

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 2016048835401

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

RE: Beta Capital Securities LLC, Respondent
Broker-Dealer
CRD No. 38964

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Beta Capital Securities LLC ("Beta Capital" 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

Beta Capital has been a FINRA member since November 29, 1995, and its registration remains in effect. The firm's headquarters are in Miami, Florida and it maintains one branch office. It is an introducing broker dealer that services retail and institutional accounts. The firm currently has 33 registered individuals.

RELEVANT DISCIPLINARY HISTORY

On July 18, 2016, FINRA accepted an AWC in which the firm was censured and fined \$10,000 for Trade Reporting and Compliance Engine ("TRACE") reporting violations between October 1, 2014 and December 31, 2014.

On June 3, 2015, FINRA accepted an AWC in which the firm was censured and fined \$7,500 for TRACE reporting violations between October 1, 2013 and December 31, 2013.

OVERVIEW

Between October 1, 2015 and September 30, 2017 (the “review period”), the firm failed to timely report 398 transactions in TRACE eligible securities in violation of FINRA Rules 6730(a) and 2010. The firm also failed to accurately report 141 transactions in *TRACE-eligible securities in violation of FINRA Rule 6730.*

FACTS AND VIOLATIVE CONDUCT

Beta Capital Engaged in a Pattern of Late TRACE Transaction Reporting

1. FINRA Rule 6730(a) states, in relevant part, that “[e]ach member that is a [p]arty to a [t]ransaction in a TRACE-Eligible Security must report the transaction. A member must report a transaction in a TRACE-Eligible Security as soon as practicable, but no later than within 15 minutes of the Time of Execution, except as otherwise specifically provided [in this Rule]. Transactions not reported within the specified timeframe will be designated as late.”
2. FINRA Rule 6730(f) states, “[a] pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2010.”
3. FINRA Rule 2010 states, “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”
4. Between October 1, 2015 and December 31, 2015, the firm failed to report 100 transactions in TRACE-eligible corporate debt securities to TRACE within the time required by FINRA Rule 6730(a).
5. Between October 1, 2016 and December 31, 2016, the firm failed to report 99 transactions in TRACE-eligible corporate debt securities to TRACE within the time required by FINRA Rule 6730(a).
6. Between April 1, 2017 and June 30, 2017, the firm failed to report 100 transactions in TRACE-eligible corporate debt securities to TRACE within the time required by FINRA Rule 6730(a).
7. Between July 1, 2017 and September 30, 2017, the firm failed to report 99 transactions in TRACE-eligible corporate debt securities to TRACE within the time required by FINRA Rule 6730(a).
8. Beta Capital’s late reporting violations were the result of manual reporting and the firm’s corrections to erroneous TRACE reports.

9. The conduct described in paragraphs 4, 5, 6, and 7 constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

Beta Capital Failed to Accurately Report Transactions to TRACE

10. FINRA Rule 6730(a)(5) states, in relevant part, that “[m]embers have an ongoing obligation to report transaction information ... accurately, and completely.”
11. Between September 1, 2015 and January 31, 2017, certain firm traders improperly bunched the reporting of smaller transactions into a single transaction report. For example, in one instance, the firm reported the sale of 200 bonds at the price of \$99.28 as one transaction when it should have reported two separate transactions: the sale of 150 bonds to one customer at \$99.28 and the sale of 50 bonds to another customer at \$99.28.
12. As a result, of the above described bunching, the firm failed to accurately report 141 transactions in TRACE-eligible securities to TRACE.
13. The conduct described in paragraphs 11 and 12 constitutes separate and distinct violations of FINRA Rule 6730.

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

A censure and fine of \$50,000.

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'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. 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.

10/8/2019

Date

Respondent

Beta Capital Securities LLC

By: 

Name: Noelia Poredano

Title: Chief Executive Officer.

Reviewed by:

Attorney Name

Counsel for Respondent

Accepted by FINRA:

10/21/19

Date

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



Jack Macken
Senior Counsel
FINRA Department of Enforcement



Via Email ([REDACTED])

October 3, 2019

Jack Macken
Senior Counsel
Department of Enforcement
15200 Omega Drive
Rockville, MD 20850

Re: Beta Capital Securities, LLC AWC No. 20160488354 - Corrective Actions Statement

This Corrective Action Statement is submitted by Beta Capital Securities, LLC ("BCS", "Firm", also referred to as the "Respondent"). It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

BCS has taken corrective action commencing most notably with the implementation of Bloomberg Trade Order Management Solutions ("TOMS") at the end of January 2019, with a live launch on or about February 2019. BCS implementation of TOMS has significantly enhanced and remediated the Firm's prior reporting inconsistencies.

BCS has made TRACE reporting one (1) of its highest priorities with the implementation of daily monitoring and reporting (internally), which have resulted in positive statistical reporting reflected in the Firm's TRACE reporting statistics versus the industry and its peers since January 2019. As reflected in the YTD chart below the Firm % of Late Trace is often better than both the Industry Average and the Peer Average for the past six months.

Corporate Bonds YTD – Stats

Month	# of late Trace	Total number of trades	Firm % BETA	Industry Average	Peer Average%
January'19	6	1,012	0.59%	0.91%	1.53%
February'19	1	1,062	0.09%	0.99%	1.50%
March'19	2	1,131	0.18%	1.24%	2.61%
April'19	6	921	0.65%	0.83%	1.60%
May'19	4	1104	0.36%	0.91%	1.51%
June'19	3	866	0.35%	0.86%	1.36%



In addition to this item the Firm has made a significant investment and long-term capital commitment to utilize Bloomberg TOMS system to further enhance overall reporting and monitoring capabilities. Currently, BCS has contracted with Bloomberg TOMS for its "Core" fee program of \$85K/year which will increase to the "Classic" \$200K once trading volumes reach 10,000 transactions.

The Firm believes the aforementioned changes/enhancements related to the implementation of TOMS adequately address regulatory requirements and expectations concerning overall TRACE reporting, while also addressing the circumstances that led to historical reporting inconsistencies.

Respectfully submitted,

Noelia Povedano
Chief Executive Officer