

FINRA

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

2015 OCT 21 AM 11:48

NO. 20120343894-01

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. (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 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 became a member of FINRA on December 27, 1984, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In Review No. 20120343894, the Short Sales Group of FINRA's Department of Market Regulation (the "staff") reviewed the firm's compliance with SEC and FINRA rules and regulations regarding short sale transactions during the period of July 6, 2011 through the present (the "review period").¹ The staff's investigation disclosed that during the review period, as described in detail below, the firm included as part of its aggregation of net positions in securities within aggregation units ("AGUs") the securities positions of certain non-broker-dealer affiliates. In addition, during the review period, the firm's

¹ The firm's aggregation unit structure dates back to at least 2008.

written plan of organization regarding AGUs was deficient, as individual traders were assigned to multiple AGUs, and the firm's written supervisory procedures regarding AGUs were deficient.

FACTS AND VIOLATIVE CONDUCT

1: The Firm Improperly Included the Securities Positions of Non-Broker-Dealer Affiliates in Determining the New Positions of its AGUs

Rule 200(f) of Regulation SHO provides that:

In order to determine its net position, a broker or dealer shall aggregate all of its positions in a security unless it qualifies for independent trading unit aggregation, in which case each independent trading unit shall aggregate all of its positions in a security to determine its net position. Independent trading unit aggregation is available only if: (1) the broker-dealer has a written plan of organization that identifies each aggregation unit, specifies its trading objectives, and supports its independent identity; (2) each aggregation unit within the firm determines, at the time of each sale, its net position for every security that it trades; (3) all traders in an aggregation unit pursue only the particular trading objective(s) or strategy(s) of that aggregation unit and do not coordinate that strategy with another aggregation unit; and (4) individual traders are assigned to only one aggregation unit at any time.

Rule 200(f) of Regulation SHO does not permit the inclusion of the securities positions of a broker-dealer's non-broker-dealer affiliates in calculating the net securities positions of the independent trading units of a broker-dealer.

During the review period, the firm's trading desks were organized into separate AGUs, for purposes of compliance with SEC Rule 200(f) and pre-existing guidance concerning the proper use of AGUs. Each of the separate AGUs contained numerous trading books, for which securities positions were netted together to determine the total net position of that AGU and, accordingly, whether the AGUs orders should be marked long or short. In addition to the firm's proprietary positions, the AGUs also improperly included the trading positions of non-broker-dealer affiliates in determining the AGUs net positions.² As a result, the firm's AGUs failed to accurately reflect the correct positions within the appropriate trading books, in violation of SEC Rule 200(f) and FINRA Rule 2010.

² The non-broker-dealer affiliates' trading positions were incorporated in up to 16 separate AGUs maintained by the firm during the review period.

2. The Firm Failed to Maintain an Adequate and Accurate Written Plan of Organization Regarding AGUs

During the review period, the firm's written plan of organization for its aggregation units has failed to accurately provide for the overall net position of the securities that were traded and maintained by the firm's AGUs. More specifically, the firm's written plan of organization for its AGUs improperly permitted the inclusion of securities positions of certain non-broker-dealer affiliates in determining the net position of the firm's AGUs and improperly permitted traders to be assigned to multiple aggregation units, in violation of SEC Rule 200(f) and FINRA Rule 2010.

3. The Firm Failed to Maintain Adequate Written Supervisory Procedures Regarding AGUs.

During the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with the applicable securities laws and regulations, including SEC and FINRA Rules, concerning aggregation of positions in a security to determine the net positions of the firm's AGUs. Specifically, the firm's written supervisory procedures regarding aggregation of positions in a security improperly permitted the inclusion of certain non-broker-dealer affiliates' trading positions in determining the net positions of the firm's AGUs. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010, NASD Rule 3010 (for conduct prior to December 1, 2014) and FINRA Rule 3110 (for conduct on or after December 1, 2014).

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

A censure, a fine of \$475,000 (comprised of \$350,000 for the SEC Rule 200(f) violations and \$125,000 for the supervision violation), and an undertaking to revise the firm's written supervisory procedures, as warranted, with respect to the area described in paragraph I.A.3 above. Within 120 days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the firm 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 addressed and corrected the deficiencies described in Section I.A.3 above and a detailed description of all changes made to the firm's supervisory system and written supervisory procedures, as well as any changes the firm intends to make as a result of the issues identified above; and (3) the date the deficient procedures were addressed and corrected by the firm.

For good cause shown and upon receipt of a timely application from the firm, FINRA staff may extend the deadlines set forth in the undertaking described above.

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 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

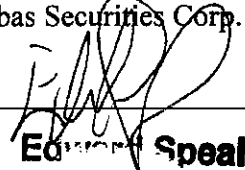
Respondent understands that:

- 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 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 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. 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.

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.

10/15/2015
Date

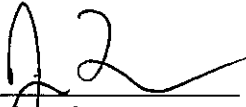
Respondent
BNP Paribas Securities Corp.

By: 

Name: **Edward Speal**
Managing Director

Title: _____

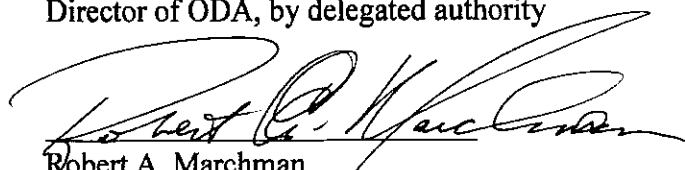
Reviewed by:


Julie Lauck
Counsel for Respondent
BNP Paribas Securities Corp.
787 Seventh Avenue
New York, NY 10019
(212) 841-2152

Accepted by FINRA:

11/16/15
Date

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


Robert A. Marchman
Executive Vice President
FINRA Department of Market Regulation