

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

NO. 20130375865-01

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

RE: Essex Radez LLC, Respondent
Broker-Dealer
CRD No. 34649

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Essex Radez LLC (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 August 9, 2000, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In connection with Matter No. 20130375865, the Order Audit Trail System ("OATS") team of FINRA's Department of Market Regulation ("MRD") reviewed the firm's compliance with OATS reporting during the period between January 1, 2013 and June 30, 2013 ("Initial Review Period").

In connection with Matter No. 20120328366, the Trade Reporting team of FINRA's MRD reviewed the firm's compliance with trade reporting to the FINRA/Nasdaq Trade Reporting Facility ("FNTRF") during the period between January 1, 2011 and October 15, 2013 ("Second Review Period").

In connection with Matter No. 20120312466, the Short Sales team of FINRA's MRD reviewed the firm's compliance with respect to: (i) short sale transaction reporting to the FNTRF during

the period between October 1, 2010 and January 24, 2012 ("Third Review Period"); and (ii) Regulation SHO regarding execution of short sale orders in securities subject to a short sale circuit breaker ("SSCB") during the period between February 28, 2011 and August 2, 2011 ("Fourth Review Period").

In connection with Matter No. 20150466966, the OATS team of FINRA's MRD reviewed the firm's compliance with OATS reporting during the period between May 23, 2013 and October 15, 2013 ("Fifth Review Period").¹

Based on the above, FINRA's MRD staff found that the firm committed reporting violations and had supervisory deficiencies in several areas as described below.

FACTS AND VIOLATIVE CONDUCT

In connection with Matter No. 20130375865:

1. During the Initial Review Period, the firm failed to transmit to OATS approximately 6,333,835 Reportable Order Events ("ROEs") under a certain firm Market Participant Identifier ("MPID"); this represented 31% of all ROEs that the firm had been required to transmit to OATS, and 39.6% of all ROEs that the firm had been required to report under the designated MPID during the Initial Review Period. Such conduct constituted separate and distinct violations of FINRA Rule 7450(a).
2. During the Initial Review Period, the firm reported to OATS under MPID GLPS 8,275,631 ROEs that contained inaccurate, incomplete or improperly formatted data, in that the Firm submitted data to OATS with an inaccurate Member Type Code, Routing Firm MPID and Capacity Code. Such conduct constituted separate and distinct violations of FINRA Rule 7440(a).
3. During the Initial Review Period, the firm failed to provide for supervision, including adequate written supervisory procedures ("WSPs"), reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and FINRA Rules concerning submission of ROEs to OATS. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

In connection with Matter No. 20120328366:

4. During the Second Review Period, the firm reported to the FNTRF under MPID GLPS an incorrect capacity code on approximately 13,165,176 transactions. Specifically, the Firm reported the transactions with a "P" code for principal capacity when the transactions should have been reported with an "A" code for agency capacity. Such conduct constituted separate and distinct violations of FINRA Rule 7230A(d)(7).
5. During the Second Review Period, the firm failed to provide for supervision, including adequate WSPs, reasonably designed to achieve compliance with respect to the

¹ Although there is some overlap in the time periods reviewed in the Initial and Fifth Review Periods, there is no overlap in the count of unreported ROEs.

applicable securities laws and regulations and the FINRA Rules concerning reports to the FNTRF to ensure accurate capacity codes. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

In connection with Matter No. 20120312466:

6. During the Third Review Period, the firm executed 50 short sale transactions and failed to report each such transaction to the FNTRF with a short sale modifier. Such conduct constituted separate and distinct violations of FINRA Rule 6182.
7. During the Fourth Review Period, the firm failed to establish, maintain and enforce written policies and procedures reasonably designed to prevent the execution or display of a non-exempt short sale in a security subject to a SSCB at a price at or below the National Best Bid ("NBB"). Such conduct violated SEC Rule 201(b) of Regulation SHO, NASD Rule 3010 and FINRA Rule 2010.

In connection with Matter No. 20150466966:

8. During the Fifth Review Period, the firm failed to transmit to OATS approximately 4,060,425 ROEs under a certain firm MPID; this represented 18.34% of all ROEs that the firm had been required to transmit to OATS, and 18.40% of all ROEs that the firm had been required to report under the designated MPID during the Fifth Review Period. Such conduct constituted separate and distinct violations of FINRA Rule 7450(a).
9. During the Fifth Review Period, the firm failed to provide for supervision, including adequate WSPs, reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and the FINRA Rules concerning submission of ROEs to OATS. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

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

A censure, a fine of \$210,000, as follows: \$75,000 for OATS violations of FINRA Rules 7450(a) and 7440(a); \$75,000 for FNTRF reporting violations of FINRA Rule 7230A(d)(7); \$10,000 for short sale FNTRF reporting violations of FINRA Rule 6182; \$40,000 for violations of FINRA Rule 2010 and NASD Rule 3010 (\$25,000 for OATS supervisory deficiencies and \$15,000 for FNTRF supervisory deficiencies); and \$10,000 for violations of Regulation SHO Rule 201(b), NASD Rule 3010 and FINRA Rule 2010; plus an undertaking to revise the firm's WSPs with respect to the areas described above. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("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 WSPs to address the OATS, FNTRF and Regulation SHO deficiencies described above; and (3) the date the revised procedures were implemented.

Respondent agrees to pay the monetary sanction 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.

6/16/2016
Date

Essex Radez LLC

By: Stephen A. Radez

Name: STEPHEN A. RADEZ

Title: MANAGING MEMBER

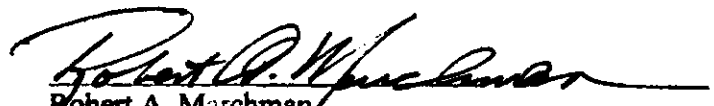
Reviewed by:


Counsel for Respondent
Gregory R. Rich, Esq.
Principal
REGTEC LLC
141 W. Jackson Boulevard
Suite 2285
Chicago, IL 60604

Accepted by FINRA.

7/11/2016
Date

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


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

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Corrective Action Statement of Essex Radez, LLC

ERCO has take the following corrective actions that should ensure compliance with FINRA rules and regulations, especially with respect to the conduct described in the AWC and Offer of Settlement documents covering FINRA File Nos. 20130375865, 20120328366, 20120312466 and 20150466966.

- **The Firm retained an outside law firm to review, enhance and update its Written Supervisory Procedures; this project was completed in February 2016.**
- **The business lines and trading activity that is the subject of the pending settlement and the business personnel that supported that business terminated its relationship with the Firm in March 2016.**
- **A new OATS reporting process was built in house with the assistance of external OATS consultant to ensure that new business going forward was compliance with FINRA OATS reporting rules.**
- **A new Chief Compliance Officer (“CCO”) and FINOP were hired effective March 2016. ERCO has retained the services of RegTec, LLC, a consulting firm that provides compliance support to registered broker-dealers. The principal of the Firm, Mr. Gregory Rich, currently serves as the Firm’s CCO. Mr. Rich is an attorney and has several years of regulatory experience. The entire RegTec team has in excess of 25 years of experience in trading and supervision on numerous exchanges. With the addition of this team, ERCO is comfortable that the oversight in supervision and compliance is significantly improved.**
- **The Firm has retained additional technology resources to build out the Firm’s internal controls and procedures with respect to its electronic trading platform.**