

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100252151-01

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

RE: Global Strategic Investments, LLC, Respondent
Broker-Dealer
CRD No. 117028

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Global Strategic Investments, LLC (the "firm" or "Respondent") 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. 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 6, 2002 and its registration is still in effect. The firm does not have any relevant disciplinary history.

SUMMARY

In Matter No. 20100252151, FINRA's Department of Market Regulation conducted a review of the firm¹ related to transactions in corporate debt securities during the periods of July 1, 2010 through September 30, 2010 (the "3Q10 review period") and October 1, 2010 through December 31, 2010 (the "4Q10 review period").

In Matter No. 20120342739, FINRA's Department of Market Regulation conducted a review of the firm related to transactions in corporate debt securities during the review period of January 1, 2012 through June 30, 2012 (the "1H12 review period").

¹ During the review periods at issue, the firm utilized two Market Participant Identifiers ("MPIDs"): (1) GSRI, which ceased being active to report transactions to TRACE as of June 2011; and (2) GSIL, which was created by FINRA Market Operations on February 18, 2010.

In Matter No. 20170533816, FINRA's Department of Member Regulation conducted Financial and Operational and Sales Practice examinations of the Firm for the period of May 16, 2014 through July 12, 2016 (the "Examination review period").²

As discussed further below, the firm failed to comply with rules regarding reporting of transactions in eligible debt securities to the Trade Reporting and Compliance Engine ("TRACE"), failed to comply with TRACE-related supervisory obligations, and charged excessive mark-ups and/or markdowns in transactions in debt securities with its customer. The firm thereby violated FINRA Rules 2010, 3110, and 6730, and NASD Rules 2440, IM-2440-1, IM-2440-2, and 3010.

FACTS AND VIOLATIVE CONDUCT

In connection with Matter No. 20100252151

1. During the 3Q10 review period:

- a. The firm, under its GSRI MPID, reported to TRACE 88 S1 transactions in TRACE-eligible corporate debt securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(e).
- b. The firm, under its GSIL MPID, failed to report to TRACE 125 S1 transactions in TRACE-eligible corporate debt securities that it was required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(b).

2. During the 4Q10 review period:

- a. The firm, under its GSRI MPID, reported to TRACE 36 S1 transactions in TRACE-eligible corporate debt securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(e).
- b. The firm, under its GSIL MPID, failed to report to TRACE 42 S1 transactions in TRACE-eligible corporate debt securities that it was required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(b).
- c. The firm, under its GSRI MPID, failed to report to TRACE 195 S1 transactions in TRACE-eligible corporate debt securities within 15 minutes of the time of execution. These transactions constituted 69.40 percent of the transactions in TRACE-eligible corporate debt securities that the firm reported to TRACE during the 4Q10 review period. The

² The findings addressed in this AWC were previously handled under a different matter number (20160475664) before being transferred to Matter No. 20170533816.

conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances, in violation of FINRA Rule 2010.

- d. The firm, under its GSRI MPID, failed to report to TRACE the correct time of trade execution for 194 S1 transactions in TRACE-eligible corporate debt securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
3. During the 3Q10 and 4Q10 review periods, the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures ("WSPs") concerning trade reporting in TRACE-eligible securities. The conduct described in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

In connection with Matter No. 20120342739

4. During the 1H12 review period, in 51 transactions, the firm sold (bought) corporate bonds to (from) customers and failed to sell (buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The transactions are identified on Exhibit A, which is attached.³ The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rules 2440, IM-2440-1 and IM-2440-2.

In connection with Matter No. 20170533816

5. During the Examination review period, the firm:
 - a. failed to report to TRACE 48 transactions in TRACE-eligible securities. Specifically, the firm improperly reported the 48 customer transactions as 10 block transaction reports;
 - b. reported 27 transactions to TRACE with inaccurate information regarding capacity, execution time, price, size, perspective, contra party, and/or cancellation;
 - c. failed to report seven transactions to TRACE;
 - d. reported four transactions to TRACE that it was not required to report.

