

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2017054054501**

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

RE: Barclays Capital Inc. (Respondent)
Member Firm
CRD No. 19714

Pursuant to FINRA Rule 9216, Respondent Barclays Capital 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 in this AWC.

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

Barclays became a FINRA member on October 1987. The firm is headquartered in New York, New York, and has 14 branches with 2,785 registered individuals. The firm's business lines include commission-based brokerage, investment banking and research services. The firm is a broker-dealer of U.S. government securities, corporate debt, mortgage and asset backed securities.

RELEVANT DISCIPLINARY HISTORY

On November 15, 2016, FINRA accepted an AWC containing a censure and a \$40,000 fine for Barclay's failure to timely and accurately report fixed income transactions to FINRA's Trade Reporting and Compliance Engine (TRACE) from April 1, 2015, through September 30, 2015.

OVERVIEW

From January 2017 through April 2019, Barclays had systemic TRACE reporting issues that caused numerous violations of FINRA Rules 6730 and 2010. Barclays: (i) failed to timely report transactions in TRACE-eligible Corporate Bonds and TRACE-eligible

Agency Debt Securities, (ii) over-reported Treasury transactions to TRACE, and (iii) reported the incorrect time of execution for Corporate transactions to TRACE. In addition, the firm violated Exchange Act Rule 17a-3 and FINRA Rule 2010 by failing to show the correct time of execution on the memoranda of hundreds of brokerage orders. The firm also failed to establish a supervisory system reasonably designed to achieve compliance with TRACE reporting rules in violation of FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

Barclays reported transactions late to TRACE

FINRA Rule 6730(a) provides that each 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.

FINRA Rule 2010 provides that a member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

From January 2017 through October 2018, Barclays consistently reported over 2% of its Corporate transactions to TRACE more than 15 minutes after the time of execution, resulting in approximately 1,000 late reports a month. FINRA reviewed a sample of 800 potential late Corporate transactions and confirmed that the firm reported 772 of those transactions late. The majority of the late Corporate transactions were caused by manual trade amendments or the trader or salesperson entering the trade late. After being contacted by FINRA, the firm addressed these issues through technological and supervisory enhancements that were completed by the first quarter of 2019.

From January 2017 through February 2019, Barclays often reported more than 3% of its Agency transactions to TRACE more than 15 minutes after the time of execution, resulting in approximately 26 late reports a month. FINRA reviewed a sample of 400 potential late Agency transactions and confirmed the firm reported 399 of those transactions late. The Agency reporting issues were primarily caused by mapping (the coding that allows certain fields to be automatically populated) and technological issues. The firm addressed these issues in February and March 2019 after being contacted by FINRA.

Therefore, Respondent violated FINRA Rules 6730(a) and 2010.

Barclays over-reported Treasury transactions to TRACE

FINRA Rule 6730(a)(5) provides that members have an obligation to report transaction information promptly, accurately, and completely to TRACE.

In July 2017, Treasuries became TRACE eligible after the Treasury Department and the Securities and Exchange Commission requested that FINRA collect data regarding U.S. Treasury cash market transactions. From July 10, 2017 through April 30, 2019, Barclays reported to TRACE an estimated 550,000 transactions or 18.78% of its Treasury transactions that it was not required to report. The over-reporting occurred in connection

with Treasury transactions executed between Barclays and its affiliate. Barclays often offset transactions with customers or other dealers with a transaction with the affiliate. If Barclays was short, it would purchase an offsetting amount from the affiliate, or if it was long, it would sell that position to the affiliate. Due to a coding error, the firm erroneously reported both legs of the transaction to TRACE as if the firm were simultaneously buying and selling the same security at the same price. This coding error started when Treasury transactions became eligible for TRACE reporting in July 2017, and Barclays fixed the issue by September 4, 2019, after being contacted by FINRA. During this time, Barclays' over reporting generated false alerts in FINRA's regulatory surveillance patterns.

Therefore, Respondent violated FINRA Rules 6730(a)(5) and 2010.

Barclays captured the incorrect execution time of transactions to TRACE

FINRA Rule 6730(c)(8) provides that a TRACE trade report contain the time of execution.

Exchange Act Rule 17a-3 requires broker-dealers to make and keep certain records including a memorandum of each brokerage order that should contain, to the extent feasible the time of execution or cancellation. Implicit in Exchange Act Rule 17a-3 is that these records contain accurate information

From January 1, 2017 through September 30, 2017, Barclays reported the incorrect execution time for 293 sampled Corporate transactions to TRACE. In addition, for 286 of these transactions, the firm did not record the correct execution time on the memorandum. Barclays did not timely enter the transactions into the order management system, which incorrectly reported the transactions' execution time as the time the transaction was entered into the order management system.

Therefore, Respondent violated FINRA Rules 6730(c)(8) and 2010 in 293 instances and Exchange Act Rule 17a-3 and FINRA Rule 2010 in 286 instances.

Barclays supervisory system, including its written supervisory procedures (WSPs), was not reasonably designed to achieve compliance with TRACE reporting rules

FINRA Rule 3110(a) provides that each 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 FINRA rules.

FINRA Rule 3110(b) provides that each member shall establish, maintain and enforce WSPs to supervise the type 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.

Barclays had a decentralized supervisory system that was not reasonably designed to identify TRACE reporting issues

From January 2017 through April 2019, Barclays primarily supervised TRACE reporting by requiring up to 67 supervisors to review weekly and monthly reports of TRACE reporting, which included individual transactions that were reported late and statistics of late reporting. The firm's WSPs required supervisors to review reporting activity to determine if there were any issues that needed to be escalated. When a supervisor did escalate issues, it was sent to an operations team and there was no individual or individuals with supervisory authority tasked with reviewing for larger patterns of TRACE reporting issues that affected multiple traders or sales people as in the case here. Therefore, the firm did not identify the ongoing TRACE reporting issues discussed here.

Barclays had no supervisory system to identify the over-reporting of transactions with its affiliates

From January 2017 through April 2019, Barclays had no supervisory system, including WSPs, in place that enabled it to identify its over-reporting of Treasury transactions. Barclay's procedures for the identification of over-reporting of transactions only applied to interdealer transactions, not transactions with the firm's affiliate. Because the affiliate was not a broker-dealer, these transactions were not included in supervisory reviews.

Therefore, Respondent violated FINRA Rules 3110(a) and (b) and 2010.

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

- a censure;
- a \$650,000 fine; and
- an undertaking to revise the firm's written supervisory procedures with respect to over-reporting of Treasury transactions eligible for TRACE reporting. Within 30 days after this AWC becomes final, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 15200 OMEGA DRIVE, SUITE 300, ROCKVILLE, MD 20850-3241, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, acknowledging that the firm revised its written supervisory procedures, and the date the revised procedures were implemented.

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 an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 its acceptance or rejection.

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

[REDACTED]

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 its subject matter 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 testimonial obligations or 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

November 25, 2020

Date

Penny Rosenberg

Barclays Capital Inc.
Respondent

Print Name: Penny Rosenberg

Title: Director

Accepted by FINRA:

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

December 1, 2020

Date

Elisabeth Grippando

Elisabeth Grippando
Principal Counsel
FINRA
Department of Enforcement
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