

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017053083201**

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

RE: Buckman, Buckman & Reid, Inc., Respondent
Member Firm
CRD No. 23407

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Buckman, Buckman & Reid, Inc. 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

Buckman became a FINRA member in January 1989. Based principally in New Jersey, the firm employs 46 registered representatives.

RELEVANT DISCIPLINARY HISTORY

On February 22, 2017, FINRA accepted an AWC in which the firm was censured and fined \$40,000, of which \$12,500 related to Exchange Act Rule 606 violations during the February 18 through February 28, 2014 review period. Specifically, Buckman published a Rule 606 report that included incorrect information regarding the percentage of the firm's order flow.

OVERVIEW

From February 14 through August 14, 2017, Buckman violated Rule 606 and FINRA Rule 2010 by: (1) failing to publish a report reflecting its routing of covered securities for the third quarter of 2017 ("3Q17"); (2) failing to disclose payment for order flow that the firm received from an executing venue; and (3) improperly adopting by reference the report of an executing broker. The firm also violated FINRA Rules 3110 and 2010 when

it failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), that was reasonably designed to achieve compliance with Rule 606.

FACTS AND VIOLATIVE CONDUCT

The Firm Failed to Make Its 3Q17 Report Publicly Available

1. Rule 606 requires broker-dealers that route customer orders in equities and option securities to publish quarterly reports that provide a general overview of their routing practices. The purpose of these reports is to provide the public with information on how broker-dealers route orders, enable the evaluation of order routing practices and foster competition among market participants. Rule 606 requires firms to post their reports on an internet website that is free and readily accessible to the public for a period of three years from the initial date of posting on the internet website.
2. The firm failed to make publicly available for 3Q17 a report on its routing of non-directed orders in covered securities during that quarter. During 3Q17, the firm experienced a technical issue with its webhost provider that caused the firm's Rule 606 report webpage to revert to an older webpage that displayed an outdated report. The conduct described in this paragraph constitutes a violation of Rule 606 and FINRA Rule 2010.

The Firm Failed to Disclose Its Payment for Order Flow from an Executing Venue

3. Rule 606 also requires firms to include in their reports a section for National Market System (NMS) stocks and a separate section for NMS securities that are options contracts. In each section of the report, broker-dealers must include, among other things, a disclosure of any material aspects of its relationship with each execution venue identified in its report, including a description of any arrangement for the payment for order flow and any profit-sharing relationship. Exchange Act Rule 10b-10(d)(8) defines payment for order flow as "any monetary payment, service, property, or other benefit that results in remuneration, compensation, or consideration to a broker or dealer from any broker or dealer, national securities exchange, registered securities association, or exchange member in return for the routing of customer orders."
4. From the first quarter of 2016 to the second quarter of 2020, the reports displayed on the firm's website did not disclose any payment for order flow the firm received for routing orders to an executing venue. The firm was not aware that Rule 606 required the disclosure to appear in the report itself and was also not aware that it was required to disclose payment for order flow on a per share or order basis.

The Firm Improperly Adopted an Executing Broker's Report

5. Rule 606 permits a broker who transmits all customer orders to its clearing firm to "adopt by reference the clearing firm's report" so long as the broker ensures that the report satisfies the Rule's requirements. In such cases, the report "would identify

significant execution venues, as well as the percentages of non-directed orders, from the standpoint of the clearing firm.”

6. From the first quarter of 2016 to the second quarter of 2020, the firm improperly adopted by reference the report of an executing broker that did not clear the firm’s trades. This report reflected order routing statistics from the standpoint of the executing broker rather than from the standpoint of Buckman. The firm’s improper reliance on this report was based on an incorrect belief that it could adopt by reference the report of an executing broker that did not clear its trades.
7. The conduct described above constitutes violations of Rule 606 and FINRA Rule 2010.

The Firm’s Supervisory System For Compliance With Rule 606 Was Unreasonable

8. FINRA Rule 3110(a) requires member 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.” FINRA Rule 3110(b) further requires firms “to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.”
9. Although the firm reviewed the accuracy of information related to equity orders in its reports, the firm’s supervisory system, including its WSP, was not reasonably designed to achieve compliance with all requirements of Rule 606 because the firm did not: (1) review for the accuracy of reporting in NMS options securities; (2) review to ensure the firm is disclosing the material aspects of its relationships with each venue listed on its reports as well as any arrangement for the payment of order flow with those venues; and (3) review to confirm the reports were publicly available on its website.
10. The conduct described in Paragraph nine constitutes a violation of FINRA Rules 3110 and 2010.

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

A censure; a fine of \$15,000; and an undertaking to revise the firm’s WSPs. Within 30 business days of this AWC becoming final, a principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 15200 OMEGA DRIVE, SUITE 300, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its WSPs to address the deficiencies described in Paragraph I.A.9 of this AWC; and (3) the date the revised

procedures were implemented.

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 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;

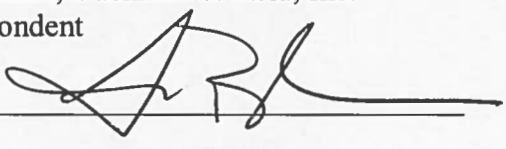
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator 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. 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.

Date

8/13/2020
Date

Buckman, Buckman & Reid, Inc.
Respondent

By: 

Print Name: Thomas Buckman

Title: Managing Director

Reviewed by:

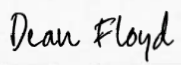
Counsel for Respondent

Accepted by FINRA:

August 28, 2020

Date

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



Dean A. Floyd
Senior Counsel
FINRA
Department of Enforcement
15200 Omega Drive
Rockville, MD 20850