

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017054867601**

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

RE: Dinosaur Financial Group LLC, Respondent
CRD No. 104446

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Dinosaur Financial Group LLC ("Dinosaur" or "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 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

Dinosaur has been a FINRA member since March 2001. The Firm has approximately 91 registered individuals and operates out of ten branch offices. Its primary lines of business are equity trading, listed options and foreign bond trades. The Firm also derives its revenues from the sale of various insurance products, variable contracts, and futures, 12b-1 fees, administrative fees from an affiliated investment advisor, and asset based lending fees. The Firm's customers are retail, accredited high net worth individuals, and institutional entities.

RELEVANT DISCIPLINARY HISTORY

In April 2013, the Firm entered into an AWC with FINRA in which it was censured and fined \$10,000 for incorrectly reporting execution times, incorrectly reporting buy/sell indicators and late reporting Trade Reporting and Compliance Engine ("TRACE") eligible transactions, in violation of Section 17(a) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 17a-3, FINRA Rules 2010, 4511, 6730(a), 6730(c), and NASD Rule 3110.

OVERVIEW

Between October 2015 and September 2017 (the "Relevant Period"), Dinosaur failed to report, timely report and/or correctly report 892 TRACE-eligible securities transactions. During the Relevant Period, the Firm also failed to timely report 364 municipal securities transactions to the Municipal Securities Rulemaking Board's ("MSRB") Real-Time Reporting System ("RTRS"). The Firm failed to record accurate transaction times with respect to 143 TRACE transactions on its order memoranda. Additionally, the Firm failed to establish, maintain, and enforce a reasonably designed supervisory system, including enforcing its written supervisory procedures ("WSPs"), to ensure accurate reporting of TRACE-eligible and municipal securities transactions that complied with trade reporting rules. Based on the foregoing, Dinosaur violated FINRA Rule 6730(a), (b) and (c), Rule 3110, Rule 2010, Rule 4511, Rule 17a-3 of the Exchange Act, and MSRB Rules G-14 and G-27.

In response to FINRA requests for information made pursuant to FINRA Rule 8210, Dinosaur provided inaccurate Quality of Market Report Card ("QMRC") reports that purported to evidence the Firm's supervisory review of its TRACE transaction reporting. The Firm produced eight monthly QMRC reports to FINRA that a senior Firm employee initialed and dated to reflect the time of his purported trading review. In fact, the Firm employee backdated the reports because the purported trade review did not occur in a timely fashion, as required by the Firm's WSPs. The Firm also altered information on six monthly MSRB reports the Firm produced to FINRA, either backdating dates that the reports were purportedly reviewed, or whiting out the dates reflecting when the reports were generated in order to hide the fact that the trade reviews were not done on a timely basis, as required by the Firm's WSPs. Based on the foregoing, Dinosaur violated FINRA Rules 8210 and 2010 and MSRB Rule G-17.

FACTS AND VIOLATIVE CONDUCT

Trade Reporting Violations

TRACE Reporting

FINRA Rule 6730 requires member firms to report a transaction when they are a party to a transaction in a TRACE-eligible security. All information reported to TRACE must be timely and accurate. The rule dictates when the transactions must be reported, the parties obligated to report them, and the information required to be reported. FINRA Rule 6730(a) requires members to report each TRACE-eligible transaction as soon as practicable if they are a party to it, but no later than within 15 minutes of its execution. FINRA Rule 6730(b) states that in transactions involving two members or a member and a non-member, the member "shall submit a trade report to TRACE." FINRA Rule 6730(c) lists the requirements for each trade report, including 6730(c)(8) which requires that each

TRACE trade report contain the time of execution. FINRA Rule 6730(f) states a pattern or practice of late reporting without exceptional circumstances may be considered a violation of FINRA Rule 2010.

FINRA Rule 2010 requires FINRA members to observe high standards of commercial honor and just and equitable principles of trade. During the Relevant Period, the staff of FINRA's Department of Market Regulation conducted quarterly regulatory sweeps of the Firm's compliance with FINRA and MSRB Rules applicable to trade reporting in TRACE-eligible securities and municipal securities. These sweeps identified, and alerted the Firm to, deficiencies with its trade reporting in connection with each of these quarterly reviews. Despite these notices, Dinosaur failed to report, timely report and/or correctly report 892 TRACE-eligible securities transactions, as described below.

