

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

NO. 20100237693-01

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

RE: GFI Securities LLC, Respondent
Broker/Dealer
CRD No. 19982

Pursuant to FINRA Rule 9216 of FINRA Code of Procedure, GFI Securities LLC ("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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 July 25, 1987, and its registration remains in effect. The firm has no prior relevant disciplinary history.

SUMMARY

In Review No. 20100237693, the staff of the FINRA Department of Market Regulation ("the staff") conducted an OTC Trade-Through Protection sweep for the review periods October 1, 2008 through December 31, 2008, and October 1, 2009 through December 31, 2009 (the "trade-through review periods").

In Review No. 20130359019, the staff conducted a TRACE-eligible Securitized Products Reporting sweep for the review period October 1, 2012 through December 31, 2012 ("the "TRACE review period").

FACTS AND VIOLATIVE CONDUCT BY RESPONDENT

As a result of Review No. 20100237693, FINRA found the following:

1. During the trade-through review periods, the firm failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. The conduct described in this paragraph constitutes a violation of SEC Rule 611(a)(1) of Regulation NMS.

As a result of Review No. 20130359019, FINRA found the following:

2. During the TRACE review period, the firm failed to report to TRACE the correct time of trade execution for 53 transactions in TRACE-eligible securities. These inaccurate reports constituted 29.94 percent of the 177 inter-dealer reports that the firm submitted to TRACE during the TRACE review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
3. In addition, during the TRACE review period, the firm failed to show the time of execution on the memorandum of 20 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511.

B. The firm also consents to the imposition of the following sanctions:

A censure and fine of \$17,500 (\$7,500 for the trade-through protection violations from Review No. 20100237693; \$7,500 for the TRACE Reporting violations from Review No. 20130359019; and \$2,500 for the books and records violations from Review No. 20130359019).

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments 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 the firm is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, 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.

The firm 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, 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;

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 8310 and IM-8310-3; 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: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. The firm understands that it may attach a Corrective Action Statement to this AWC, which is a statement by the Respondent of demonstrable corrective steps taken to prevent future misconduct. Respondent may not deny the findings 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.

3/28/14
Date

By: 

Title: CCO

Counsel for Respondent

April 29, 2014
Date

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