

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013039188301**

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

RE: BNP Paribas Securities Corp., Respondent
Broker-Dealer
CRD No. 15794

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, BNP Paribas Securities Corp. ("BNP Paribas" or the "Firm") 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

BNP Paribas is a U.S. broker-dealer. The Firm's business includes, among other things, institutional brokerage services (trading and sales) across equities, derivatives, and fixed income, which includes the handling of options customer accounts. The Firm also acts as an agent for its foreign affiliates. BNP Paribas is headquartered in New York, New York, and has nine branch offices with approximately 1,119 registered representatives. The Firm became a member of FINRA on December 27, 1984, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The Firm does not have a relevant disciplinary history.

OVERVIEW

During the period from December 2011 through February 2014, BNP Paribas failed to report to the FINRA/Nasdaq Trade Reporting Facility ("FNTRF") approximately 676 transactions effected pursuant to the exercise of an Over-the-Counter ("OTC") option, and during the period from January 2015 through December 2016, the Firm failed to

timely report to the FNTRF approximately 564 transactions effected pursuant to the exercise of an OTC option.

In addition, during the period from December 2011 through September 2017 (the "Review Period"), BNP Paribas did not establish and maintain a reasonably designed supervisory system to achieve compliance with the timely reporting of transactions effected pursuant to the exercise of an OTC option to the FNTRF.

By virtue of the foregoing, BNP Paribas violated FINRA Rule 7230A(g)(2), NASD Rule 3010 (prior to December 1, 2014), FINRA Rule 3110 (on and after December 1, 2014) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Transaction Reporting Failures Under FINRA Rule 7230A(g)(2)

1. Pursuant to FINRA Rule 7230A(g)(2), transactions effected pursuant to the exercise of an OTC option, which are assessed a regulatory transaction fee in accordance with Section 3 of Schedule A to the FINRA By-Laws, shall be reported in the manner prescribed by FINRA to denote that they are submitted for regulatory purposes and not for dissemination, and such transactions must be submitted by 8:00 p.m. Eastern Time ("ET").
2. Members are required to report transactions effected pursuant to the exercise of an OTC option by submitting to the FNTRF a non-tape report with a special trade report modifier (.RX) to denote that the transaction is reported for regulatory transaction fee assessment purposes (also referred to as non-media reports).
3. Section 31 of the Securities Exchange Act of 1934 requires FINRA and national securities exchanges to pay transaction fees and assessments to the Securities and Exchange Commission that are designed to recover the costs related to the government's supervision and regulation of the securities markets and securities professionals. FINRA obtains its Section 31 fees and assessments from its membership in accordance with Section 3 of Schedule A to the FINRA By-Laws, which is titled "Regulatory Transaction Fee."

Initial Transaction Reporting Failures

4. In December 2011, BNP Paribas set up an automated process to report OTC options exercises to the FNTRF by 8:00 p.m. ET. This process was supposed to draw information from two internal Firm systems that contained data for vanilla options (*i.e.*, a call or put option that has no special or unusual features) and structured options (*i.e.*, an option which has features making it more complex than commonly traded vanilla options). However, when setting up the automated process, data from the Firm's internal system for vanilla options was excluded due to a programming error that was not detected by the Firm until several months after it received an information request from FINRA in November 2013, which was sent in conjunction with this investigation.

5. As a result, during the period of December 2011 through February 2014, the Firm failed to report to the FNTRF 676 transactions effected pursuant to the exercise of OTC vanilla options that required an .RX modifier.¹ A sampling of the months of January 2013 through February 2014, revealed that BNP Paribas failed to report approximately 17.5% of all transactions that required an .RX modifier during this period. Accordingly, the Firm violated FINRA Rule 7230A(g)(2).
6. In February 2014, the Firm implemented a manual process to report vanilla options, and it continued reporting structured options via its automated process until March 15, 2015. Beginning on March 15, 2015, BNP Paribas decommissioned its automated process and began manually reporting to the FNTRF all options transactions, which included both vanilla options and structured options, that required a .RX modifier. The manual process involved receiving data from the U.S. as well as the Firm's foreign affiliates in Paris and Hong Kong. However, because the Firm's supervisory system failed to give guidance on when to report these transactions, the information that the Firm required from its foreign affiliates was not received until after the 8:00 p.m. ET cutoff time. The following morning, a designated BNP Paribas employee from the Regulatory Reporting Controls team would manually review and report those transactions to the FNTRF.

Subsequent Transaction Reporting Failures

7. During the period of January 2015 to March 15, 2015, the Firm failed to timely report to the FNTRF by 8:00 p.m. ET 177 transactions effected pursuant to the exercise of OTC vanilla options on behalf of its foreign affiliates that required an .RX modifier. Moreover, beginning on March 15, 2015, when the Firm began manually reporting all options transactions, through December 2015, the Firm failed to timely report to the FNTRF an additional 76 transactions effected pursuant to the exercise of OTC options on behalf of its foreign affiliates, which included both vanilla options and structured options. These 253 late transactions constituted approximately 80.57% of the transactions that required an .RX modifier that the Firm reported during this period.
8. During the period of January 2016 through December 2016, the Firm failed to timely report to the FNTRF by 8:00 p.m. ET 311 transactions that required an .RX modifier. These late transactions constituted approximately 95.11% of the transactions that the Firm reported with a .RX modifier during this period.²
9. By virtue of the conduct described in paragraphs 7 and 8, the Firm violated FINRA Rule 7230A(g)(2).

¹ Upon subsequently being alerted by FINRA that it failed to report these transactions, the Firm began reporting the required transactions in May 2014, and completed its reporting in December 2014.

² Although on December 15, 2016, the Firm deployed another automated system to report all of its .RX transactions, this system experienced several issues until September 2017 that resulted in the failure to timely report certain .RX transactions.

The Firm's Supervisory System Was Not Reasonably Designed to Achieve Compliance with FINRA Rule 7230A(g)(2)

10. NASD Rule 3010(a) and FINRA Rule 3110(a) require member firms to establish and maintain a system reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD and FINRA rules.
11. During the Review Period, the Firm failed to establish and maintain a reasonably designed supervisory system to achieve compliance with FINRA Rule 7230A(g)(2).
12. From December 2011 and continuing through February 2014, the Firm's supervisory system, including its surveillance reports, excluded a review of OTC vanilla options. The Firm's supervisory system was limited to timely and complete reporting for OTC structured options.
13. In February 2014, the Firm implemented a manual process to report vanilla options. However, the Firm's supervisory system did not call for a review of transactions reported through the manual process to ensure that both vanilla and structured options were timely reported during the Review Period.³
14. By virtue of the foregoing, the Firm failed to establish and maintain a reasonably designed supervisory system to achieve compliance with FINRA Rule 7230A(g)(2), and thus violated NASD Rule 3010 (prior to December 1, 2014), FINRA Rule 3110 (on and after December 1, 2014) and FINRA Rule 2010.

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

Censure and fine of \$100,000 (consisting of a fine of \$60,000 for violations of FINRA Rule 7230A and \$40,000 for the violations of NASD Rule 3010 and FINRA Rules 3110 and 2010).

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

³ By September 2017, the Firm had taken additional remedial measures to comply with the requirements of FINRA Rule 7230A(g)(2).

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.

6/13/2019
Date

Respondent

BNP Paribas Securities Corp.

By: [Signature]

Name: Stephan B. Nawrocki

Title: Managing Director

Accepted by FINRA:

7/11/2019
Date

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

[Signature]
Bryan C. Wallace
Principal Counsel
FINRA Department of Enforcement