1. Late Reporting: In connection with various reviews during the Relevant Period, FINRA reviewed samples of 10,360 TRACE-eligible transactions, including transactions involving corporate debt securities ("CDS"), agency debt securities ("ADS"), and securitized products ("SP"). From its reviews, FINRA determined the Firm failed to report 394 of the transactions that the Firm submitted to TRACE, within the 15-minute reporting timeframe required by FINRA Rule 6730(a).

For example, during the fourth quarter of 2016, based on its review of a sample of the Firm's TRACE-eligible ADS transactions, FINRA determined the Firm failed to report 47 transactions in TRACE-eligible ADS, or 18.58% of the total 253 ADS transactions reportable during the period, within the 15-minute required timeframe.

The Firm's failure to report each of these transactions within the 15-minute reporting timeframe constitutes a violation of FINRA Rule 6730(a). The Firm's repeated failures over a two-year period constitute a pattern or practice of late reporting without exceptional circumstances, in violation of FINRA Rule 2010.

2. Failure to Report: In connection with various reviews during the Relevant Period, FINRA reviewed samples of 1,306 TRACE-eligible transactions, including transactions involving SP and ADS, to determine whether the Firm submitted trade reports to TRACE as prescribed by FINRA Rule 6730(b). From its reviews, FINRA determined the Firm failed to report 174 of the transactions.

For example, during the third quarter of 2016, the Firm failed to report 81 transactions in TRACE-eligible SP, or 31.2% of the total 259 SP transactions reportable during the period.

The Firm's failure to report each of these transactions constitutes a

violation of FINRA Rule 6730(b).

3. Incorrect Price and Volume: In connection with various reviews during the Relevant Period, FINRA reviewed samples of 1,817 TRACE-eligible transactions, including transactions involving SP, to determine whether the Firm was reporting the price and volume of transactions accurately to TRACE, as prescribed by FINRA Rule 6730(c). The Firm failed to accurately report 27 of the transactions that it submitted to TRACE.

For example, during the third quarter of 2016, the Firm failed to accurately report price and/or volume on 14 transactions in TRACE-eligible SP, or 5.4% of the total 259 SP transactions reportable during the period.

The Firm's failure to accurately report each of these transactions constitutes a violation of FINRA Rule 6730(c).

4. Incorrect Time of Execution: In connection with various reviews during the Relevant Period, FINRA reviewed samples of 5,713 TRACE-eligible transactions, including CDS and SP transactions, to determine whether the Firm reported the correct time of execution, as prescribed in FINRA Rule 6730(c)(8). The Firm failed to report the correct time of execution for 240 of these transactions.

For example, during the third quarter of 2017, based on its review of a sample of the Firm's TRACE-eligible SP transactions, FINRA determined the Firm failed to report the correct time of execution for 35 transactions in TRACE-eligible SP, or 3.84% of the total 911 SP transactions reportable during the period.

The Firm's failure to report the correct time of execution for each of these transactions constitutes a violation of FINRA Rule 6730(c)(8).

5. Inaccurate Reporting: In connection with various reviews during the Relevant Period, FINRA reviewed samples of transactions and the Firm either reported when not required to report (i.e., a transaction was cancelled), or over-reported (i.e., a duplicate trade submission), an additional 57 SP transactions to TRACE, in violation of Rule 6730.

By virtue of the foregoing, Dinosaur violated FINRA Rules 6730(a), (b), and (c) and 2010.

Municipal Securities Transaction Reporting

MSRB Rule G-14 requires broker-dealers to report municipal securities transactions promptly, accurately and completely. The rule generally requires that transactions be reported within 15 minutes of trade execution.

In connection with various examinations during the Relevant Period, FINRA reviewed a sample of 6,650 transactions in municipal securities to determine whether the Firm properly reported municipal transactions to RTRS. Of the sampled transactions, Dinosaur failed to report 364 transactions within the 15-minute reporting timeframe to RTRS.

For example, during the fourth quarter of 2015, the Firm failed to report 99 municipal securities transactions to RTRS, or 10.9% of the total 905 trade reports in municipal securities that Dinosaur reported to MSRB during this period, within the 15-minute reporting timeframe.

By virtue of the foregoing, Dinosaur violated MSRB Rule G-14.

Supervision

FINRA Rule 3110(a) requires members 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) requires a broker-dealer to establish, maintain, and enforce written procedures to supervise the types of businesses 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. A violation of FINRA Rule 3110 also violates FINRA Rule 2010.

MSRB Rule G-27(b) requires that each dealer establish and maintain a system to supervise the municipal securities activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable MSRB rules. MSRB Rule G-27(c) requires that each dealer adopt, maintain and enforce WSPs reasonably designed to ensure that the conduct of the municipal securities activities of the dealer and its associated persons are in compliance as required.

