delisting Determination if a company falls out of compliance with the $1.00 minimum bid price (i.e., it has had a closing bid price below $1.00 for 30 consecutive business days) after completing one or more reverse stock splits resulting in a cumulative ratio 250 shares or more to one over the two-year period before such non-compliance. A company that is not eligible for a compliance period under these proposed rule changes would receive a Staff Delisting Determination, which it could appeal to a Hearings Panel, and the Panel could grant the company an exception to remain listed if it believes the company will be able to achieve and maintain compliance with the bid price requirement. However, Nasdaq also proposes to modify the Listing Rules so that following such a Panel exception the company would be subject to the procedures applicable to a company with recurring deficiencies as described in Rule 5815(d)(4)(B).

Comments Due: February 19, 2020
Notice Release: https://www.sec.gov/rules/sro/nasdaq/2020/34-87982.pdf

NYSE PROPOSES NEW RULE 46B AND CHANGES TO RULES 47 AND 75

On January 24, 2020, the SEC published for comment a New York Stock Exchange LLC ("NYSE")-proposed new Rule 46B and amendments to Rules 47 and 75. The NYSE proposes new Rule 46B to permit the appointment of Regulatory Trading Officials and corresponding amendments to Rules 47 and 75 to Permit the Regulatory Trading Officials to review whether a bid or offer was verbalized at the point of sale in time to be eligible for inclusion in the Closing Auction. Under proposed Rule 46B, Regulatory Trading Officials would be an NYSE employee or officer designated by the Chief Regulatory Officer or its designee to perform the functions specified in NYSE rules. As proposed, Regulatory Trading Officials would have the authority to review whether a bid or offer was verbalized at the point of sale in time to be eligible for inclusion in the Closing Auction. The final determination to include or exclude verbal interest from the Closing Auction will be made by the Designated Market Maker ("DMM") pursuant to Rule 104. Floor Officials would retain the authority to settle disputes arising on bids or offers for all transactions on the NYSE other than the Closing Auction.

Comments Due: 21 days after publication in the Federal Register
Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-88033.pdf

PROCEEDINGS INSTITUTED TO APPROVE OR DISAPPROVE RULE CHANGE TO PERMIT NYSE TO LIST AND TRADE EXCHANGE-TRADED PRODUCTS

On January 17, 2020, the SEC published an order instituting proceedings to determine whether to approve or disapprove a proposed rule change to permit the NYSE to list and trade exchange-traded products ("ETPs") that have a component NMS stock listed on the NYSE or that are based on, or represent an interest in, an underlying index or reference asset that includes an NMS stock listed on the NYSE. To effectuate this change, the NYSE proposes to delete the preambles to NYSE Rules 5P and 8P currently providing that the NYSE will not list such ETPs. The proposal would permit the NYSE to list and trade on the NYSE trading floor both ETPs and one or more component NMS stocks forming part of the underlying ETP index or portfolio ("side-by-side trading"). Because listed securities are assigned to a DMM, the proposed rule could result in DMMs being assigned ETPs that have one or more component NMS stocks as part of the underlying ETP index or portfolio also assigned to the DMM ("integrated market making"). The SEC has approved integrated market making and side-by-side trading for "broad-based" ETPs and related options with no requirement for information barriers or physical or organizational separation. NYSE suggests a product is "broad-based" based on whether the individual components of the ETP are sufficiently liquid and well-capitalized and the product is not over-concentrated, and therefore not susceptible to manipulation. In determining whether an ETP is broad-based, the SEC has relied on an exchange's listing standards. The order discusses in detail the NYSE suggested safeguards (e.g., generic listing standards, rule filings for equity-based ETP that do not meet generic listing standards, ETP pricing based on an "arbitrage function" performed by market participants, similar approved activity between a DMM unit and off-floor market making units in related products, and required surveillance of trading on the NYSE trading floor) as reasons for the SEC to approve the rule proposal.

Comments Due: February 13, 2020
Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-88003.pdf

