

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016049876001**

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

RE: BNP Paribas Securities Corp., Respondent
Member Firm
CRD No. 15794

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, BNP Paribas Securities Corp. ("BNP" 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

BNP has been a FINRA member since December 1984. It is headquartered in New York, New York, and the firm has approximately 1,210 registered representatives among its 12 branch offices. The firm engages in market making transactions and brokerage activities for its customers, who are primarily institutions, other broker-dealers, and affiliates. BNP also engages in investment banking activities and provides certain operational, prime brokerage and futures commission merchant services to various institutional customers, including affiliates.

RELEVANT DISCIPLINARY HISTORY

On October 17, 2016, FINRA accepted an AWC, in which the firm was censured and fined \$85,000 (\$67,500 for Trade Reporting and Compliance Engine ("TRACE") violations and \$17,500 for related supervisory violations). During the period from April 15, 2015 through December 31, 2015, the firm failed to timely report 363 Corporate Debt Securities transactions to TRACE, and failed to establish, maintain and enforce a supervisory system reasonably designed to comply with FINRA rules related to TRACE reporting in violation of FINRA Rules 6730(a), 3110 and 2010.



On July 18, 2016, FINRA accepted an AWC, in which the firm was censured and fined \$27,500 for TRACE reporting violations. During the period from October 1, 2014 through June 30, 2015, the firm failed to timely report 88 Securitized Product transactions, and 41 new issue offerings in Securitized Product transactions, to TRACE, and its violations constituted a pattern and practice of late reporting without exceptional circumstances, in violation of FINRA Rules 6730(a), 6760(c) and 2010.

On August 7, 2015, FINRA accepted an AWC, in which the firm was censured and fined \$50,000 for TRACE reporting violations. During the periods from October 1, 2013 through December 31, 2013, and from July 1, 2014 through September 30, 2014, the firm failed to timely report 1,662 Corporate Debt Securities transactions and 76 Agency Debt Securities transactions to TRACE, and inaccurately reported 65 Corporate Debt Securities transactions to TRACE, in violation of FINRA Rules 6730(a), 6730(c)(8) and 4511(a).

OVERVIEW

During the periods from April 1, 2016 through June 30, 2016, and from January 1, 2017 through December 31, 2018 (the “Late Trade Review Period”), BNP failed to timely report over 10,000 transactions in TRACE-Eligible Corporate Debt Securities to TRACE, in violation of FINRA Rules 6730(a) and 2010.

During the period between April 1, 2016 and September 30, 2016, BNP reported 135 transactions in TRACE-Eligible Corporate Debt securities with an inaccurate contra-party identifier to TRACE, in violation of FINRA Rules 6730(c)(6) and 2010.

During the period from April 1, 2016 through January 31, 2019 (the “Supervisory Review Period”), BNP’s supervisory system was not reasonably designed to achieve compliance with the firm’s transaction reporting obligations for TRACE-Eligible Securities, in violation of FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter stems from a number of regular reviews conducted by FINRA’s Department of Market Regulation (the “staff”) of the firm’s compliance with FINRA Rules applicable to TRACE reporting.

Late TRACE Transaction Reporting

1. Late trade reporting to TRACE impedes real-time, public dissemination of transaction and pricing data. Specifically, untimely trade reporting of disseminated trades directly impacts investors and other market participants by depriving them of meaningful information necessary to make trading and valuation decisions.
2. FINRA Rule 6730(a) provides, in relevant part, that “[e]ach member that is a Party to a Transaction 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.'”

