

FINRA

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

2014 OCT 20 AM 11:48

NO. 20130377841-01

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

RE: GMP Securities, LLC, Respondent
Broker-Dealer
CRD No. 41025

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, GMP Securities, 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 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

Respondent has been a FINRA member since June 11, 1997, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On August 24, 2011, FINRA accepted an AWC in which the firm was fined \$10,000 for violations of FINRA Rule 6730(a) during the period July 1, 2009 through September 30, 2009.

SUMMARY

In connection with Review No. 20130377841, the Trade Reporting and Compliance Engine ("TRACE") Corporate Bonds Team of the Department of Market Regulation (the "staff") reviewed the firm's compliance with FINRA Rule 6730 during the period April 1, 2013 through June 30, 2013 (the "review period").

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm failed to report to TRACE the correct time of trade execution for 73 transactions in TRACE-eligible securities. These inaccurate reports constituted 6.3 percent of the 1,159 inter-dealer reports that the firm submitted to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
 2. During the review period, the firm failed to report to TRACE 78 transactions in TRACE-eligible securities within the time required by FINRA Rule 6730(a). These transactions constituted 6.7 percent of the transactions in TRACE-eligible securities that the firm reported to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
- B. The firm also consents to the imposition of the following sanctions:
- A censure and a fine of \$7,500.
- 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 response to public inquiries about the firm'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. 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. The firm 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.

10/16/2014
Date

MICHAEL F. SULLIVAN
CHIEF COMPLIANCE OFFICER
GMP SECURITIES, LLC

Michael F. Sullivan

Respondent
GMP Securities, LLC

By: Michael F. Sullivan

Name: Michael F. Sullivan

Title: Chief Compliance Officer

Reviewed by:

Attorney Name
Counsel for Respondent

Accepted by FINRA:

10/28/14
Date

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

Gerard P. Finn
Gerard P. Finn
Chief Counsel
Department of Market Regulation

**STATEMENT OF CORRECTIVE ACTION SUBMITTED BY GMP SECURITIES, LLC
IN CONNECTION WITH FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

GMP Securities, LLC (the "Firm"), due to the manner in which it handled certain orders in fixed income securities, failed to correctly report to TRACE the correct time of trade execution for a number of corporate bond transactions, and failed to report a number of corporate bond transactions to TRACE within the time required in accordance with FINRA Rule 6730(c)(8) and 6730(a). These trades occurred during the review period of April 1, 2013 through June 30, 2013 (the "Review Period").

Immediately following receipt of the Staff's letter pertaining to the above, the Firm, under the supervision of the CCO, undertook the following corrective measures:

- 1.) The CCO met individually with each Fixed Income Trader and discussed the main components of FINRA Rule 6730 and as spelled out in the Firm's WSP, specifically highlighted the importance that each trade needs to be reported within 15 minutes of being executed to TRACE, and that our time of execution for each trade executed with a contra broker should closely match.
- 2.) The CCO reaffirmed in a meeting held with all of the Firm's fixed income traders and salesforce, the Firm's policy of entering all fixed income orders immediately into the Firm's OMS System (TOMS) upon receipt of the order from the customer and / or broker dealer and for the fixed income traders to immediately electronically "match" all fixed income orders once the trade has been executed within the Firm's OMS system. The electronic matching of a trade contemporaneously establishes the time of execution for TRACE reporting purposes.
- 3.) The CCO, along with a Compliance Associate, reviews all of the Firm's trades reported to TRACE on an intraday basis via the TRAQS website and will report any unmatched trades, differences in the Time of Execution, and/or trade discrepancies to the respective Fixed income trader for an explanation and will request any corrections to be made post haste.
- 4.) A Compliance Associate, under the direction of the CCO, downloads and reviews the previous day's TRACE reportable trades from the TRAQ's website and prepares a daily management TRACE error report, noting all late trades, differences in the time of execution with contra brokers, and any interdealer differences. This report is then emailed to the CCO, CFO, COO, TRACE Supervisor, Co-Heads of Fixed Trading, and the respective individuals (traders / salesperson) whose trade was highlighted.
- 5.) The CCO, reviews the firm's monthly TRACE report cards produced by FINRA, and the Compliance Associate, under the direction of the CCO, prepares a trend analysis based on the information enclosed in the report cards, comparing the last six months results, a comparison of averages on a yearly basis and a review of the current year year's results on a monthly basis. The Firm specifically highlights the time differences that are noted on the TRACE reports. A hard copy of this report is sent to the CFO / COO, President, all of the fixed income traders, which includes the TRACE Supervisor, and the Head of

Settlements. (Based on the information gleaned from points 4 and 5 senior management is expected to reprimand any trader for poor work performance.)

- 6.) Simultaneously, the Firm updated its policies and procedures (WSP's) to reflect all regulatory and procedural enhancements made with respect to these two inquiries in order to satisfy FINRA Rule 6730.

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