During the Relevant Period, Dinosaur failed to establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with the Firm's transaction reporting obligations for TRACE-eligible securities and municipal securities, including enforcing its WSPs. The Firm's systems were not reasonably designed to ensure the Firm accurately and timely reported TRACE-eligible transactions and municipal securities transactions. The Firm's oversight consisted primarily of relying on its WSPs, which contained a provision to review, identify, and remediate trade reporting deficiencies, including the timeliness and accuracy of the reporting. Specifically, the Firm received monthly reports for review of its trade reporting to TRACE (the QMRC reports) and the MSRB (the RTRS reports). The Firm's procedures provided that, upon receipt of these monthly

reports, Dinosaur would compare its trade data to the monthly reports, taking remedial steps, as needed to correct for inaccurate reporting. The Firm did not follow these procedures. The Firm did not review the reports on a timely basis and, in some cases, did not review the reports at all. Accordingly, Dinosaur failed timely to identify and remediate its trading deficiencies. Moreover, even after FINRA repeatedly alerted the Firm about its trade reporting deficiencies over a two-year period, the Firm failed to address the continued deficiencies in its trade reporting. This failure resulted in numerous ongoing trade reporting violations over the Relevant Period. As a result, Dinosaur's supervisory system, including its WSPs, were not reasonably designed to achieve compliance with FINRA Rule 6730 and MSRB Rule G-14, the trade reporting rules.

By virtue of the foregoing, Dinosaur violated FINRA Rules 3110(a) and (b), FINRA Rule 2010 and MSRB Rules G-27(b) and (c).

Recordkeeping Violations

Exchange Act Rule 17a-3 requires firms to make and keep current certain books and records relating to its business, including memoranda of each brokerage order. The obligation to make and keep records current includes the requirement that such records be accurate.

FINRA Rule 4511 requires members to make and preserve books and records as required under FINRA rules, the Exchange Act and the applicable Exchange Act rules. A violation of Exchange Act Rule 17a-3 and FINRA Rule 4511 also violates FINRA Rule 2010.

Between April 2017 and September 2017, Dinosaur failed to show the correct execution time on order memoranda for 143 TRACE-eligible securities.

By virtue of the foregoing, Dinosaur violated FINRA Rules 4511 and 2010 and Exchange Act Rule 17a-3.

False and Misleading Documents

FINRA Rule 8210(a) provides FINRA with the right to require, in relevant part, "a member, person associated with a member, or person subject to FINRA's jurisdiction to provide information ... [to FINRA staff]" and FINRA Rule 8210(c) provides in relevant part that "No member or person shall fail to provide information [to FINRA staff]." FINRA Rule 2010 requires members and associated persons to adhere to high standards of business conduct and prohibits "all unethical business-related conduct."¹ A violation of FINRA Rule 8210 also violates FINRA Rule 2010.

MSRB Rule G-17 provides that "[i]n the conduct of its municipal securities or municipal advisory activities, each broker, dealer, municipal securities dealer, and

¹ See *Dep't of Enf't v. Shvarts*, No. CAF980029, 2000 NASD Discip LEXIS 6, at *16-17 (NAC June 2, 2000).

municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice.”

In responses to FINRA requests for information made pursuant to FINRA Rule 8210, the Firm produced monthly reports reflecting TRACE and MSRB trade reporting that purported to evidence the Firm’s supervisory review of its trade reporting. Specifically, the Firm produced eight QMRC reports for transactions in TRACE eligible ADS, CDS and SP to FINRA for the period May 2016 through December 2016. A senior Firm employee initialed and dated each QMRC, denoting his purported review of trading on dates prior to the dates the reports were actually generated, as reflected by a review of the FINRA Report Center Usage Log. For example, the Firm provided FINRA with a copy of the October 2016 QMRC for ADS that the senior Firm employee initialed and dated November 15, 2016, purportedly reflecting his review of the trading. FINRA Report Center Usage Logs show that the Firm first accessed the QMRC on April 3, 2017, over four months after the Firm employee’s purported review.

The Firm also produced RTRS reports to FINRA for the period October 2015 through March 2016, and a Firm employee initialed and dated the reports purportedly reflecting timely supervisory reviews of the trading. The Firm, however, first generated the RTRS reports on June 27, 2016, thus making clear the reports had been backdated to appear as though they had been reviewed earlier on a timely basis, as required by the Firm’s WSPs. Additionally, in the case of three of these RTRS reports, for October 2015, November 2015 and December 2015, a Firm employee whited out the printed dates showing when the reports had been generated, which would have revealed the trade reporting review was not done in a timely manner, as required by the Firm’s WSPs.

