

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20160493435-02**

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

RE: Buckman, Buckman & Reid, Inc., Respondent
Broker-Dealer
CRD No. 23407

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Buckman, Buckman & Reid, Inc. ("BKRT" 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 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 January 16, 1989 and its registration remains in effect. The firm is a financial services firm and provides investment banking and financial advisory services to retail and institutional clients and conducts business in equities securities and options. With regard to its options business, BKRT provided brokerage services and cleared its positions through XYZ Clearing Firm, as a correspondent firm.¹

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history with respect to the options conduct addressed in this AWC. However, on September 13, 2013, FINRA accepted an AWC in which the firm was fined \$7,500 for Order Audit Trail System ("OATS") reporting violations committed by the firm during the review period of January 9-20, 2012.

¹ A generic identifier is used in place of the name of the clearing firm involved in this matter.

SUMMARY

In connection with Matter No. 20160493435, the Options Regulation staff of FINRA's Department of Market Regulation (the "staff") conducted a review to determine if BKRT was in compliance with the rules and regulations of FINRA relating to position limits, and whether the firm established any options positions, or allowed customers to establish an options position, outside the prescribed limits between February 25, 2016 and March 17, 2016 (the "Options Review Period").

In connection with Matter No. 20160492343, the OATS Compliance Team of FINRA's Department of Market Regulation conducted a review of the firm's compliance with FINRA Rule 7450 during the period between May 13, 2015 and June 30, 2016 (the "OATS Review Period").

FACTS AND VIOLATIVE CONDUCT

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1. On February 25, 2016, BKRT effected opening transactions for the account of a customer that exceeded the applicable position limit on the bullish side of the market in ABCD, which was 50,000 contracts, by 5,676 contracts.¹
2. On February 26, 2016, the firm executed an additional 500 contracts in ABCD for the same customer while the customer's position in ABCD had already exceeded the position limit on the previous trading day, which further caused the applicable position limit to be exceeded by a total of 6,176 contracts.
3. Although on February 26, 2016, BKRT identified that its customer's position in ABCD had exceeded the applicable position limit, and while the firm made some initial efforts to address the issue, such efforts were unsuccessful in bringing its customer's position in ABCD into compliance with the applicable position limit. As such, BKRT exceeded the position limit in ABCD for a total of 16 consecutive trading days during the Review Period, which ranged from approximately 11% to 12% over the applicable limit for the security. BKRT's clearing firm, XYZ Clearing Firm, where the positions were maintained, also failed to take action necessary to bring the position into compliance.²
4. The conduct described in paragraphs 1 through 3 constitutes a violation of FINRA Rule 2360(b)(3).
5. During the Options Review Period, BKRT's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the rules of FINRA, concerning position limits. Specifically, the firm's supervisory system did not include written supervisory

¹ A generic identifier is used in place of the name of the security involved in this matter.

² On March 18, 2016, a position limit increase was published by the Options Clearing Corporation that increased the limit from 50,000 contracts to 75,000 contracts, which brought the BKRT customer's positions into compliance.

procedures ("WSPs") providing for: (i) a statement of the supervisory step(s) to be taken by the identified person(s) responsible for supervision with respect to the applicable rules governing position limits; and (ii) a statement as to how often such person(s) should take such step(s). In addition, during the Review Period, the firm's WSPs were also deficient as they incorrectly indicated that the firm's clearing firm or other firms executing on its behalf had systems to prevent order entries that would violate position limits. The conduct described in this paragraph constitutes a violation of FINRA Rules 3110 and 2010.

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6. During the OATS Review Period in situations where BKRT was acquiring shares via OTC Link¹ to facilitate customer orders on a net basis (*i.e.*, net trades),² while the firm transmitted Reportable Order Events ("ROEs") to OATS reflecting the net price at which it satisfied the customer orders, it failed to transmit ROEs to OATS for orders from its principal account that were utilized to acquire the securities on behalf of its customers. As such, during the Review Period, the firm failed to transmit 94,622 ROEs to OATS, which constituted 30.71% of all (308,082) ROEs that the firm was required to transmit to OATS.³ The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450(a).
7. BKRT's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to FINRA Rule 7450, as the firm was unaware of its OATS reporting obligations involving the ROEs it failed to report during the Review Period. Additionally, the firm's supervisory system did not include adequate written supervisory procedures ("WSPs") providing for (i) a statement of the supervisory step(s) to be taken by the person(s) identified as responsible for supervision of OATS reporting, which included a failure to provide for a comprehensive review of the OATS website incorporating such steps necessary to ensure that the Firm's OATS submissions were timely, accurate and complete; (ii) a statement as to how often such person(s) should take such step(s); and (iii) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of FINRA Rules 3110 and 2010.

¹ OTC Link LLC ("OTC Link") is an electronic inter-dealer quotation system that displays quotes from broker-dealers for many over-the-counter (OTC) securities. Market makers and other broker-dealers who buy and sell OTC securities can use OTC Link to publish their bid and ask quotation prices. OTC Link is registered with the SEC as a broker-dealer and as an alternative trading system, and is a member of FINRA.

² A net trade is a principal trade in which a broker-dealer, after having received an order to buy (sell) an equity security, purchases (sells) the security at one price and satisfies the original order by selling (buying) the security at a different price.

³ BKRT ceased its business on OTC Link as of June 30, 2016.

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

A censure and a total fine of \$37,500 (consisting of \$7,500 for the violations of FINRA Rule 2360(b)(3) and \$7,500 for the violations of FINRA Rules 3110 and 2010 under STAR No. 20160493435; and \$15,000 for the violations of FINRA Rule 7450, and \$7,500 for the violations of FINRA Rules 3110 and 2010 under STAR No. 20160492343).

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.

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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.

Date 5/22/2018

Respondent

Buckman, Buckman & Reid, Inc.

By: [Signature]

Name: Thomas P. Buckman

Title: Vice President

Reviewed by:

[Signature]

Counsel for Respondent

John Murphy, Esq.
John Murphy & Associates, P.C.
1450 Broadway, 39th Floor
New York, NY 10018
Tel: (646) 862-2012
Firm Name

Accepted by FINRA:

6/4/18
Date

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

[Signature]

Bryan C. Wallace, Principal Counsel
FINRA Department of Enforcement