

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016050593301**

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

RE: SG Americas Securities, LLC, Respondent
Member Firm
BD No. 128351

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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 it 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

SG Americas Securities, LLC is a broker-dealer based in New York. The firm has more than 850 registered representatives in six branch offices. It is an indirect subsidiary of Société Générale.

RELEVANT DISCIPLINARY HISTORY

SG Americas Securities has no relevant disciplinary history.

OVERVIEW

During 2015, SG Americas Securities failed to have adequate systems to ensure that certain customers, particularly customers of a recently-acquired firm, were sent periodic account statements by mail or electronic delivery, or were notified that statements were available for review or download. In addition, the firm failed to ensure that certain customers who received statements electronically had agreed to do so, and failed to ensure that confirmations contained all the required information.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 2340 requires, in pertinent part, that

each general securities member shall, with a frequency of not less than once every calendar quarter, send a statement of account... containing a description of any securities positions, money balances, or account activity to each customer whose account had a security position, money balance, or account activity during the period since the last such statement was sent to the customer.

SG Americas Securities failed to ensure that it complied with this requirement following its acquisition of another firm, Newedge USA, LLC, in January 2015. It continued to rely on Newedge's legacy system for distributing statements and confirmations, and did not have sufficient internal controls to monitor whether customer account statements were being sent to customers of the acquired firm during 2015. As a result, at least some customers acquired in the Newedge acquisition did not receive periodic account statements.

In addition, some customers elected to receive their customer statements and trade confirmations in electronic format via a customer portal. In certain instances, the firm did not notify customers that their statements were available for download, effectively depriving them of the ability to obtain the statements. It also sent account statements and confirmations electronically to some customers who had not agreed to forgo delivery of paper copies.

Although electronic statement delivery is permissible, a firm should establish procedures for ensuring the electronic delivery is made.¹ More significantly, the firm must obtain customer consent for utilizing electronic delivery,² and must notify the customer of the availability of the information if it is on a "passive" delivery system (as opposed to being emailed to the customer).³

By virtue of the foregoing, SG Americas Securities violated NASD Rule 2340. By so doing, it failed to observe high standards of commercial honor and just and equitable principles of trade, thereby violating FINRA Rule 2010.

Securities Exchange Act Rule 10b-10 requires that brokers provide customers with confirmations of transactions setting forth certain information. That information includes, in pertinent part, the identity of the firm executing the

¹ See Notice to Members 98-3.

² *Id.* (citing Securities Act Release No. 7288 (May 9, 1996)).

³ "If information is made available electronically through a passive delivery system, such as an Internet Web Site, however, separate notice would be necessary to satisfy the delivery requirements unless the broker-dealer, transfer agent, or investment adviser can otherwise evidence that delivery to the customer or client has been satisfied." Securities Act Release No. 7288 at n.21.

transaction. Some of the confirmations generated by the legacy Newedge systems for transactions executed away from SG Americas Securities failed to identify the executing broker. By failing to provide that information, SG Americas Securities violated Securities Exchange Rule 10b-10. By so doing, it failed to observe high standards of commercial honor and just and equitable principles of trade, thereby violating FINRA Rule 2010.

FINRA Rule 3110(a) requires firms to "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." As set forth above, SG Americas Securities failed to establish and maintain a supervisory system reasonably designed to ensure that former Newedge customers were sent account statements, were notified of the availability of statements on its customer portal, agreed to receive statements and confirmations electronically, and were sent confirmations which contained all of the required information. By virtue of this conduct, SG Americas Securities violated FINRA Rule 3110(a). By so doing, it failed to observe high standards of commercial honor and just and equitable principles of trade, thereby violating FINRA Rule 2010.

B. SG Americas Securities also consents to the imposition of the following sanctions:

1. a censure;
2. a fine of \$100,000.

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.

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 it; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 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. It 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 its: (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. It 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 SG Americas Securities, certifies that a person duly authorized to act on its behalf has read and understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the firm has agreed to its 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 Respondent to submit it.

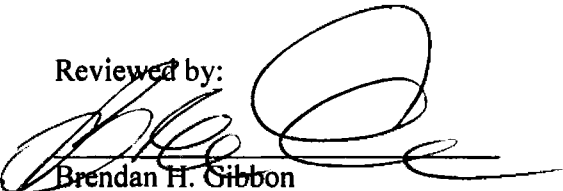
4-25-17
Date


SG Americas Securities, LLC
Respondent

By: **JEFFREY ROSEN**
Managing Director

Print name and title

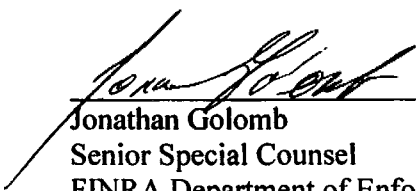
Reviewed by:


Brendan H. Gibbon
Counsel
Société Générale - Americas
245 Park Ave.
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(212) 278-6447

Accepted by FINRA:

4/27/17
Date

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


Jonathan Golomb
Senior Special Counsel
FINRA Department of Enforcement
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