By virtue of the foregoing, Dinosaur violated FINRA Rules 8210 and 2010 and MSRB Rule G-17.

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

- Censure;
- A fine of \$200,000 (\$60,000 of which pertains to the violations of MSRB Rules G-14, G-17, and G-27); and
- An undertaking to review and revise the Firm’s systems and procedures (written and otherwise) regarding the supervision of its TRACE and MSRB trade reporting to ensure that the Firm’s systems and procedures are reasonably designed to achieve compliance with all securities laws, regulations and FINRA rules. Within six months of the Notice of Acceptance of the AWC, or such additional period as agreed to by a FINRA staff member in writing, the Firm’s Chief Executive Officer, on behalf of the Firm, shall submit to Vaishali Shetty, Senior Counsel, FINRA, at the address set forth

below, a written certification that (i) the Firm has completed its review, and (2) as of the date of the certification, the Firm's systems, policies and procedures (written and otherwise), are reasonably designed to achieve compliance with FINRA Rules 6730 and 3110 and MSRB Rules G-14 and G-27.

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.

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 Respondent;
- 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

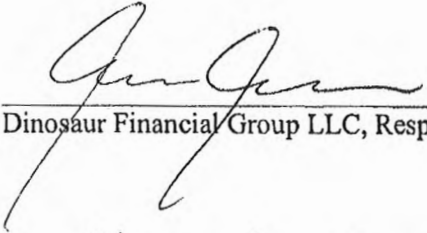
Respondent understands that:

- 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 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. 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 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 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 the Firm to submit it.

7/10/2019
Date (mm/dd/yyyy)


Dinosaur Financial Group LLC, Respondent
By: Glenn Grossman

Reviewed by:

M. William Munno
M. William Munno, Esq.
Senior Counsel
Seward & Kissel LLP
One Battery Park Plaza
New York, New York 10004
212-480-8421

Accepted by FINRA:

8/1/19
Date

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

15/ Vaishali Shetty msc
Vaishali Shetty
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FINRA Department of Enforcement
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This Corrective Action Statement Is Submitted By Respondent, Dinosaur Financial Group, L.L.C. ("Dinosaur"). It Does Not Constitute Factual Or Legal Findings By FINRA; Nor Does It Reflect The Views Of FINRA, Or Its Staff.

Dinosaur Financial Group, L.L.C.
Letter of Acceptance, Waiver and Consent
Exam No. 2017054867601

Respondent Dinosaur Financial Group, L.L.C. ("Dinosaur") submits this Corrective Action Statement ("Statement") regarding the Letter of Acceptance, Waiver and Consent ("AWC") concerning a review by the staff of FINRA's Department of Enforcement (the "Staff") of Dinosaur's compliance with certain reporting requirements during the period between October 2015 and September 2017 (the "Relevant Period"). The Staff found during the Relevant Period that there were TRACE and municipal securities transaction reporting violations, and related violations, and Dinosaur understands that the Staff recognizes that these systemic reporting violations have continued until the implementation of the corrective action explained below.

Dinosaur accepts and consents to the AWC, without admitting or denying the findings. Dinosaur submits this Statement to demonstrate how, since the review, Dinosaur has implemented a trade order management system, retained a compliance consulting firm, and implemented a training program for its registered representatives to ameliorate these systemic reporting issues as of mid-May 2019.

Dinosaur has put in place a Corrective Action Plan

In December 2017, Dinosaur entered into a compliance service agreement with Quadrant Compliance Group LLC to review and assist Dinosaur with its compliance regime, including TRACE and municipal securities transaction reporting.

In July 2018, Dinosaur entered into discussions with Bloomberg to evaluate its TRACE and municipal securities transaction reporting. After a comprehensive needs assessment review, Dinosaur entered into an agreement with Bloomberg on November 27, 2018 to implement Bloomberg's Trade Order Management System ("TOMS"), at a total cost of approximately \$400,000. Dinosaur began implementing TOMS in mid-May 2019 for most TRACE-eligible products and their related TRACE reporting MPIDS.

Dinosaur's registered representatives have been trained to use TOMS. Dinosaur is monitoring TRACE and municipal securities transaction reporting to ensure that issues around late reporting, incorrect price and volume reporting, inaccurate reporting and the like have been substantially reduced through this corrective action plan as of mid-May 2019.

Respectfully submitted,

By: 