

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014039995801**

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

RE: ICAP Corporates LLC, Respondent
Broker-Dealer
(BD No. 2762)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, ICAP Corporates LLC ("ICAP" 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

ICAP has been registered with the Securities and Exchange Commission ("SEC") and a member of FINRA since February 2, 1966. The Firm has four offices, with its main office located in New Jersey. The Firm employs approximately 260 registered persons. The Firm is an inter-dealer broker that facilitates and executes securities transactions between broker-dealers, dealer banks and other financial institutions.

RELEVANT DISCIPLINARY HISTORY

ICAP has no relevant disciplinary history with the SEC, FINRA, any other self-regulatory organization, or any state securities regulator.

OVERVIEW

ICAP failed to establish and maintain a reasonable supervisory system and procedures regarding business entertainment between January 2011 and December 2013. Additionally, the Firm maintained incomplete and inaccurate expense records for business entertainment from at least January 2011 through at least December 2012. The Firm's supervisory deficiencies violated NASD Rule 3010 and FINRA Rule 2010. The Firm's record deficiencies violated Section 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), SEC Rule 17a-3 thereunder, NASD Rule 3110 (for the period before December 5, 2011), FINRA Rule 4511 (for the period on and after December 5, 2011), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Inadequate Supervisory System and Procedures Regarding Business Entertainment

From January 2011 through December 2013, ICAP failed to create or implement an adequate supervisory system, or adopt and maintain adequate written supervisory procedures, reasonably designed to monitor business entertainment to ensure that expenses incurred conformed to regulatory requirements and to safeguard against potential or actual conflicts of interest.

During this time period, ICAP had policies regarding business entertainment and the receipt and giving of gifts intended to ensure that business was not awarded or business commitments made based on improper personal incentives. ICAP generally prohibited gifts to customers. ICAP's entertainment policy provided, among other things, that "customer entertainment should not be inappropriate . . . excessive, lavish or overly frequent." The Firm's written supervisory procedures required that expenses be submitted for supervisory review and approval and that a supervisor must not approve an expense report until receiving "adequate descriptive information of the expenditures" and "determin[ing] that the expense and activities on the report are compliant with Firm policy." ICAP used expense management software to process entertainment expenses and to record supervisory approval of entertainment expenses.

ICAP's supervisory system and procedures, however, were inadequate for several reasons. First, ICAP generally did not require, and generally did not obtain, itemized receipts for entertainment reimbursement claims. Without itemized receipts, ICAP was unable to verify the type and cost of the entertainment provided and to exercise adequate supervisory scrutiny over expenses incurred. ICAP, therefore, was unable to evaluate whether the expenses in the entertainment expense submissions included any improper gifts to customers over the \$100 per person, per year limitation set forth in FINRA Rule 3220. Similarly, when ICAP employees submitted reimbursement claims for thousands of dollars

in entertainment expenses incurred at different venues and establishments, including over \$20,000 incurred one evening at a night club, the supervisors reviewing and approving the expense claims did not receive adequate and/or accurate descriptive information reflecting what the expenses actually represented and the identity of each attendee entertained at the different venues and establishments.

ICAP also did not aggregate or compare entertainment expenses incurred over time. Accordingly, ICAP was unable to ensure against patterns of excessive and overly frequent entertaining of particular individuals, such as employees of prospective or existing clients, intended and/or reasonably likely to induce those persons entertained to act inconsistent with their own employer's interests. Furthermore, where separate expense submissions were made in connection with expenses incurred on the same day in entertaining the same client company, and some of the same individuals, including an instance where the submissions totaled over \$35,000 in restaurant and night club expenses, ICAP did not evidence that it considered the submissions together in evaluating the expenses incurred.

Moreover, ICAP's expense system was not designed for, and did not permit, the identification of all persons entertained and their respective affiliations. In practice, expense reports did not contain the names of each client employee entertained, and the expense reports often contained only partial names or code names that failed to specify the actual attendees. ICAP supervisors nevertheless routinely approved expense reports that omitted names of client attendees and their affiliation, and contained inconsistent information regarding the number of attendees. For example:

- One expense report for over \$17,000, incurred in connection with a party in East Hampton, New York, claimed 35 individual clients attended, listed the client company name as "ICAP PLC/ALL CUSTIES," and did not list the names of any of the client attendees.
- An expense report for over \$20,000 incurred one night at a restaurant in New York City claimed there were 10 client attendees, yet listed the names of only six client attendees.
- Another expense report for over \$11,000, which included over \$8,000 for Center Court tennis tickets at Wimbledon, claimed five clients attended Wimbledon, but listed the names of only three clients.

Without requiring that business entertainment expense submissions include the name of every person entertained and their respective employer, ICAP was not in a position to guard against potential or actual conflicts and ensure that the expenses were legitimate business expenses and not improper attempts to influence employees of others. Similarly, without the identity of everyone entertained, a member firm would not be in a position to reasonably ensure that its

entertainment practices are consistent with applicable domestic and foreign laws in the event that any public officials, including foreign officials, are among the persons entertained.

By reason of the foregoing, ICAP violated NASD Rules 3010(a) and 3010(b) and FINRA Rule 2010.

2. Inaccurate and Incomplete Records

From at least January 2011 through at least December 2012, ICAP's expense records for business entertainment were frequently inaccurate and incomplete. Specifically, the expense reports, and consequently, the Firm's expense records, inaccurately listed "ICAP" as the client entertained, incorrectly indicated that one client company was entertained when multiple companies were entertained, and/or did not record the names of all the individuals entertained and their affiliation.

By reason of the foregoing, ICAP violated Section 17(a) of the Exchange Act, SEC Rule 17a-3 thereunder, NASD Rule 3110 (for the period before December 5, 2011), FINRA Rule 4511 (for the period on or after December 5, 2011), and FINRA Rule 2010.

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

1. Censure; and
2. Fine in the amount of \$800,000.00.

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

ICAP specifically and voluntarily waives any right to claim that the Firm 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.

II.

WAIVER OF PROCEDURAL RIGHTS

ICAP 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, ICAP 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.

ICAP 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

ICAP 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; and
- C. If accepted:
 - 1. this AWC will become part of ICAP'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. ICAP 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. ICAP 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. ICAP may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. ICAP understands that the Firm 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 the Firm has agreed to its 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.

11/21/2014
Date (mm/dd/yyyy)

ICAP Corporates LLC, Respondent

By: 

Daniel Lago
[Print Name]

co-President ICAP Corporates
[Title]

Reviewed by: 

Bruce H. Newman, Esq.
Counsel for Respondent
WilmerHale
399 Park Avenue
New York, NY 10022
(212) 230-8835

Accepted by FINRA:

12/5/14
Date

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

A handwritten signature in black ink, appearing to read "Gary A. Chodosh", written over a horizontal line.

Gary A. Chodosh
Senior Regional Counsel
FINRA Department of Enforcement
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