

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20120353487\_\_**

**TO:** Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

**RE:** Igor Biselman, Respondent  
Registered Representative  
CRD No. 5563772

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Igor Biselman ("Biselman") 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 me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A.** Biselman 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**

Biselman first entered the securities industry in June 2008, when he was employed by RBC Capital Markets, LLC ("RBC" or the "Firm") in a non-registered capacity. During his employment at RBC, Biselman obtained the following securities licenses: Series 63 (August 2009), Series 7 (September 2009), and Series 55 (January 2010). In January 2010, Biselman was approved as an Equity Trader at the Firm.

In a Form U-5 Uniform Termination Notice for Securities Registration filing dated December 21, 2012 ("Form U5"), RBC reported that Biselman was terminated because he did not accurately disclose trading losses on the internal reporting system used by the trading desk.<sup>1</sup>

On February 1, 2013, Biselman joined Cowen and Company ("Cowen"), a FINRA registered broker-dealer, as a General Securities Representative and

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<sup>1</sup> The Form U5 submitted by the Firm also states that "losses [caused by Biselman's trading activities] were correctly reported and disclosed on the Firm's risk management system." However, as detailed in the Facts and Violative Conduct section of this AWC, Biselman's misconduct affected RBC's records that were utilized for its internal use.

Equity Trader. Because of his employment at Cowen, Biselman remains subject to FINRA's jurisdiction.

### **RELEVANT DISCIPLINARY HISTORY**

Biselman has no prior disciplinary history.

### **OVERVIEW**

On November 14, 2012, Biselman hid trades that created a loss of \$140,000 that he incurred while trading for RBC and failed to report that he had erroneously bought shares of a certain security when he had intended to sell shares. Over the next two days, Biselman entered fictitious transactions in RBC's internal, intraday risk management system in order to conceal the trading error from his supervisors. By engaging in this misconduct, Biselman caused certain books and records of a FINRA-registered broker-dealer to be inaccurate.

### **FACTS AND VIOLATIVE CONDUCT**

FINRA Rule 2010 requires members and associated persons to observe high standards of commercial honor and just and equitable principles of trade. It is inconsistent with Rule 2110 to falsify records maintained in a member firm's official records.

FINRA Rule 4511 requires each member to make and preserve books and records in conformity with Rules 17a-3 and 17a-4 of the Securities Exchange Act of 1934 ("Exchange Act"). Implicit in the requirement to make records is the requirement to make accurate records. Rule 17a-3(a)(2) requires that a firm preserve, among other things, its ledgers and other records reflecting all assets and liabilities. Rule 17a-4(b)(5) requires that a firm preserve records of, among other things, all computations of aggregate indebtedness and branch office reconciliations relating to the business of such member, broker or dealer. Thus, falsification of a firm's required books and records violates FINRA Rule 4511.

A violation of FINRA Rule 4511 constitutes a violation of Rule 2010.

#### ***Biselman's Responsibilities and Trading Systems***

Between April 2010 and November 2012, Biselman was assigned to RBC's U.S. listed options and single stock trading desk (the "Desk") as a junior trader. Among his other responsibilities, Biselman provided administrative and operations support to the Desk including researching and correcting trade system discrepancies, preparing daily profit and loss estimates ("P&L") and tallying stock and option positions. Biselman also became the principal options trader for RBC's listed securities options.

The Desk utilized multiple data systems for capturing and reporting risk, trade and sales data, including one system that was used to monitor intraday risk and positions (the "intraday risk monitoring system"). Another front-end system was used to feed equity trade data automatically to the Firm's official books and

records. The intraday risk monitoring system was the primary tool used by Biselman's supervisors to monitor traders' securities positions throughout the trading day.

Each day, the Desk would prepare P&L estimates for RBC management and back office operations, based on data collected from the Firm's internal intraday risk management system. These estimates were usually prepared by Biselman or another junior trader on the Desk. When the estimates reported by the Desk using the intraday risk management system did not match the values on the Firm's official books and records, Biselman or another junior trader was expected to reconcile the discrepancies on a T+1 basis. The reconciliation involved making manual entries into the intraday risk management system.

In connection with his role as a trader, Biselman regularly traded the ABC Fund<sup>1</sup> for the Firm's proprietary account.

