

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO 20140401601-01

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

RE: StockCross Financial Services, Inc., Respondent
Broker-Dealer
CRD No. 6670

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, StockCross Financial Services, Inc. ("STXG", 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

The Firm became a member of FINRA on May 5, 1972, and its registration remains in effect. The Firm has no relevant prior disciplinary history.

SUMMARY AND OVERVIEW

In Matter No. 20120313180, the Department of Market Regulation's ("Market Regulation") Options Regulation Staff (the "Staff") conducted a review of the Firm's compliance with the rules related to the reporting of options positions to the Options Clearing Corporation's ("OCC") Large Options Position Reporting ("LOPR") system for the period of October 1, 2013 through December 31, 2013, which was later expanded to include the period between January 28, 2013 and November 17, 2014 (the "Relevant Period").

LOPR data is used extensively by self-regulatory organizations ("SROs") to conduct surveillance for potential violations of securities laws and regulations, and the accuracy of LOPR data is essential for the analysis of potentially violative conduct.

As a result of its review, Market Regulation determined that during the Relevant Period, the Firm failed to report option positions to the LOPR in approximately 1,365 instances, and over reported options positions to the LOPR in approximately 50 instances.¹ Though the majority of the reporting errors were caused by system issues with the Firm's third party vendor, the Firm is responsible for ensuring the proper reporting of positions to the LOPR.

FACTS AND VIOLATIVE CONDUCT

1. Between January 7, 2014 and November 17, 2014, in approximately 1,365 instances, the Firm failed to report approximately 1,365 options positions that traded on the options' expiration. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
2. Between January 28, 2013 and March 15, 2013, the Firm failed to resubmit rejected records to the LOPR and consequently over reported approximately two options positions in approximately 50 instances. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

- B. The Firm also consents to the imposition of the following sanctions:

A censure and a fine in the amount of \$12,500.

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;

¹ An "instance" is a single failure to report, or inaccurate report, for a given options position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position had been reported inaccurately.

- 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: (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.

May 15, 2017
Date

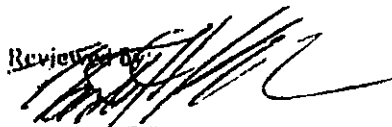
Respondent
StockCross Financial Services, Inc.

By: Michael Colaninno

Name: Michael Colaninno

Title: CFO

Reviewed by:

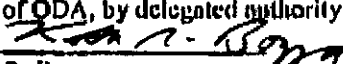

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Accepted by FINRA:

Date

5/24/17

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


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