The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.

³ The Firm has offered or made restitution to affected customers in the amounts shown on Exhibit A.

6. The firm failed to maintain a supervisory system reasonably designed to ensure complete and accurate reporting of transactions to TRACE. Additionally, the firm failed to enforce its written supervisory procedures, in that the firm did not fully apply its procedures to include the review of reported transactions with customers. The conduct described in this paragraph constitutes violations of NASD Rule 3010 (for conduct prior to December 1, 2014) and FINRA Rules 3110 (for conduct on or after December 1, 2014) and 2010.

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

- 1) Censure;
- 2) A fine of \$65,000 (consisting of \$12,500 for TRACE reporting violations, \$7,500 for supervision violations, and \$45,000 for fixed income pricing violations); and
- 3) An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.6. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.6; and (3) the date the revised procedures were implemented.

Respondent 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.

Respondent 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 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 Respondent; 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 accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent 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. Respondent 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

D. Respondent 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.

5/25/17
Date

By: _____

Name: CESAR HERNANDEZ

Title: CEO

Counsel for Respondent

June 1, 2017
Date


James J. Nixon
Chief Litigation Counsel
Department of Market Regulation

Global Strategic Investments, LLC ("GSIL") (CRD No. 117028)
Matter No. 20120342739

Exhibit A

#	Date (1)	Date (2)	Bond Ticker	CUSIP ID	Quantity (1)	Contra 1*	Trade 1 Time	Trade 1 Price	Firm	Quantity (2)	Contra 2*	Account No.	Trade 2 Time	Trade 2 Price	Markup/Markdown	Profit	Restitution
	03/06/2012		MFRO.GD		100,000	B-D (S)	13:08:35	\$95.000	GSIL								
1		03/06/2012	MFRO.GD						GSIL	40,000	C (B)	4TB-05535	14:57:00	\$99.000	4.21%	\$ 1,600.00	\$ 756.40
2		03/06/2012	MFRO.GD						GSIL	30,000	C (B)		14:57:00	\$99.000	4.21%	\$ 1,200.00	\$ 567.30
3		03/06/2012	MFRO.GD						GSIL	30,000	C (B)		14:57:00	\$99.000	4.21%	\$ 1,200.00	\$ 567.30
	03/15/2012		SCGL.YF		200,000	B-D (S)	10:30:00	\$91.625	GSIL								
4		03/15/2012	SCGL.YF						GSIL	100,000	C (B)		15:04:00	\$94.875	3.55%	\$ 3,250.00	\$ 959.25
5		03/15/2012	SCGL.YF						GSIL	75,000	C (B)		15:04:00	\$94.875	3.55%	\$ 2,437.50	\$ 719.44
