

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140437874-02**

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

RE: Barclays Capital Inc. ("BCAP" or the "Firm"). Respondent
Broker-Dealer
CRD No. 19714

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Barclays Capital Inc. (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 has been a member of FINRA since October 19, 1987, and its registration remains in effect. The Firm does not have a relevant disciplinary history.

SUMMARY

In connection with Matter No. 20140437874, the Market Analysis Section of the Department of Market Regulation at FINRA ("staff") reviewed the Firm's compliance with Reg NMS Rule 611(a) and Securities Exchange Act of 1934 Rule 611(c) of Regulation NMS ("Reg NMS Rule 611(c)") and the rules related to the routing of intermarket sweep orders during the period between July 1, 2014 and September 30, 2014 (the "3Q14 review period").

In connection with Matter No. 20150468008, staff reviewed the Firm's compliance with Reg NMS Rule 611(a) and Reg NMS Rule 611(c) and the rules related to the routing of intermarket sweep orders during the period between January 1, 2015 and September 30, 2015 (the "1Q15-3Q15 review period").

OVERVIEW

During the review periods, the Firm executed intermarket sweep orders through protected quotations, and failed to route additional intermarket sweep orders to execute against protected quotations in violation of Reg NMS Rules 611(a), 611(c), NASD Rule 3010 (for conduct occurring before December 1, 2014) and FINRA Rules 3110 (for conduct occurring on and after December 1, 2014) and 2010.

FACTS AND VIOLATIVE CONDUCT

1. Reg NMS Rule 611(a) provides that a trading center shall 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 an exception set forth in paragraph (b) of Reg NMS Rule 611 and, if relying on such an exception, that are reasonably designed to assure compliance with the terms of the exception.
2. Securities Exchange Act of 1934 Rule 611(b)(6) of Regulation NMS ("Reg NMS Rule 611(b)(6)") details the exception where the transaction that constituted the trade-through was effected by a trading center that simultaneously routed an intermarket sweep order to execute against the full displayed size of any protected quotation in the NMS stock that was traded through.
3. Reg NMS Rule 611(c) provides that the trading center, broker, or dealer responsible for the routing of an intermarket sweep order shall take reasonable steps to establish that such order meets the requirements set forth in Securities Exchange Act of 1934 Rule 611(b)(30) of Regulation NMS ("Reg NMS Rule 600(b)(30)").
4. Reg NMS Rule 600(b)(30) defines an intermarket sweep order as a limit order for an NMS stock that meets the following requirements: (i) when routed to a trading center, the limit order is identified as an intermarket sweep order; and (ii) simultaneously with the routing of the limit order identified as an intermarket sweep order, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an intermarket sweep order. These additional routed orders also must be marked as intermarket sweep orders.

Matter No. 20140437874

5. During the 3Q14 review period, the Firm failed to take reasonable steps to establish that intermarket sweep orders it routed met the definitional requirements set forth in Reg NMS Rule 600(b)(30) when routing and executing intermarket sweep orders on exchanges. The conduct described in this paragraph constitutes a violation of Reg NMS Rule 611(c).

Matter No. 20150468008

6. On May 4, 2015, the Firm failed to take reasonable steps to establish that intermarket sweep orders it routed met the definitional requirements set forth in Reg NMS Rule 600(b)(30) when routing and executing intermarket sweep orders on an exchange. These instances occurred when the Firm did not receive direct feed quotes from the two exchanges due to system issues, which the firm failed to detect. The conduct described in this paragraph constitutes a violation of SEC Rule 611(c).
7. Additionally, during the 1Q15-3Q15 review period, the Firm, while acting as a trading center, failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to ensure compliance with the terms of the Outbound ISO exception in Reg NMS Rule 611(b)(6); and failed to take reasonable steps to establish that intermarket sweep orders it routed met the definitional requirements set forth in Reg NMS Rule 600(b)(30). The conduct described in this paragraph constitutes violations of Reg NMS Rules 611(a) and 611(c).

Matter Nos. 20140437874 and 20150468008

8. During the 3Q14 and 1Q15-3Q15 review periods, 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 Reg NMS Rules 611(a) and 611(c). Specifically, the Firm failed to ensure that direct feeds were operational and that the direct feed data that it used to compile the National Best Bid or Offer was reliable. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (for conduct prior to December 1, 2014), FINRA Rule 3110 (for conduct on and after December 1, 2014) and FINRA Rule 2010.

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

1. A censure;
2. A total fine in the amount of \$50,000 of which \$25,000 is payable to FINRA;¹
3. An undertaking requiring the Firm to address the Reg NMS 611(a) and 611(c) deficiencies described above to ensure that the Firm has implemented procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein.
 - a. The Firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, no later than 30 days after the AWC becomes final, 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 supervisory systems and procedures to addressed

¹ The balance of the sanction will be paid to the self-regulatory organizations listed in Section I, paragraph B.4.

the deficiencies described above; and (3) the dates that this was completed.

4. Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between the Firm and each of the following self-regulatory organizations: Bats BYX Exchange, Inc. and NYSE Arca Equities Inc.

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

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.

9/22/17

Date

Respondent

Barclays Capital Inc.

By:

Penny Rosenberg

Name:

Penny Rosenberg

Title:

Director

Reviewed by:

Attorney Name

Counsel for Respondent

Firm Name

Address

City/State/Zip

Phone Number

Accepted by FINRA:

10/11/17
Date

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

Lara M. Posner

Lara M. Posner, Chief Counsel

Legal Section

FINRA Department of Market Regulation