

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100214561-01**

FINRA

2014 AUG 25 PM 12: 28

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: State Street Global Markets, LLC, Respondent
Broker-Dealer
CRD No. 30107

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent State Street Global Markets, LLC ("SSLL" or the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm has been a member of FINRA since June 11, 1992, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On July 15, 2009, FINRA accepted an AWC in connection with 20070078161 in which the firm was fined \$27,500, of which \$20,000 was for Trade Reporting and Compliance Engine ("TRACE") violations that occurred in 2006 and 2007.

SUMMARY

In connection with 20100214561, the FINRA's Market Regulation Department ("Market Regulation") reviewed SSSL's compliance with short interest reporting requirements during the period November 14, 2008 through July 31, 2012.

In connection with 20120312267, Market Regulation reviewed the firm's compliance with TRACE requirements for Securitized Products during the period October 1, 2011 through December 31, 2011 (the "4Q11 period").

In connection with 20120316132, Market Regulation reviewed the firm's compliance with TRACE requirements for Agency Debt Securities during the period October 1, 2011 through February 3, 2012 (the "extended 4Q11 period").

In connection with 20130387449, Market Regulation reviewed the firm's compliance with TRACE requirements for Securitized Products during the period July 1, 2013 through September 30, 2013 (the "3Q13 period").

FACTS AND VIOLATIVE CONDUCT

20100214561 (Short Interest review)

1. For settlement dates November 14, 2008 and November 28, 2008, the firm submitted to FINRA its short interest position reports. These reports included four short interest positions totaling 49,030 shares, when the actual short interest position in the four securities was zero shares. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 3360.
2. For settlement dates December 15, 2008 through May 31, 2011, the firm submitted to FINRA its short interest position reports. These reports included 128 short interest positions totaling 3,235,356 shares, when the actual short interest position in the 128 securities was zero shares. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4560.
3. For settlement dates November 30, 2010 through July 31, 2012, the firm submitted to FINRA its short interest position reports. The firm failed to include in these reports 56 short interest positions totaling 3,564 shares. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4560.
4. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations, and/or FINRA Rules, concerning short interest reporting. Specifically, the firm's written supervisory procedures ("WSPs") did not include a statement of the supervisory step(s) to be taken by the identified person(s) responsible for supervision of the firm's short interest reporting. This constitutes a violation of NASD Rule 3010,

NASD Rule 2110 (before December 15, 2008) and FINRA Rule 2010 (on and after December 15, 2008).

20120312267 (4Q11 TRACE SP review)

5. During the 4Q11 period, the firm failed to report to TRACE the correct time of execution for 348 transactions in Securitized Products. These transactions constituted 30.5% of the 1,142 matched inter-dealer reports involving Securitized Products that were reported by the firm to TRACE during the 4Q11 period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
6. The firm failed to show the correct time of execution on the memorandum of 282 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

20120316132 (extended 4Q11 TRACE Agency review)

7. During the extended 4Q11 period, the firm failed to report to TRACE the correct time of execution for 28 S1 transactions in Agency Debt Securities, and failed to report to TRACE these same 28 transactions within 15 minutes of the time of execution. These transactions constituted 33.7% of the 83 matched S1 inter-dealer reports involving Agency Debt Securities that were reported by the firm to TRACE during that period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8) (for the inaccurate reports) and FINRA Rule 6730(a) (for the late reports).
8. The firm failed to show the correct time of execution on the memorandum of 17 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

20130387449 (3Q13 TRACE SP review)

9. During the 3Q13 period, the firm failed to report to TRACE the correct time of execution for 366 transactions in Securitized Products. These transactions constituted 40.7% of the 900 matched inter-dealer reports involving Securitized Products that were reported by the firm to TRACE during that period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
10. The firm failed to show the correct time of execution on the memorandum of 96 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and a fine of \$52,500 (\$17,500 for the short interest reporting violations; and \$5,000 for the supervisory violation; and \$30,000 for the TRACE reporting and record keeping violations).

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

8/20/14
Date

Respondent
State Street Global Markets, LLC

By: VINCE VINCI
Name: VINCENT MANZI
Title: CCO

Reviewed by:

Melissa McKay
Counsel for Respondent

Accepted by FINRA:

9/17/14
Date

Signed on behalf of the
Director of ODA, by delegated authority

Gerard P. Finn
Gerard P. Finn
Chief Counsel
Department of Market Regulation