6		03/15/2012	SCGL.YF						GSIL	25,000	C (B)		15:04:00	\$94.875	3.55%	\$ 812.50	\$ 239.81
	4/13/2012		CJAV.GF		500,000	B-D (S)	14:50:43	\$92.600	GSIL								
7		4/16/2012	CJAV.GF						GSIL	100,000	C (B)		08:04:01	\$96.500	4.21%	\$ 3,900.00	\$ 2,038.74
8		4/16/2012	CJAV.GF						GSIL	42,000	C (B)		08:04:01	\$96.500	4.21%	\$ 1,638.00	\$ 856.27
9		4/16/2012	CJAV.GF						GSIL	66,000	C (B)		08:04:01	\$96.500	4.21%	\$ 2,574.00	\$ 1,345.57
10		4/16/2012	CJAV.GF						GSIL	35,000	C (B)		08:04:01	\$96.500	4.21%	\$ 1,365.00	\$ 713.56
11		4/16/2012	CJAV.GF						GSIL	59,000	C (B)		08:04:01	\$96.500	4.21%	\$ 2,301.00	\$ 1,202.86
12		4/16/2012	CJAV.GF						GSIL	90,000	C (B)		08:04:01	\$96.500	4.21%	\$ 3,510.00	\$ 1,834.87
13		4/16/2012	CJAV.GF						GSIL	30,000	C (B)		08:04:01	\$96.500	4.21%	\$ 1,170.00	\$ 611.62
14		4/16/2012	CJAV.GF						GSIL	37,000	C (B)		08:04:01	\$96.500	4.21%	\$ 1,443.00	\$ 754.33
15		4/16/2012	CJAV.GF						GSIL	41,000	C (B)		08:04:01	\$96.500	4.21%	\$ 1,599.00	\$ 835.88
16	04/25/2012	04/25/2012	JBSA.GG		100,000	B-D (S)	12:52:41	\$98.000	GSIL	100,000	C (B)		14:30:28	\$101.500	3.57%	\$ 3,500.00	\$ 1,500.80
	05/02/2012		CJAV.GF		331,000	B-D (S)	15:44:55	\$96.750	GSIL								
17		05/03/2012	CJAV.GF						GSIL	56,000	C (B)		08:02:45	\$100.750	4.13%	\$ 2,240.00	\$ 1,150.98
18		05/03/2012	CJAV.GF						GSIL	30,000	C (B)		08:02:45	\$100.750	4.13%	\$ 1,200.00	\$ 616.60
19		05/03/2012	CJAV.GF						GSIL	100,000	C (B)		08:02:45	\$100.750	4.13%	\$ 4,000.00	\$ 2,055.33
20		05/03/2012	CJAV.GF						GSIL	25,000	C (B)		08:02:45	\$100.750	4.13%	\$ 1,000.00	\$ 513.83
21		05/03/2012	CJAV.GF						GSIL	20,000	C (B)		08:02:45	\$100.750	4.13%	\$ 800.00	\$ 400.00
22		05/03/2012	CJAV.GF						GSIL	100,000	C (B)		08:02:45	\$100.750	4.13%	\$ 4,000.00	\$ 2,055.33
	05/02/2012		DB.GXN		95,000	B-D (S)	14:30:19	\$83.000	GSIL								
23		05/03/2012	DB.GXN						GSIL	25,000	C (B)		10:42:24	\$87.000	4.82%	\$ 10,000.00	\$ 431.45
24		05/03/2012	DB.GXN						GSIL	20,000	C (B)		10:42:24	\$87.000	4.82%	\$ 800.00	\$ 345.16
25		05/03/2012	DB.GXN						GSIL	40,000	C (B)		10:42:24	\$87.000	4.82%	\$ 1,600.00	\$ 690.32
	05/03/2012		DB.GXN		324,000	B-D (S)	09:10:29	\$84.000	GSIL								
26		05/03/2012	DB.GXN						GSIL	100,000	C (B)		12:16:45	\$87.875	4.62%	\$ 3,880.00	\$ 1,578.40
27		05/03/2012	DB.GXN						GSIL	50,000	C (B)		12:16:45	\$87.875	4.62%	\$ 1,940.00	\$ 789.20
28		05/03/2012	DB.GXN						GSIL	20,000	C (B)		12:16:45	\$87.875	4.62%	\$ 776.00	\$ 315.68
29		05/03/2012	DB.GXN						GSIL	55,000	C (B)		12:16:45	\$87.875	4.62%	\$ 2,134.00	\$ 868.12
30		05/03/2012	DB.GXN						GSIL	60,000	C (B)		12:16:45	\$87.875	4.62%	\$ 2,328.00	\$ 947.04
