
FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016051813401

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

RE: KGS-Alpha Capital Markets, L.P., n/k/a BMO Capital Markets Corp., Respondent
Broker-Dealer
CRD No. 151705

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent KGS-Alpha Capital Markets, L.P. ("KGS-Alpha" or the "Firm"), n/k/a BMO Capital Markets Corp. 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

On May 4, 2010, KGS-Alpha registered with the U.S. Securities and Exchange Commission ("SEC") and also became a FINRA member. The Firm terminated its SEC registration on November 20, 2018, and its FINRA membership on November 21, 2018. Between July 2016 and June 2017, KGS-Alpha was headquartered in New York, New York and specialized in structuring and trading securitized products. During that period, it had eight branches and between 109 and 115 registered individuals. On September 4, 2018, KGS-Alpha was acquired by BMO Capital Markets Corp. ("BMO Capital"), another FINRA member.

RELEVANT DISCIPLINARY HISTORY

Neither KGS-Alpha nor BMO Capital has any relevant disciplinary history with the SEC, any state securities regulators, FINRA, or any other self-regulatory organization.

OVERVIEW

Between July 1, 2016 and March 31, 2017, KGS-Alpha failed to report to the Trade Reporting and Compliance Engine ("TRACE") the correct time of execution for 266

transactions in TRACE-eligible securitized products, as required by FINRA Rule 6730(c)(8). For 71 of these transactions, KGS-Alpha also failed to show the correct time of execution on the memoranda of the brokerage orders, as required by Exchange Act Rule 17a-3. In addition, between July 1, 2016 and June 30, 2017, KGS-Alpha failed to report to TRACE 287 transactions in TRACE-eligible securitized products within the time required by FINRA Rule 6730(a). Based on the foregoing, KGS-Alpha violated Exchange Act Rule 17a-3, and FINRA Rules 6730(a), 6730(c)(8), and 2010.

FACTS AND VIOLATIVE CONDUCT

Inaccurate Reporting and Recordkeeping

FINRA Rule 6730(c)(8) provides that “[e]ach TRACE trade report shall contain” the “Time of Execution,” which is defined in FINRA Rule 6710(d) as “the time when the Parties to a Transaction agree to all of the terms of the transaction that are sufficient to calculate the dollar price of the trade.” Exchange Act Rule 17a-3 requires firms to make and keep current certain books and records relating to their business, including memoranda of each brokerage order. FINRA Rule 2010 requires FINRA members to observe high standards of commercial honor and just and equitable principles of trade.

From July 1, 2016 through March 31, 2017, due to a misunderstanding as to how to determine the time of execution and manual errors by Firm employees, KGS-Alpha failed to report to TRACE the correct time of execution for 266 transactions in TRACE-eligible securitized products. These transactions constituted 2.26% of the 11,752 matched inter-dealer reports in TRACE-eligible securitized products submitted by the Firm during this period. For 71 of the 266 transactions, the Firm also failed to record the correct time of execution of the transaction on the memoranda of the brokerage order.

By virtue of the foregoing, Respondent violated Exchange Act Rule 17a-3 and FINRA Rules 2010 and 6730(c)(8).

Late Reporting

FINRA Rule 6730(a) states, in relevant part, that “[e]ach member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. . . . 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.’” FINRA Rule 6730(f) provides 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.”

From July 1, 2016 through June 30, 2017, due to manual errors by Firm employees and untimely amendments or corrections made to TRACE reports, KGS-Alpha failed to report to TRACE 287 transactions in TRACE-eligible securitized products within the time required by FINRA Rule 6730(a).

By virtue of the foregoing, the Firm violated FINRA Rule 6730(a) and engaged in a pattern or practice of late reporting in violation of FINRA Rule 2010.

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

A censure and fine of \$30,000.

Respondent agrees to pay the monetary sanctions 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 SEC 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

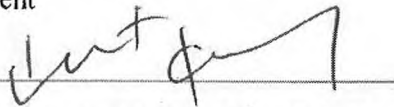
Respondent understands that:

- 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.

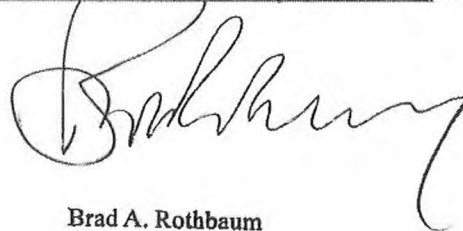
The undersigned, on behalf of the Respondent Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that 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.

KGS-Alpha Capital Markets, L.P., n/k/a BMO
Capital Markets Corp.
Respondent

11/18/2019
Date

By: 
Print Name: LEVENT KAHRAMAN
Title: MANAGING DIRECTOR

Reviewed by:



Brad A. Rothbaum
Managing Director
Chief Operating Officer
BMO Capital Markets

[Attorney Name]
Counsel for Respondent
[Firm Name]
[Address]
[City/State/Zip]

Accepted by FINRA:

12/16/2019
Date

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


Eleanor Bradley Huyett
Counsel
FINRA
Department of Enforcement
15200 Omega Drive, Suite 300
Rockville, MD 20850