

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015048311501**

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

RE: GFI Securities LLC, Respondent
Member Firm
CRD No. 19982

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent GFI Securities LLC 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

GFI Securities LLC ("GFI" or the "Firm") became a FINRA member in July 1987. GFI is a broker-dealer with broker-dealer and institutional customers. GFI employs approximately 180 registered persons, has one branch, and is headquartered in New York, NY.

RELEVANT DISCIPLINARY HISTORY

Respondent does not have relevant disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

GFI is a broker-dealer with market access and that provides customers with access to an alternative trading system ("ATS"). From November 2014 to August 2018 (the "Relevant Period"), GFI failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the

financial, regulatory, and other risks of this business activity. Through this conduct, GFI violated Section 15(c)(3) of the Securities Exchange Act of 1934 (“SEA”), and SEA Rule 15c3-5 (the “Market Access Rule”), specifically subsections 15c3-5(b), (c)(1) and (e), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

SEA Rule 15c3-5(b) provides that a broker or dealer with market access, or that provides a customer or any other person with access to an ATS, shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity. The broker or dealer must preserve a copy of its supervisory procedures and a written description of its risk management controls as part of its books and records.

Pursuant to SEA Rule 15c3-5(c)(1)(i) and (ii), a firm’s financial risk management controls and supervisory procedures shall be reasonably designed to prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer and broker or dealer and, where appropriate, more finely-tuned by sector, security, or otherwise by rejecting orders if such orders would exceed the applicable credit or capital thresholds.

In addition, SEA Rule 15c3-5(e) requires the broker or dealer to establish, document, and maintain a system for regularly reviewing the effectiveness of the risk management controls and supervisory procedures required under SEA Rule 15c3-5(b) and (c), including: (1) an annual review, conducted pursuant to written procedures, to assure the overall effectiveness of the market access risk controls and supervisory procedures; and (2) a certification by the Chief Executive Officer that the broker or dealer’s market access risk controls and procedures comply with SEA Rule 15c3-5(b) and (c) and that the review was conducted. SEA Rule 15c3-5(e) further requires the broker or dealer to preserve a copy of such written procedures and documentation of each review.

FINRA Rule 2010 requires each member firm to observe high standards of commercial honor and just and equitable principles of trade. A violation of SEA Rules constitute a violation of FINRA Rule 2010.

During the Relevant Period, GFI was required to comply with SEA Rule 15c3-5 because it was a broker-dealer with market access and which provided customers access to an alternative trading system. GFI’s customers routed equity orders to the Firm’s traders, who then routed certain of those trades directly to the ARCA or NASDAQ market.¹ For those trades which the Firm routed directly to the market, it used a third-party Order Management System (“OMS”) to manage the equity trading. In addition, during the Relevant Period, GFI also operated an ATS, CreditMatch. Broker-dealers, banks and non-broker-dealers subscribed to CreditMatch, which operated sessions where interested

¹ For trades that GFI did not route directly to the market itself, it used sponsored access arrangements with other firms. The requirements of SEA 15c3-5 are not applicable to the trades GFI executed through sponsored access arrangements because GFI did not directly access the market itself for those trades.

buys and sells were matched.

During the Relevant Period the Firm failed to document its system of risk management controls and supervisory procedures reasonably designed to manage the risk of this business activity, as required under SEA Rule 15c3-5(b), as described below. At times during the Relevant Period the Firm's written supervisory procedures for its Market Access Rule compliance for those trades that it directed to the market through the OMS consisted only of the "off-the-shelf" OMS manual, which identified the various risk management controls available through the OMS. In addition, at times during the Relevant Period the Firm's market access written supervisory procedures specific to CreditMatch contained only a description of available controls that customers subscribing to the ATS could set. While the Firm subsequently revised its written procedures during Relevant Period for both the trades directed to the market through the OMS as well as for CreditMatch, those revisions included only general Market Access Rule requirements and failed to document the Firm's own system of risk management controls and supervisory procedures specifically tailored to those systems. In addition, from November 2014 to August 2017 the Firm established a daily trading capital limit for its equity trading, but failed to document the basis or rationale for that determination. As a result, the Firm violated SEA Rule 15c3-5(b).

The Firm also failed to establish risk management controls and supervisory procedures reasonably designed to prevent the entry of orders that exceeded appropriate pre-set credit thresholds in the aggregate for each of its customers, as required under SEA Rule 15c3-5(c)(1)(i). During the period November 2014 to October 2015, the Firm failed to implement systematic pre-trade credit limits for its non-broker-dealer customers in CreditMatch. As a result, the Firm violated SEA Rule 15c3-5(c)(1)(i).

Finally, the Firm failed to conduct an annual review in 2014 to assure the overall effectiveness of its risk management controls and supervisory procedures with respect to CreditMatch, and failed properly to complete the required certification for 2014 that such risk management controls and supervisory procedures complied with SEA Rule 15c3-5(b) and (c). As a result, the Firm violated SEA Rule 15c3-5(e)(1) and (2).

By virtue of the foregoing, GFI violated Section 15(c)(3) of the Securities Exchange Act of 1934, SEA Rule 15c3-5(b), (c)(1)(i) and (e); and FINRA Rule 2010.

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

- A censure, and
- A fine in the amount of \$50,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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 an inability 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

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.

Date

February 14, 2020

GFI Securities LLC
Respondent

By: 

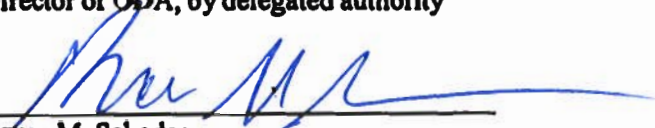
Print Name: Richard G. Lee

Title: Executive Managing Director

Accepted by FINRA:

March 11, 2020
Date

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



Bruce M. Sabados
Senior Counsel
FINRA Department of Enforcement
Brookfield Place
200 Liberty Street
New York, NY 10281-1003