31	05/10/2012	05/10/2012	SCGL.YF		20,000	B-D (S)	08:56:37	\$90.990	GSIL	20,000	C (B)		13:05:25	\$94.990	4.40%	\$ 800.00	\$ 255.88
	05/22/2012		JBSA.GG		250,000	B-D (S)	15:08:09	\$95.500	GSIL								
32		05/22/2012	JBSA.GG						GSIL	44,000	C (B)		16:03:25	\$99.000	3.66%	\$ 1,540.00	\$ 682.79
33		05/22/2012	JBSA.GG						GSIL	36,000	C (B)		16:03:25	\$99.000	3.66%	\$ 1,260.00	\$ 558.65
34		05/22/2012	JBSA.GG						GSIL	85,000	C (B)		16:03:25	\$99.000	3.66%	\$ 2,975.00	\$ 1,319.03
35		05/22/2012	JBSA.GG						GSIL	85,000	C (B)		16:03:25	\$99.000	3.66%	\$ 2,975.00	\$ 1,319.03
	05/25/2012		MT.AJ		47,000	B-D (S)	10:33:28	\$94.650	GSIL								
36		05/25/2012	MT.AJ						GSIL	14,000	C (B)		13:28:17	\$98.500	4.07%	\$ 539.00	\$ 139.00
37		05/25/2012	MT.AJ						GSIL	33,000	C (B)		13:28:17	\$98.500	4.07%	\$ 1,270.50	\$ 330.34
38	05/30/2012	05/30/2012	CRAR.GF		100,000	B-D (S)	13:46:43	\$66.500	GSIL	100,000	C (B)		15:53:32	\$69.500	4.51%	\$ 3,000.00	\$ 1,011.65
39	06/14/2012	06/14/2012	EKT.GB		100,000	B-D (S)	13:09:47	\$96.000	GSIL	100,000	C (B)		15:02:24	\$99.000	3.13%	\$ 3,000.00	\$ 974.40
40	06/25/2012	06/25/2012	MT.AN		67,000	B-D (S)	12:06:14	\$94.600	GSIL	67,000	C (B)		15:12:00	\$98.600	4.23%	\$ 2,680.00	\$ 670.79
41	06/26/2012	06/26/2012	C.AHN		90,000	John Charles Lama - C (S)	13:34:01	\$94.000	GSIL	90,000	B-D (B)		11:17:43	\$98.260	4.34%	\$ 3,834.00	\$ 3,073.40
	06/27/2012		NOBG.GE		114,000	B-D (S)	09:49:44	\$96.500	GSIL								
42		06/27/2012	NOBG.GE						GSIL	20,000	C (B)		12:05:44	\$100.000	3.63%	\$ 700.00	\$ 248.38
43		06/27/2012	NOBG.GE						GSIL	36,000	C (B)		12:05:44	\$100.000	3.63%	\$ 1,260.00	\$ 447.08
44		06/27/2012	NOBG.GE						GSIL	40,000	C (B)		12:05:44	\$100.000	3.63%	\$ 1,400.00	\$ 496.76
45		06/27/2012	NOBG.GE						GSIL	18,000	C (B)		12:05:44	\$100.000	3.63%	\$ 630.00	\$ 223.54
	06/26/2012		BMGS.GH		126,000	B-D (S)	12:05:06	\$79.000	GSIL								
46		06/27/2012	BMGS.GH						GSIL	40,000	C (B)		12:31:31	\$82.500	4.43%	\$ 1,400.00	\$ 768.00

Global Strategic Investments, LLC ("GSIL") (CRD No. 117028)
Matter No. 20120342739

Exhibit A

47	06/27/2012	BMGS.GH						GSIL	40,000	C (B)			12:31:31	\$82,500	4.43%	\$	1,400.00	\$	768.00
48	06/27/2012	BMGS.GH						GSIL	13,000	C (B)			12:31:31	\$82,500	4.43%	\$	455.00	\$	55.00
49	06/27/2012	BMGS.GH						GSIL	33,000	C (B)			12:31:31	\$82,500	4.43%	\$	1,155.00	\$	633.60
	06/28/2012	CJAV.GF			125,000	B-D (S)	15:51:29	\$95,000	GSIL										
50	06/28/2012	CJAV.GF						GSIL	24,000	C (B)			16:40:27	\$98,750	3.95%	\$	900.00	\$	430.32
51	06/28/2012	CJAV.GF						GSIL	101,000	C (B)			16:40:27	\$98,750	3.95%	\$	3,787.50	\$	1,810.93
Total																\$	107,159.00	\$	44,478.01

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.