*Biselman's ABC Trading Activity on November 14, 2012*

On November 14, 2012, Biselman erroneously purchased, during the course of the day, over 600,000 shares of ABC for the Firm's proprietary account when he had actually intended to sell shares. Biselman's purchase order was booked in RBC's trade records. Due to Biselman's erroneous purchase orders, the Firm ultimately incurred a loss of approximately \$140,000 in its proprietary account.

In order to conceal his trading error and corresponding losses from his supervisors, Biselman manually entered the following fictitious trades into RBC's intraday risk management system:

| Time                          | Actual Transactions Booked on RBC's Trade Records | Biselman's Manually Reported Transactions in Firm's Intraday Risk Management System |
|-------------------------------|---------------------------------------------------|-------------------------------------------------------------------------------------|
| 9:30-10:12                    | B 200,459 @ 36.2763                               |                                                                                     |
| 10:15:54                      |                                                   | S 200,000 @ 36.27                                                                   |
| 10:41-10:42                   | S 390,700 @ 35.9651                               |                                                                                     |
| 10:42:17                      |                                                   | B 200,000 @ 35.98                                                                   |
| 10:42:53                      |                                                   | B 200,000 @ 35.97                                                                   |
| 11:26-11:45                   | B 400,000 @ 36.0519                               | S 200,000 @ 36.06                                                                   |
| 11:44:33                      |                                                   | S 200,000 @ 36.03                                                                   |
| 15:04:52                      |                                                   | B 200,000 @ 35.66                                                                   |
| 15:04-15:58                   | S 257,756 @ 35.5972                               |                                                                                     |
| End of Day Reported Positions | 0 shares                                          | 0 shares                                                                            |

<sup>1</sup> "ABC" is not an actual symbol for the securities traded in the matter.

<sup>2</sup> At the market's open on November 14, the Firm had an open position in ABC of 47,997 shares in its proprietary account. The Firm purchased an additional 600,459 shares of ABC, increasing its total position in ABC to 648,456. However, during November 14, the Firm sold 648,456 shares of ABC, bringing its day-end position in ABC to zero shares.

Manual entries that Biselman made in the intraday risk management system on November 14 offset Biselman's actual trades in ABC, effectively concealing the loss that would have otherwise appeared in the Firm's intraday system.

In an effort to continue to conceal the November 14<sup>th</sup> trading losses from his supervisors, on November 15, 2012 Biselman entered two fictitious buy and sell orders of ABC shares in the Firm's intraday management system. On the morning of November 16, 2012, Biselman entered three fictitious buy and sell orders of ABC shares in the Firm's intraday management system. After making these fictitious entries, Biselman admitted his misconduct to the Firm on November 16, 2012.

Biselman's fictitious entries prevented his supervisors from effectively using the intraday system to monitor for trading losses.

By entering fictitious buy and sell transactions in RBC's intraday risk management system in order to hide trading losses from his supervisors, Biselman violated his obligation to uphold high standards of commercial honor. Accordingly, Biselman violated FINRA Rule 2010.

Additionally, by causing buy and sell transactions to be reported in the Firm's intraday risk management system that did not accurately reflect the trading activity in ABC, Biselman caused his Firm's records to be inaccurate. Accordingly, Biselman violated FINRA Rules 4511 and 2010.

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

- Three-month suspension from association with any FINRA registered entity in any capacity in all capacities, and a
- \$7,500 fine.

Biselman agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Biselman has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Biselman specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

Biselman understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

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

**II.****WAIVER OF PROCEDURAL RIGHTS**

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

- A. To have a Complaint issued specifying the allegations against him;
- 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, Biselman specifically and voluntarily waives any right to claim bias or prejudgment of the General Council, 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.

Biselman 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**

Biselman 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 him; and
- C. If accepted:
  - 1. This AWC will become part of his permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;

2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Biselman'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. Biselman 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. Biselman 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 his: (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. Biselman may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Biselman understands that he 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.

Biselman certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its 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 him to submit it.

03/04/14  
Date

Igor Biselman  
Igor Biselman

Reviewed by:

Richard Slavin  
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Accepted by FINRA:

March 10, 2014

Date

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

Susan Light

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