

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140399402-01**

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

RE: ITG Inc. , Respondent
Broker-Dealer
CRD No. 29299

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, ITG Inc. ("ITGI" 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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 January 8, 1992, and its registration remains in effect. The Firm has no relevant disciplinary history.

SUMMARY

In connection with Matter No. 2014039942, the Trading and Financial Compliance Examinations ("TFCE") staff of FINRA's Department of Market Regulation conducted the 2014 examination of the firm in which it reviewed certain trading activity for the trade date of February 20, 2014, unless otherwise noted.

In connection with Matter No. Matter 20150442321, the TFCE staff conducted the 2015 examination of the firm in which it initially reviewed certain trading activity for the trade date of January 28, 2015, which was later expanded to the period of August 2014 through September 2015.

FACTS AND VIOLATIVE CONDUCT

Matter No. 2014039942

1. During the review period, the firm transmitted to the Order Audit Trail System ("OATS") 28 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, in 17 instances, the firm incorrectly submitted the "T" Reporting Exception code; in nine instances, the firm incorrectly submitted an Account Type code of "A" for an order received from a broker-dealer; in one instance, the firm incorrectly submitted an Account Type code of "A" for an order from the firm's error facilitation account; and in one instance, the firm failed to submit the Not Held Special Handling Code as indicated on the order ticket. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. In five instances during the review period, the firm failed to properly classify orders for purposes of SEC Rule 605 of Regulation NMS order execution disclosure. Specifically, in two instances, the firm erroneously classified an order to sell short as a covered order; in two instances, the firm failed to properly classify an order as a marketable limit order; and in one instance, the firm erroneously classified an order greater than 9,999 shares as a covered order. In addition, for the month of January 2014, the firm made available a report on the covered orders in national market system securities that it received for execution from any person, and failed to properly disclose order execution statistics for a total of five covered order type/size categories. In particular, the firm incorrectly included in the report non-exempt short sales.¹ The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

Matter No. 20150442321

3. Subsequent to the TFCE staff's finding of a violation of SEC Rule 605 in Matter No. 2014039942 for incorrectly including in the firm's monthly report non-exempt short sales in five covered order type/size categories, ITGI took steps to remediate the issue in August 2014. However, due to a misconfiguration in the firm's reporting system, the firm continued to include in its SEC Rule 605 reports non-exempt short sales from one client, its affiliate, during the review period in this matter.
4. Accordingly, during each month of the 14-month review period, the firm made available 14 reports on the covered orders in national market system securities that it received for execution from any person, and failed to properly disclose order execution statistics for a total of two covered order type/size categories. In particular, ITGI incorrectly included in the 14 reports all non-exempt short sales that it received

¹ Pursuant to the response to Question No. 7.1 of the Securities and Exchange Commission's Division of Trading and Markets: Responses to Frequently Asked Questions ("FAQs") Concerning Rule 201 of Regulation SHO, non-exempt short sales should be excluded from the monthly reports required by SEC Rule 605 of Regulation NMS.

from its affiliate, which amounted to numerous orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

5. During the review period, the firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and FINRA Rules, concerning compliance with the requirements of SEC Rule 605 of Regulation NMS. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (for conduct prior to 12/1/14) and FINRA Rule 3110 (for conduct on and after 12/1/14) and FINRA Rule 2010.

OTHER FACTORS

6. In determining to resolve this matter in the manner set forth herein, and in determining the appropriate monetary sanction, Market Regulation significantly considered that for Matter No. 20150442321, the firm promptly and completely remediated the issue regarding the inclusion in the SEC Rule 605 reports of non-exempt short sales for its affiliate as soon as it became aware of the problem. The firm also provided substantial assistance to Market Regulation staff, including providing the staff with data quantifying its SEC Rule 605 reporting issues for Matter No. 20150442321.²

- B. The firm also consents to the imposition of the following sanctions:
- A censure; and
 - A fine of \$85,000 (consisting of a \$5,000 fine for the violations of FINRA Rule 7450; \$50,000 fine for the violations of SEC Rule 605, and \$30,000 for the violation of NASD Rule 3010 and FINRA Rules 3110 and 2010).

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

² See Regulatory Notice 08-70.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudice 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.

The firm 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

The firm 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 the firm;

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. The firm 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. The firm 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.

7/22/16
Date

Respondent
ITG Inc.

By: 

Name: THOMAS D SHPETNER

Title: CHIEF COMPLIANCE OFFICER

Accepted by FINRA:

8/5/16
Date

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



Kenneth R. Bozza, Esq.
Chief Counsel, Legal Section
Department of Market Regulation