

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110261649-01

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

RE: StockCross Financial Services, Inc., Respondent
Broker-Dealer
CRD No. 6670

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, StockCross Financial Services, Inc. (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 became a member of FINRA on May 5, 1972 and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

FACTS AND VIOLATIVE CONDUCT

In Matter No. 20110261649, the Trading and Market Making Surveillance ("TMMS") Group of the Department of Market Regulation (the "staff") reviewed the trading activity of the firm, set forth in the attached Exhibit No. 1, for trade dates July 6 and 7, 2011 (the "review period"), unless otherwise noted.

1. During the review period, the firm failed to transmit 25 Reportable Order Events ("ROEs") to the Order Audit Trail System ("OATS"). Specifically, the firm failed to transmit 25 Route Reports for orders sent by its retail trading desk (STOX) to the firm's market-making desk (STXG). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.

2. During the review period, the firm on 16 occasions when it acted in a riskless principal capacity failed to provide written notification disclosing to its customer the correct compensation type received by the firm. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
3. For the 3rd and 4th quarters of 2010 and the 1st and 2nd quarters of 2011, the firm made publicly available a report on its routing of non-directed orders in covered securities during those quarters. These reports included incomplete information as to the identity of the ten venues to which the largest number of total non-directed orders was routed for execution. For the 2nd quarter of 2010, the firm made publicly available a report on its routing of non-directed orders in covered securities which included incomplete information concerning the percentages of total non-directed orders that were market orders, limit orders, and other orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 606 of Regulation NMS ("SEC Rule 606").
4. For the month of June 2011, the firm failed in 9 instances to make publicly available a report on certain covered orders in national market system securities that it received for execution from any person. The firm also made available a report on covered orders in national market securities that included, in 6 instances, incorrect information as to average realized spreads, average effective spreads, number of shares executed with price improvement, share-weighted average amount per share prices were improved, share-weighted average period of time from receipt to execution, number of shares executed at the quote, number of shares executed outside the quote, and the share-weighted average amount per share that prices were outside the quote. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS ("SEC Rule 605").
5. During the review period, the firm's supervisory system did not provide for supervision designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or Rules of NASD/FINRA and SEC. At a minimum, adequate written supervisory procedures ("WSPs") addressing trading and market making should describe the following:
 - a. specific identification of the individual(s) responsible for supervision;
 - b. the supervisory steps and reviews to be taken by the appropriate supervisor;
 - c. the frequency of such reviews; and
 - d. how such reviews shall be documented.

The firm's WSPs failed to provide for one or more of the four above-cited minimal requirements for adequate WSPs in the following areas: procedures to ensure compliance with the Disclosure of Order Routing Information Rule (SEC Rule 606) [(b), (d)]; procedures to ensure compliance, and to review for compliance, with the Limit Order Display and Quote Dissemination Rules (SEC Rules 602 and 604); procedures to ensure compliance with the One Percent Rule (SEC Rules 600(b)(65) and (73) and 602(b)(1) and (4)) [(a), (b), (c), (d)]; requirements concerning the disclosure of order execution information (SEC Rule 605) [(b), (d)]; procedures to

ensure member does not execute or display short sale orders at a price less than or equal to the national best bid if the price of the security decreases by 10% or more from the prior day's closing price [(d)]; procedures to ensure the accuracy and integrity of data submitted to OATS [(a), (b), (c), (d)]; and procedures related to books and records [(a), (b), (c), (d)].

The firm also failed to provide documentary evidence of supervisory reviews as set forth in its WSPs during the review period with respect to the following subject areas: compliance with SEC Rules 600(b)(65) and (73) and 602(b)(1) and (4).

The conduct described in these paragraphs constitutes separate and distinct violations under FINRA Rule 2010 and NASD Rule 3010.

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

A. censure, a fine of \$47,500 (comprised of a \$15,000 fine for violations of FINRA Rule 7450, \$2,500 for violations of SEC Rule 10b-10, \$10,000 for violations of SEC Rule 606, \$12,500 for violations of SEC Rule 605 and \$7,500 for violations of FINRA Rule 2010 and NASD Rule 3010), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.5. Within 30 business days of acceptance of this AWC by the 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 this paragraph; and, (3) the date the revised procedures were implemented.

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

The firm 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, 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 ("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: (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 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.

11-8-2013
Date

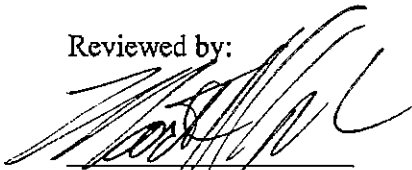
Respondent
StockCross Financial Services, Inc.

By: Elaine M. Kaven

Name: Elaine M. Kaven

Title: SVP, CCO

Reviewed by:


Attorney Name

Counsel for Respondent

Firm Name

Address

City/State/Zip

Phone Number

MARTHA H. KAPLAN

GOSRAE AND LAW NUSBAUM PLLC

120 WALL ST

NY NY 10005

212-269-1400

Accepted by FINRA:

10/8/13
Date

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


Tina Salehi Gubb
Chief Counsel
Department of Market Regulation

2011 Market Regulation Examination Samples

Firm Name ("STXG")

Exam No. 20110261649

Sample Source/Period*: Trade Date(s)

07/06/11-07/07/11

<u>Sample Size</u>	<u>Sample Description</u>
40	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
65	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
0	Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements
221	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
0	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
0	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
0	Sell orders entered into Nasdaq OMX BX execution system for compliance with Nasdaq OMX BX Rule 4755 long/short reporting requirements
0	Sell orders entered into Nasdaq OMX PHLX execution system for compliance with Nasdaq OMX PHLX Rule 3305 long/short reporting requirements
0	Sell orders entered into DirectEdge Exchange execution system for compliance with EDGA/EDGX Rule 11.15 long/short reporting requirements
0	Sell orders entered into NYSE-Arca execution system for compliance with NYSE-Arca Equity Rule 7.16 long/short reporting requirements
15	Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604, and Nasdaq Rule 3390
125	Orders for compliance with best execution requirements of NASD Rule 2320
	100 Held orders from the Held Order Protection Review
	0 Not Held orders from the Not Held Order Review
	0 Order executed with a .PRP (Prior Reference Price) trade modifier
	25 Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
100	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
5	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761
0	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
63	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
47	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10

2011 Market Regulation Examination Samples

Firm Name ("STXG")

Exam No. 20110261649

Sample Source/Period*: Trade Date(s)

07/06/11-07/07/11

<u>Sample Size</u>	<u>Sample Description</u>
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
6	Data sets published for June 2011 monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605)
1st quarter of 2010- 2nd quarter 2011	Quarterly Routing Report for compliance with SEC Rule 606 requirements
22	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040 and Nasdaq Rule Series 1020, 1030, 1040
25	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
0	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
1207	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
528	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
All Provided	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010
All Provided	Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010 or Nasdaq Rule 3010 requirements
0	Trading Halts declared during the on-site portion of the examination for which FINRA Staff observed the operation of the ATS.
0	Trades reported to the ADF/TRACS for compliance with FINRA Rule 6282
0	ADF orders and quotes accessed by other market participants for compliance with FINRA Rule 6250 requirements to submit Order and Order Response reports