

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130354024-01**

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

**RE: Barclays Capital Inc., Respondent
Broker-Dealer
CRD No. 19714**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Barclays Capital Inc. (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 October 19, 1987, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

SUMMARY

The Short Sales Section of FINRA's Department of Market Regulation (the "staff") conducted a review of the firm's order marking compliance during the period July 1, 2009 through June 29, 2012 (the "order marking review period") and short sale trade reporting compliance during the period February 28, 2011 through January 30, 2012 (the "trade reporting review period"). As a result of this review, the staff found that the firm violated SEC Rule 200(g) of Regulation SHO ("SEC Rule 200(g)"), FINRA Rules 2010 and 6182, and NASD Rule 3010.

FACTS AND VIOLATIVE CONDUCT

1. SEC Rule 200(g) states that "[a] broker or dealer must mark all sell orders of any equity security as 'long,' 'short,' or 'short exempt.'"
2. During the order marking review period, a programming error in a firm algorithm caused it to splice 16,665 parent short sale orders into 2,940,022 child orders marked as long sales. As a result, the firm routed 2,940,022 short sale orders and failed to properly mark the orders as short. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 200(g) and FINRA Rule 2010.
3. During the trade reporting review period, the firm executed 777,217 short exempt transactions and reported each of those transactions as non-exempt short sales in non-tape reports to the trade reporting facility. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6182.
4. During the order marking review period, the firm's written supervisory procedures did not provide for supervision designed to ensure that the relevant algorithm marked orders in compliance with SEC Rule 200(g).¹
5. During the trade reporting review period, the firm's written supervisory procedures did not provide for supervision designed to ensure that short exempt transactions received from its broker-dealer clients were accurately reported.
6. The conduct described in paragraphs 4 and 5 above constitutes separate and distinct violations of NASD Rule 3010 and FINRA Rule 2010.

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

A censure, a fine of \$600,000 (\$375,000 for the SEC Rule 200(g) violations, \$50,000 for the FINRA Rule 6182 violations, and \$175,000 for the supervisory violations related thereto), and an undertaking to revise the firm's supervisory system, including, but not limited to, its written supervisory procedures, with respect to the areas described in section I.A, paragraph 5. Within 90 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 supervisory system, including, but not limited to, its written supervisory procedures, to address the deficiencies described in section I.A.5; and (3) the date the revised system and procedures were implemented.

¹ The relevant algorithm was decommissioned on June 29, 2012.

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.

04/27/16
Date

Respondent
Barclays Capital Inc.

By: M.R. [Signature]

Name: Marcelo Riffard

Title: Managing Director, Legal

Reviewed by:

[Signature]

Kevin Campion, Esq.
Counsel for Respondent
Sidley Austin LLP
1501 K Street, NW
Washington, DC 20005
(202) 736-8084

Accepted by FINRA.

5/23/16
Date

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

[Signature]
Robert A. Marchman
Executive Vice President & Counsel
FINRA Department of Market Regulation