

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130394497-01**

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

**RE: Exane, Inc., Respondent
Broker-Dealer
CRD No. 41784**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Exane, Inc. ("Exane", 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

Exane has been a member of FINRA since December 23, 1996, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

This matter involves the deficiencies of the firm's written supervisory procedures ("WSPs") pertaining to designating orders as Qualified Contingent Trades ("QCTs") during the period between May 2012 and the present (the "Review Period"). The firm also incorrectly documented the stock transmission time of six QCT orders that were transmitted for execution during the period between April 2014 and June 2014.

FACTS AND VIOLATIVE CONDUCT

- 1. Rule 611(a) of Regulation NMS ("Rule 611(a)") of the Securities Exchange Act of 1934 (the "Exchange Act") requires firms that are trading centers to establish, maintain, and enforce written policies and procedures that are reasonably designed to prevent trade-throughs on that trading center of protected quotations in NMS stocks that do not fall within any exception and, if relying on an exception, are reasonably designed to assure compliance with the terms of the exception.**

2. On August 31, 2006, the Securities and Exchange Commission granted an exemption from Rule 611(a) for QCTs. However, pursuant to the exemption, a QCT is defined, in part, "as a transaction consisting of two or more component orders, executed as agent or principal where," among other things, "[t]he execution of one component is contingent upon the execution of all other components at or near the same time."
 3. During the Review Period, Exane failed to have adequate WSPs reasonably designed to ensure that it was in compliance with applicable securities laws and regulations regarding the proper designation of transactions as QCTs that are entitled to a trade-through exemption from Rule 611(a). The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (prior to December 1, 2014), and FINRA Rules 3110 (on and after December 1, 2014) and 2010.
 4. During the Review Period, FINRA Rule 4511 provided that members shall make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.
 5. During the Review Period, Section 17(a) of the Exchange Act and SEC Rule 17a-3(a)(6)(i) required that members of exchanges make and keep current a memorandum of any instruction for the purchase or sale of securities showing, among other things, the time of entry of orders. Exchange Act Rule 17a-3(a)(6)(i) further defines the time of entry as the time when the member transmits the order for execution.
 6. On the order tickets of six QCT orders that were transmitted for execution during the period between April 2014 and June 2014, the equity transmission time contained an incorrect time-stamp. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4511, Section 17(a) of the Exchange Act and SEC Rule 17a-3(a).
 7. During the Review Period, Exane failed to have adequate procedures reasonably designed to review for the accurate time-stamping of order transmission times. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (prior to December 1, 2014), and FINRA Rules 3110 (on and after December 1, 2014) and 2010.
- B. Respondent also consents to the imposition of the following sanctions:
- A censure; a \$20,000 fine (\$10,000 for violations of NASD Rule 3010 (prior to December 1, 2014), and FINRA Rules 3110 (beginning December 1, 2014) and 2010, and \$10,000 for violations of Section 17(a) of the Exchange Act and SEC Rule 17a-3 and FINRA Rule 4511); and an undertaking to revise the firm's WSPs with respect to the areas described in paragraphs 1.A.3 and 1.A.7. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of Exane 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 written supervisory procedures to address the deficiencies described in paragraphs I.A.3 and I.A.7; and (3) the date the revised procedures were implemented.

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

Exane 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.

November 23, 2016

Date

Respondent

Exane, Inc.

By: 

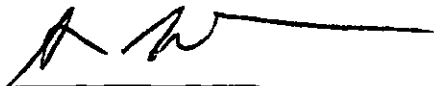
Name:

J. Scott Eveleth

Title:

President

Reviewed by:

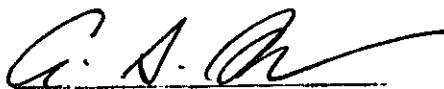


Steven Lofchie, Esq.
Cadwalader, Wickersham & Taft LLP
One World Financial Center
New York, NY 10281
212.504.6700

Accepted by FINRA:

12/5/2016
Date

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



Eric S. Brown, Esq.
Chief Counsel, Legal Section
FINRA Department of Market Regulation