3. FINRA Rule 6730(a)(5) states, in relevant part, that “[m]embers have an ongoing obligation to report transaction information promptly, accurately, and completely.”
4. FINRA Rule 6730(f) states that 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.”
5. FINRA Rule 2010 requires members to observe high standards of honor and just and equitable principles of trade. A violation of another FINRA rule constitutes a violation of FINRA Rule 2010.
6. During the Late Trade Review Period, the firm failed to report over 10,000 transactions in TRACE-Eligible Corporate Debt Securities to TRACE within the time required by FINRA Rule 6730(a). These untimely reports constituted between approximately two to seven percent of the firm’s total Corporate Debt Securities transactions reported to TRACE, depending on the timeframe within the Late Trade Review Period, and constituted a pattern or practice of late reporting without exceptional circumstances.
7. The majority of the untimely reporting violations were caused by latencies associated with the manual handling of orders by traders and salespersons, including untimely amendments and corrections to transaction terms. The firm took corrective action to address its late reporting to TRACE beginning in January 2019.
8. By virtue of the foregoing, BNP violated FINRA Rule 6730(a), and its violations constituted a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

Inaccurate TRACE Reporting

9. FINRA Rule 6730(b)(1) states, in relevant part, “[i]n transactions between two members, both members shall submit a trade report to TRACE.”
10. FINRA Rule 6730 identifies the specific types of information required to be included in trade reports submitted to TRACE. FINRA Rule 6730(c)(6) requires each trade report to include the contra-party identifier.
11. During the period from April 1, 2016 through September 30, 2016, the firm failed to report to TRACE the correct contra-party identifier for 135 transactions in TRACE-Eligible Corporate Debt Securities.
12. The firm’s failures to report the correct contra-party identifier largely resulted from limitations within the firm’s TRACE reporting system that could not accommodate contra-party firms with multiple MPIDs. The firm took corrective action beginning in April 2017 by implementing system

enhancements to monitor for accurate contra-party identifiers and correcting the system limitation for contra-parties with multiple MPIDs.

13. By virtue of the foregoing, BNP violated FINRA Rule 6730(c)(6) and 2010.

Supervision

14. FINRA Rule 3110(a) states that “[e]ach member shall establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.”
15. During the Supervisory Review Period, the firm’s written supervisory procedures (“WSPs”) relating to its TRACE reporting obligations required the firm to review internal TRACE statistics reports, as well as FINRA’s Quality of Markets Report Cards to monitor for late trades and escalate any TRACE reporting issues to the compliance department. However, BNP’s reviews of its trader/salesperson conduct to determine whether reports were timely submitted to TRACE failed to include traders and salespersons on non-U.S. desks. As a result, its review failed to identify all of its untimely reporting to TRACE that was attributable to trader/salesperson conduct.
16. In addition, although the firm took certain actions, including employing technology enhancements to automate aspects of its order handling processes and implementing additional training, the firm did not review these changes to determine whether the actions were effective in remediating its untimely reporting to TRACE. As a result, the firm failed to identify ongoing trader/salesperson conduct that was a root cause of its untimely TRACE reporting. Accordingly, the firm’s supervisory system was not reasonably designed to achieve compliance with the firm’s transaction reporting obligations for TRACE-Eligible Securities. The firm took corrective action by the end of the Supervisory Review Period.
17. By virtue of the foregoing, BNP violated FINRA Rules 3110 and 2010.

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

- A censure; and
- A fine of \$200,000 (consisting of \$110,000 for violations of FINRA Rule 6730(a); \$15,000 for violations of FINRA Rule 6730(c)(6); and \$75,000 for supervisory violations).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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 that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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. 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 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 the firm to submit it.

BNP Paribas Securities Corp.
Respondent

24/7/2020
Date

By: 

Print Name: HUBERT DE LAUBIAC

Title: CEO, BNPP Sec Corp

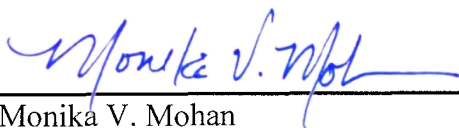
Reviewed by:

Counsel for Respondent

Accepted by FINRA:

July 27, 2020
Date

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


Monika V. Mohan
Counsel
FINRA
Department of Enforcement