NYSE TO AMEND COMPLIANCE RULE REGARDING THE NMS PLAN GOVERNING THE CONSOLIDATED AUDIT TRAIL

On January 16, 2020, the SEC published for comment an NYSE-proposed rule change to the Rule 6800 Series, the NYSE's compliance rule regarding the NMS Plan Governing the Consolidated Audit Trail ("CAT NMS Plan"), to be consistent with certain proposed amendments to and exemptions from the CAT NMS Plan as well as to facilitate the retirement of certain existing regulatory systems. The proposed rule change would make the following changes to the compliance rule: (i) revise data reporting requirements for the Firm Designated ID; (ii) add additional data elements to the CAT reporting requirements for industry members to facilitate the retirement of FINRA's Order Audit Trail System ("OATS"); (iii) add additional data elements related to Over-the-Counter ("OTC") equity securities that FINRA currently receives from ATSs that trade OTC equity securities for regulatory oversight purposes to the CAT reporting requirements for industry members; (iv) implement a phased approach for industry member reporting to the CAT; (v) revise the CAT reporting requirements regarding cancelled trades and SRO-Assigned Market Participant Identifiers of clearing brokers, if applicable, in connection with order executions; (vi) revise the timestamp granularity requirement to require certain industry members to record and report industry member data to the Central Repository with time stamps in such finer increment up to nanoseconds; (vii) revise the reporting requirements to address circumstances in which an industry member uses an established trading relationship for an individual customer (rather than an account) on the order reported to the CAT; and (viii) revise the CAT reporting requirements so industry members would not be required to report to the Central Repository dates of birth, SSNs or account numbers for individuals.

Comments Due: February 13, 2020
Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-87990.pdf

NYSE TO ELIMINATE ALTERNATIVE $10,000 MONTHLY FEE CAP FOR EXECUTIONS AT THE OPEN

On January 14, 2020, the SEC published for comment and granted immediate effectiveness to a NYSE-proposed rule change to amend its price list to (1) eliminate the alternative $10,000 monthly fee cap for executions at the open; (2) eliminate the separate fee for verbal executions by floor brokers at the close and clarify that floor broker executions swept into the close include verbal interest; (3) adopt an alternate way to qualify for the Tier 4 adding credit in Tape A securities; (4) eliminate the NYSE Crossing Session II fee cap; and (5) revise the requirements for the credits available to Supplemental Liquidity Providers ("SLPs") under SLP Provide Tier 1 for adding liquidity to the NYSE in Tapes B and C securities. The proposed changes respond to the competitive environment where order flow providers have a choice of where to direct liquidity-providing order. The fee changes were proposed to become effective January 2, 2020.

Comments Due: February 7, 2020
Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-87957.pdf

NYSE TO AMEND ITS PRICE LIST AND DISCONTINUE CERTAIN INCENTIVE AND REBATE PROGRAMS

On January 13, 2020, the SEC published for comment and granted immediate effectiveness to a NYSE-proposed rule change 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 2020; (2) waive the BTL fee for 2020; and (3) discontinue the Liquidity Provider Incentive Program and the Agency Order Rebate Program. The NYSE proposed to implement the fee changes effective January 2, 2020.

Comments Due: February 7, 2020
Notice Release: https://www.sec.gov/rules/sro/nyse/2020/34-87952.pdf

NYSE AMERICAN FILES AMENDMENT REGARDING THE FLOOR BROKER PREPAYMENT PROGRAM

On January 7, 2020, the SEC published for comment and granted immediate effectiveness to a New York Stock Exchange American ("NYSE American")-proposed rule change to modify and extend the prepayment incentive program for floor broker organizations ("floor brokers"), which allows floor brokers to prepay certain annual costs in exchange for volume rebates, as set forth in the Fee Schedule (the "FB Prepay Program" or "Program"). NYSE American also plans to eliminate the Floor Broker Volume Rebate Program (the "FB Volume Rebate") as duplicative and superfluous in light of the proposed changes to the FB Prepay Program. NYSE American proposes to make several changes to the FB Prepay Program, including to make it renewable annually, to remove the 10% discount, and to offer an alternative annual fixed rebate amount if a participant qualifies for the Growth Incentive. Participants that qualify would receive the greater of the two rebates. NYSE American also proposes to adjust the qualifying baseline volumes and benchmarks. The NYSE proposed to implement the fee changes effective January 2, 2020.

Notice Release: https://www.sec.gov/rules/sro/nyseamer/2020/34-87903.pdf

NYSE AMERICAN PROPOSES CHANGE TO OPTIONS FEE SCHEDULE RELATED TO MARKET MAKER SLIDING SCALE

On January 7, 2020, the SEC published for comment and granted immediate effectiveness to a NYSE American-proposed rule change to amend the NYSE American Options Fee Schedule ("Fee Schedule") regarding fees charged under the Market Maker ("MM") Sliding Scale. NYSE American proposes to modify (increase) the MM Sliding Scale per contract rate in some of the tiers for market makers enrolled in the Prepayment Program, but will not be changing any aspect of the Prepayment Program or the volume thresholds required to qualify for any MM Sliding Scale tier. NYSE American proposed to implement the fee change effective January 2, 2020.

