

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014042525201**

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

RE: SG Americas Securities, LLC, Respondent
Member Firm
CRD No. 128351

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent SG Americas Securities, LLC ("SGAS," 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

SGAS has been a FINRA member since 2004 and is headquartered in New York, N.Y. It conducts a general securities business, maintains five branch offices and employs approximately 830 registered personnel.

RELEVANT DISCIPLINARY HISTORY

On October 22, 2013, SGAS executed AWC No. 2010025768402 ("2013 AWC") consenting to a censure and a fine in the amount of \$10,000 based on FINRA's findings that it violated the Securities Exchange Act of 1934, 17 CFR § 242.203(b)(1), also known as Regulation SHO Rule 203(b)(1), NASD Rule 3010 and FINRA Rule 2010. In the 2013 AWC, FINRA found that on 258 occasions, SGAS accepted short sale orders without complying with Rule 203(b)(1)'s locate requirement.

OVERVIEW

Regulation SHO imposes certain restrictions and requirements relating to short sales of equity securities. Among other things, Rule 203(b)(1), or the "locate requirement,"

generally prohibits a broker-dealer from accepting a short sale order in any equity security, or effecting a short sale for its own account, unless the broker-dealer: (a) has borrowed the security, (b) has entered into a bona-fide arrangement to borrow the security, or (c) has reasonable grounds to believe that the security can be borrowed. These requirements ensure that the security can be delivered on the date due. The Rule also requires broker dealers to document their compliance with the locate requirement.

From May 2013 through April 2014 (the "Relevant Period"), three employees on one of SGAS' trading desks entered invalid locate codes into the Firm's order management systems in connection with 204 short sales involving nearly 12.5 million ETF shares. This caused the Firm to violate Regulation SHO because it was unable to determine that it would be able to borrow the securities. It also caused the Firm to maintain inaccurate records. By virtue of the foregoing, the Firm violated Rule 203(b)(1) and FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

Under Rule 203(b)(1), a broker-dealer must satisfy certain requirements before accepting a short sale order or executing a short sale for its own account. Specifically, a broker-dealer must borrow, enter an arrangement to borrow, or have reasonable grounds to believe it can borrow, the underlying securities, so that it can deliver them when due. The Rule also requires documented compliance. Additionally, under FINRA Rule 4511 member firms must maintain accurate books and records as required under the Securities Exchange Act of 1934 and SEC and FINRA rules. FINRA Rule 2010 requires member firms to observe high standards of commercial honor and just and equitable principles of trade.

During the Relevant Period, in the event SGAS had no arrangement to borrow the securities required for a short sale, traders or salespersons worked with the Stock Loan Desk (the "Desk"). If the Desk had a reasonable basis to believe it could borrow a sufficient quantity of the security, it provided a numeric locate ID code to the requestor, who in turn, manually entered the ID code into the Firm's order management system to process the trade. If the Desk could not provide a locate ID, the trade was prohibited. The Desk maintained a daily log of the locate ID codes issued, along with the requestor's name, the security and quantity.

During the Relevant Period, three employees on the Firm's ETF Desk circumvented the above procedures when executing 204 short sales involving nearly 12.5 million ETF shares. Instead of working with the Desk to obtain locate ID codes as required, these employees entered, or caused to be entered, fictitious codes into the Firm's order management system. By entering fictitious codes, the employees were able to execute the short sales without taking the necessary steps to comply with Rule 203(b)(1)'s locate requirement. The entry of the fictitious codes also created the appearance that the Firm satisfied its obligations under Rule 203(b)(1). Nevertheless, none of the transactions resulted in the Firm's failure to deliver any of the securities and, after learning of and investigating the misconduct, the Firm enhanced its internal processes and systems.

By executing short sales without determining it had reasonable grounds to believe that it could borrow the securities, SGAS violated Rule 203(b)(1) and FINRA Rule 2010. Further, because Firm personnel used invalid locate codes, they caused SGAS to create and preserve inaccurate records in violation of both Rule 203(b)(1) and FINRA Rules 4511 and 2010.

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

- A censure; and
- A fine of \$30,000.

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 it;
- 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

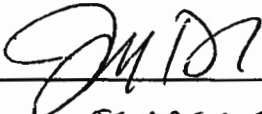
Respondent understands that:

- 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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 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 Respondent'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. Respondent 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 Respondent 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 it to submit it.

SG Americas Securities, LLC
Respondent

12/17/19
Date

By: 
Print Name: JEFFREY ROSEN
Title: MANAGING DIRECTOR

Accepted by FINRA:

12/19/19
Date

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


M. Catherine Cottam
Senior Counsel
FINRA
Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, MD 20850