

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120313203-01**

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

RE: BNP Paribas Securities Corp., Respondent
Broker-Dealer
CRD No. 15794

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, BNP Paribas Securities Corp. ("Respondent" 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 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 became a member of FINRA in December 1984, and its registration remains in effect. The Firm does not have a relevant disciplinary history.

SUMMARY AND OVERVIEW

In Matter No. 20120313203, the Department of Market Regulation's ("Market Regulation") Options Regulation Staff (the "Staff") conducted a review of the Firm's compliance with the rules related to the reporting of over-the-counter ("OTC") options positions to the Large Options Position Reporting ("LOPR") system and a review to determine the Firm's compliance with the prohibition of establishing options positions in excess of the allowable position limits for the period of January 1, 2012 through March 31, 2012, which was later expanded to include the period of January 19, 2010 through September 30, 2014.

In Matter Nos. 20140405565 and 20140407631, Staff conducted a LOPR and position limit reporting review of the Firm for the period of January 1, 2014 through June 30, 2014, which was later expanded to include the period of January 19, 2010 through November 14, 2014.

In Matter No. 20140418838, Staff conducted a LOPR and position limit reporting review of the Firm for the period of July 1, 2014 through September 30, 2014, which was later expanded to include the period of April 14, 2013 through July 9, 2015.

LOPR data is used extensively by self-regulatory organizations ("SROs") to identify holders of large options positions who may be attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for the analysis of potential violations related to, among other things, insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.

As a result of its reviews, Market Regulation determined that during the period January 19, 2010 through July 9, 2015 (the "Review Period"), the Firm failed to report and/or inaccurately reported OTC options positions to the LOPR in approximately 14.9 million instances,¹ and effected opening transactions for customer and/or proprietary accounts that exceeded the position limit in twelve different securities. In addition, the Firm failed to establish and maintain adequate supervisory procedures, including written supervisory procedures, by failing to implement an adequate system of follow-up and review reasonably designed to ensure compliance with applicable position limits and the proper reporting of positions to the LOPR.

FACTS AND VIOLATIVE CONDUCT

Review No. 20120313203

1. From January 19, 2010 through September 30, 2014, the Firm failed to report positions to the LOPR in approximately 4,412,234 million instances. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
2. From March 18, 2013 through August 8, 2013, in approximately 1,798,873 instances, the Firm under-reported positions to the LOPR with an incorrect multiplier. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
3. From January 19, 2010 through March 31, 2014, in approximately 248,760 instances, the Firm inaccurately reported positions to the LOPR with "TBA" in certain data fields. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
4. From January 19, 2010 through March 18, 2013, in 10 different options series, the Firm inaccurately reported positions to the LOPR with an incorrect strike price. The

¹ An "instance" is a single failure to report, or inaccurately report, a reportable option position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position was not reported or was reported incorrectly. When accounts acting in-concert hold in the aggregate a reportable position, each account's position, whether individually above the 200 contract threshold or not, must be reported to the OCC for LOPR purposes.

conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

5. From January 19, 2010 through March 31, 2014, in four instances the Firm effected opening transactions for customer accounts that exceeded the applicable position limit in three different OTC options, ranging from approximately 120% to 168% over the applicable limit and from 54 to 179 trade dates in duration. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(3).

Review Nos. 20140405565 and 20140407631

6. From January 19, 2010 through November 14, 2014, in approximately 8,356,301 instances, the Firm inaccurately reported positions to the LOPR without entries in the tax identification and/or tax type data fields. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
7. On March 14, 2014, in two instances the Firm effected opening transactions for customer and proprietary accounts that exceeded the applicable position limit in an OTC option by approximately 186% for a single trade date. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(3).

Review No. 20140418838

8. From April 14, 2013 through July 9, 2015, in approximately 69,757 instances, the Firm failed to report to the LOPR certain options transactions involving foreign underlying securities and transactions in which they misclassified the counterparties. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
9. From September 30, 2014 through March 13, 2015, in approximately 6,771 instances, the Firm inaccurately reported positions to the LOPR with the incorrect quantity of contracts. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
10. From April 14, 2013 through June 18, 2015, in 20 instances the Firm effected opening transactions for customer and proprietary accounts that exceeded the applicable position limit in eight different OTC options, ranging from approximately 105% to 4922% over the applicable limit and from 2 to 419 trade dates in duration. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(3).

Supervision

11. During the Review Period, the Firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and FINRA Rules, concerning position limits and the

reporting of positions to the LOPR. In addition, the firm's supervisory system did not include sufficient written supervisory procedures to ensure the proper reporting of positions to the LOPR, specifically: (i) the identification of the person(s) responsible for supervision with respect to the applicable rules; (ii) a statement of the supervisory step(s) to be taken by the identified person(s); (iii) a statement as to how often such person(s) should take such step(s); and (iv) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (for conduct prior to December 1, 2014) and FINRA Rules 2010 and 3110 (for conduct on or after December 1, 2014).

Other Considerations

12. In determining to resolve this matter in the manner set forth herein, and in determining the appropriate monetary sanction,¹ Market Regulation significantly considered: (i) that the Firm self-reported all of its LOPR violations; (ii) the significant remedial steps undertaken by the Firm, including voluntarily retaining an independent consultant to conduct a review of the Firm's LOPR systems and reporting logic, identify deficiencies and recommend remedial steps; (iii) the Firm's efforts to implement those recommendations; and (iv) the degree of cooperation by the Firm during the investigation, including providing a calculation of the number of unreported positions, a report of the independent consultant's analysis and recommendations, and status reports on implementation of those recommendations.

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

1. A censure.
2. A fine of \$2,400,000, and
3. An undertaking requiring the Firm to address the LOPR reporting and position limit deficiencies described above to ensure that the Firm has implemented procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein, including the proper reporting of options transactions involving foreign underlying securities.
 - a. The Firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 a written report, certified by a senior management Firm executive, within 180 days after the date of the issuance of a Notice of Acceptance of this AWC, providing the following information:
 - i. A reference to this matter;
 - ii. A representation that the Firm has addressed the deficiencies described

¹ See Principal Consideration No. 12 of the FINRA Sanction Guidelines and Regulatory Notice 08-70.

above; and

iii. The dates that this was completed.

- b. Between 90 and 120 days after the submission of the written report, the Firm shall meet with relevant FINRA Staff to provide an update on the effectiveness of the enhancements and changes made to its LOPR and position limit compliance procedures as described above.
- c. The Department of Market Regulation may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) is 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 it;
- 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

Respondent 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 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. 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 Respondent, 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 Respondent to submit it.

Respondent BNP Paribas Securities Corp.

Date: 15 SEPT 15

By: [Signature]

Name: M. Andrews Yeo
Managing Director

Title: _____

Date: 9/15/2015

By: [Signature]

Name: Julie Lank

Title: Managing Director

Reviewed by:

[Signature]
James D. Van De Graaf
Katten Muchin Rosenman LLP
525 W. Monroe Street
Chicago, IL 60661-3693

Counsel for Respondent

Accepted by FINRA:

10/6/15
Date

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

[Signature]
Robert A. Marchman
Executive Vice President, Legal Section
Department of Market Regulation