Notice Release: https://www.sec.gov/rules/sro/nyseamer/2020/34-87902.pdf

OCC PROPOSES RULE CHANGE TO FEES AND DEADLINES FOR EXERCISE NOTICES ON NON-EXPIRATION DATES

On January 24, 2020, the SEC published for comment an Options Clearing Corporation ("OCC")-proposed rule change to: (1) amend Rule 801 for exercises on non-expiration dates and Rule 805 for exercises on expiration dates to modify the fee applied to exercise notices that are submitted to OCC after the start of critical processing ("late exercise notices"), and (2) amend Rule 801 to change the deadline by which late exercise notices are to be submitted to OCC for exercises on non-expiration dates from 6:30a.m. CT (7:30a.m. ET) to 6:00a.m. CT (7:00a.m. ET).

Comments Due: 21 days after publication in the Federal Register
Notice Release: https://www.sec.gov/rules/sro/occ/2020/34-88030.pdf

OCC PROPOSED CAPITAL MANAGEMENT POLICY APPROVED SUPPORTING OCC'S FUNCTION AS A SYSTEMICALLY IMPORTANT MARKET UTILITY

On January 24, 2020, the SEC published an order granting approval to an OCC-proposed rule change concerning a proposed Capital Management Policy that would support the OCC's function as a Systemically Important Financial Market Utility. On August 9, 2019, the OCC filed with the SEC the proposed rule change SR-OCC-2019-007 to adopt a policy concerning capital management at OCC, which includes OCC's plan to replenish its capital in the event it falls close to or below target capital levels. On September 11, 2019, OCC filed a partial amendment to modify the proposed rule change. Specifically, the proposed Capital Management Policy would: (i) describe how OCC would determine the amount of liquid net assets funded by equity ("LNAFBE") necessary to cover OCC's potential general business losses; (ii) require OCC to hold a minimum amount of shareholders equity ("Equity") sufficient to support the amount of LNAFBE determined to be necessary; and (iii) establish a plan for replenishing OCC's capital in the event that Equity were to fall below certain thresholds. OCC also proposes to revise its existing rules to support the terms of the proposed Capital Management policy.

Notice Release: https://www.sec.gov/rules/sro/occ/2020/34-88029.pdf

DTC GRANTED APPROVAL TO CHANGE CALL LOTTERY PROCESS

On January 2, 2020, the SEC published an order approving a proposed rule change filed by The Depository Trust Company ("DTC") to amend its Redemptions Guide to the call lottery process for partial redemptions. The proposed amendments revise its call lottery process such that, for issues where the incremental value is $5,000 or less, participants with odd lot positions will have their positions adjusted down to the nearest value that is divisible by the minimum incremental value for purposes of the lottery. However, the participant will continue to hold the securities reduced from its position for this purpose in its account. Thus, the participant with the initial odd lot for issues where the incremental value is $5,000 or less will continue to maintain an odd lot position after the lottery is run, and no new odd lot positions will be created. In addition, a copyright date in the text of the Redemptions Guide is currently shown as 1999-2014. DTC was approved to revise the text of the Redemptions Guide to reflect a copyright date of 1999-2019.

Notice Release: https://www.sec.gov/rules/sro/dtc/2020/34-87879.pdf

DTC TO AMEND ITS FEE GUIDE

On January 27, 2020, the SEC published for comment and granted immediate effectiveness to a proposed rule change to amend the Guide to the DTC Fee Schedule ("Fee Guide") to (i) eliminate certain fees within the Corporate Actions section and the Securities Processing section of the Fee Guide, including the addition and deletion of fees and (ii) modify the names and descriptions of certain fees in the Settlement Services section of the Fee Guide. To streamline the Corporate Actions fee schedule, DTC proposes to eliminate certain corporate actions fees, as more fully described in the proposed rule change, concerning services relating to physical securities processing, specifically, bearer bonds and the Coupon Collection Service. In addition, to eliminate the associated billing costs to DTC that exceed related revenue collected by DTC for Audit Confirmations and CD Confirmations, DTC proposes to amend the Fee Schedule to eliminate the Audit Confirmation Fee and CD Confirmation Fee. The proposed rule change would also amend the Settlement Services section of the Fee Guide to change certain fee names and descriptions of fee amounts, as described in the proposed rule. These proposed changes would not result in any change in the actual amounts charged for the relevant fees.

Comments Due: 21 days after publication in the Federal Register
Effective Date: January 27, 2020
Notice Release: https://www.sec.gov/rules/sro/dtc/2020/34-88049.pdf

Notable Enforcement Actions

This month's enforcement actions relate to execution and suitability of sales obligations, and reporting requirements to FINRA.

