

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035123201**

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

RE: Global Brokerage Services, Inc. (BD No. 37505),
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Global Brokerage Services, Inc. (the "Firm," "Global," 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

Global has been a member of FINRA since January 23, 1995. The Firm employs fourteen registered representatives in its main office in Hunt Valley, Maryland or one of Global's eight branch offices. Global is a retail brokerage.

RELEVANT DISCIPLINARY HISTORY

Global has no formal disciplinary history with the Securities and Exchange Commission, any state securities agency, or any self-regulatory agency.

OVERVIEW

From February 2011 to August 2013 (the "Relevant Period"), Global failed to establish, maintain and enforce a reasonable supervisory system regarding the use of consolidated reports by its registered representatives. During the Relevant Period, Global's registered representatives provided consolidated reports to their customers that lacked required disclosures and/or contained misleading

disclosures. In addition, one of those registered representatives disseminated consolidated reports that included his own inaccurate and potentially misleading valuations for non-traded REITs and other illiquid Investments. The Firm's failure to supervise its representatives in their preparation of consolidated reports violated NASD Rule 3010. Based on the foregoing, the Firm also violated FINRA Rule 2210(d)(1), NASD Rule 2210(d)(1) (for conduct before February 4, 2013),¹ and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

During the Relevant Period, certain of Global's registered representatives created consolidated reports using Morningstar or Excel for distribution to their customers. Global had no written supervisory procedures ("WSPs") specific to consolidated reports during the Relevant Period. Instead, consolidated reports were treated as correspondence, which required only that a sample (10%) be reviewed on a quarterly basis.

Global's WSPs during the Relevant Period also did not address necessary disclosures to customers. FINRA Advertising Regulation reviewed a sample of the reports and concluded that they failed to provide complete and appropriate disclosures and did not provide the Firm's customers with all of the information needed in order for them to have a sound basis for evaluating the information set forth in the consolidated reports.

During the Relevant Period, co-respondent Robert McKoy provided consolidated reports on a quarterly basis for 50-60 customers that included his own potentially misleading valuations as to the "estimated value" for certain non-traded REITs and other illiquid Investments. These consolidated reports initially lacked any disclosure statement. Later, at Global's direction, he added a disclosure that inaccurately stated the asset valuations came from third-party providers. Global's supervisory personnel were aware that the registered representative was using his own valuations for certain assets and that his valuations differed from the issuers' valuations.

Based on the foregoing, Global violated NASD Rule 3010, FINRA Rule 2210(d)(1), NASD Rule 2210(d)(1) (for conduct prior to February 4, 2013), and FINRA Rule 2010.

- B. Global also consents to the imposition of the following sanctions:**
- a censure; and

¹ FINRA Rule 2210 became effective on February 4, 2013. Its predecessor, NASD Rule 2210, governs the Firm's conduct prior to that date.

- a fine in the amount of \$25,000 (reduced pursuant to NtM 06-55).²

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment(s) are due and payable. Global has submitted an Election of Payment form showing the method by which the Firm proposes to pay the fine imposed.

Global 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

Global 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, Global 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.

² Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

III.

OTHER MATTERS

Global understands that:

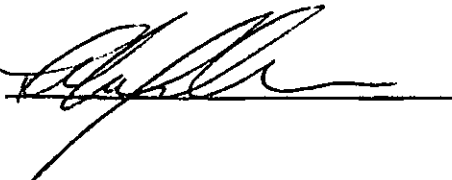
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;**
- B. If this AWC is not accepted, its submission will 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 Global'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. Global 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. Global 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. Global 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 Global 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.

7/8/14
Date (mm/dd/yyyy)

Global Brokerage Services, Inc.

By: 

Accepted by FINRA:

September 10, 2014
Date

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

A handwritten signature in black ink, appearing to read "K C Daly", is written over a horizontal line.

Karen C. Daly
Principal Regional Counsel
FINRA Department of Enforcement
1835 Market Street
Philadelphia, PA 19103
215-963-1990 (telephone)
215-496-0434 (facsimile)

August 18, 2014 **Global Brokerage Services, Inc.**

Finra
Attn: Ms. Karen Daly
1835 Market St
Suite 1900
Philadelphia, PA 19103

re: **Global Brokerage Services, Inc.**
Statement of Corrective Action
Investigation No. 2013035123202

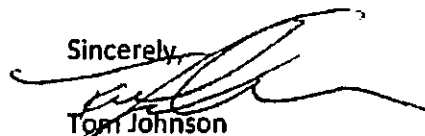
Ms. Daly,

In response to the Transmittal of Letter of Acceptance, Waiver and Consent, we wish to submit a Statement of Corrective Action:

- (1) Global Brokerage Services, inc. has incorporated into its WSP procedures for supplying client's with Consolidated Reports.
- (2) Global Brokerage Services, Inc. has expanded on the disclosure statement required on all Consolidated Reports.
- (3) Global Brokerage Services, Inc. now requires all Consolidated Reports be produced through their financial reporting service, Morningstar Office. In addition, all pricing will be obtained by third party pricing services.
- (4) Global Brokerage Services, Inc. now prohibits the use of an Excel Spreadsheet for preparing Consolidated Reports.

This Corrective Action Statement is submitted by Global Brokerage Services, Inc.. It does not constitute factual or legal findings by FINRA, nor does it reflect the view of FINRA, or its staff.

Sincerely,



Tom Johnson
President