On November 4, 2019, a National Adjudicatory Counsel (NAC) decision became final in which a firm was fined $342,000 and ordered to retain an independent consultant based on findings that the firm failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to ensure compliance with the federal securities laws and FINRA rules in connection with the firm's survivor bond business. Additionally, the NAC affirmed the Hearing Panel's findings that the firm, and a registered principal of the firm, failed to establish and implement a reasonable anti-money laundering (AML) program, including WSPs, designed to detect, investigate and report potentially suspicious activity, particularly in light of the risks presented by penny stock liquidations of two customers, a bank and a corporation. The firm magnified its AML risk because a foreign financial institution domiciled in Switzerland placed penny stock orders on behalf of another foreign financial institution domiciled in Liechtenstein. Later, the firm significantly increased its AML exposure when it accepted the corporation as a customer and increased the volume of the firm's penny-stock-liquidation business. The NAC also concluded that the firm and registered principal failed to conduct adequate due diligence and respond to red flags regarding the trading activity of the bank indicative of potential money laundering. The NAC found that both the firm's and registered principal's participation in customers' liquidations of speculative penny stocks without responding to red flags created a significant risk of harm to the investing public and integrity of the market. The firm and registered principal wholly failed to understand their obligations under the Bank Secrecy Act and FINRA rules related to the bank, a foreign financial institution. (**FINRA Case #2014040476901**) https://www.finra.org/sites/default/files/fda_documents/2014040476901%20%20C.L.%20KING%20%26%20ASSOCIATES%2C%20INC.%20CRD%206183%20GREGG%20ALAN%20MILLER%20CRD%204163500%20NAC%20jm%20%282019-1572740386249%29.pdf

On November 12, 2019, a firm was fined $40,000 and consented to the entry of findings that it failed to immediately execute, route or display customer limit orders in over-the-counter securities. The findings stated that the violations resulted from the firm's delayed handling of limit orders that would lock or cross the market. (**FINRA Case #2016051256201**) https://www.finra.org/sites/default/files/fda_documents/2016051256201%20BGC%20Financial%2C%20L.P.%20CRD%2019801%20%20AWC%20va%20%282019-1576196377100%29.pdf

On November 20, 2019, a firm was fined $250,000, ordered to pay $76,643.47, plus interest, in restitution to customers for realized losses, and ordered to offer rescission to customers for unrealized losses totaling approximately $250,000 for failing to enforce its written procedures for supervising the suitability of sales of higher-risk mutual funds that were subject to significant volatility. The findings stated that, according to those procedures, when such sales resulted in customer portfolios that were over-concentrated in higher-risk securities, the firm's registered persons were required to work with customers to reallocate the portfolios, or determine how to change their risk tolerances and investment objectives to correspond with their assumption of

additional risk. However, the firm adjusted customers' risk tolerances and investment objectives to accommodate sales of higher-risk mutual funds without first seeking the customers' input. Those unilateral adjustments permitted numerous customers to over-concentrate their portfolios in higher-risk mutual funds, leading to losses totaling $1.4 million. Some customers complained and, prior to any regulator's intervention, the firm voluntarily paid full restitution to those customers totaling $1.1 million. Following the customer complaints and FINRA's investigation, the firm voluntarily made improvements to its operations, including hiring three new registered principals and a fourth registered person to investigate surveillance alerts pertaining to the concentration of customer holdings in higher-risk mutual funds. (**FINRA Case #2016050685102**)

https://www.finra.org/sites/default/files/fda_documents/2016050685102%20NYLIFE%20Securities%20LLC%20CRD%205167%20AWC%20va%20%282019-1576887573651%29.pdf

On November 21, 2019, a firm was fined $90,000 and required to review and revise its systems and written procedures regarding the supervision of its Order Audit Trail System ("OATS") reporting to ensure that the systems and procedures are reasonably designed to achieve compliance with FINRA Rule 7450 and to implement and test all coding changes necessary to remediate the violations identified. The firm consented to sanctions and the entry of findings that it failed to report Reportable Order Events (ROEs) to OATS and reported ROEs that contained inaccurate, incomplete or improperly formatted data. The findings stated that, based on a review sample taken from a single trade date, the firm submitted Route Reports and corresponding New Order Reports containing an inaccurate Order Sent and an inaccurate Order Received timestamp, respectively. The findings also stated that the firm failed to maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA rules concerning OATS reporting rules. (**FINRA Case #2016049105201**)

https://www.finra.org/sites/default/files/fda_documents/2016049105201%20CODA%20Markets%2C%20Inc.%20CRD%2036187%20%20AWC%20va%20%282019-1576973982855%29.pdf