

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018057239701**

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

RE: Dealerweb Inc. (Respondent)
Member Firm
CRD No. 19662

Pursuant to FINRA Rule 9216, Respondent Dealerweb 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

Dealerweb has been a FINRA member since 1987, and its registration remains in effect. Respondent is a broker-dealer which acts as an interdealer broker in fixed income securities, facilitating trades between buyers and sellers on electronic and voice platforms. The firm is headquartered in Jersey City, New Jersey, employs approximately 125 registered individuals, and has three branch offices. Respondent does not have any relevant disciplinary history.

OVERVIEW

From April 2016 through March 2019, Dealerweb failed to report approximately 147,000 trades to the Municipal Securities Rulemaking Board's (MSRB) Real-time Transaction Reporting System (RTRS) in increments of seconds. As a result, Dealerweb violated MSRB Rule G-14 during the period.

From October 2017 through December 2017, Dealerweb failed to report the correct Time of Trade in 167 reports to the RTRS and failed to timely report those transactions to the RTRS in violation of MSRB Rule G-14. In the same 167 instances, Dealerweb failed to record the correct Time of Trade on its trade memorandum in violation of MSRB Rule G-8.

From April 2016 through March 2019, Dealerweb failed to conduct a documented comparison required by its WSPs to confirm the accuracy of the Time of Trade reported to the MSRB. In addition, the WSPs failed to designate the frequency of and supervisor responsible for the Time of Trade review. As a result, Dealerweb violated MSRB Rule G-27 during the period.

FACTS AND VIOLATIVE CONDUCT

This matter stems from a review conducted by FINRA's Department of Market Regulation of the firm's compliance with MSRB Rules applicable to municipal securities trade reporting.

Inaccurate and Late Trade Reporting of Municipal Securities

1. MSRB Rule G-14(b)(i) requires each broker, dealer or municipal securities dealer to report information about each purchase and sale transaction effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual.
2. Rule G-14 RTRS Procedures (c) states that the RTRS Users Manual is comprised of, *inter alia*, the *Specifications for Real-Time Reporting of Municipal Securities Transactions*. Section 4.2.1 of the *Specifications* states that when reported to the MSRB, "Trade Date" is a mandatory field used on all messages to specify Trade Date and Trade Time with seconds being reported if capable.
3. MSRB Rule G-14 RTRS Procedure (a)(ii) requires dealers to submit municipal securities transaction data to the MSRB within 15 minutes of the Time of Trade, with limited exceptions. MSRB Rule G-14(b)(ii) requires all dealers to report the information in the Rule G-14 RTRS Procedures promptly, accurately and completely.
4. Prior to April 2016, Dealerweb's trade reporting system reported the seconds in municipal transactions. In April 2016, the firm changed its order management system, which gave rise to a system issue that resulted in transactions being reported with "00" in the seconds field. This persisted until April 2019, when FINRA notified the firm of the issue. From April 2016 through March 2019, in approximately 147,000 transactions, Dealerweb failed to report the correct Time of Trade to the MSRB's RTRS in increments of seconds. These 147,000 transactions constituted 100% of the municipal transactions reported by the firm.
5. From October 2017 through December 2017, due to a manual trade entering process, Dealerweb failed to report the correct Time of Trade in 167 municipal transaction reports to the RTRS, and failed to timely report the same 167 transactions within 15 minutes of the Time of Trade.
6. By virtue of the foregoing, Respondent violated MSRB Rule G-14.

Inaccurate Books and Records Related to Municipal Securities

7. MSRB Rule G-8 requires every broker, dealer and municipal securities dealer to create and maintain order memoranda that reflect, among other things: the date and time of order receipt; price and date of execution; and, to the extent feasible, the time of execution.
8. During 4Q17, Dealerweb created and maintained 167 municipal security order tickets that failed to reflect an accurate time of execution.
9. By virtue of the foregoing, Respondent violated MSRB Rule G-8.

Supervision

10. MSRB Rule G-27(a) requires each broker, dealer and municipal securities dealer to supervise the conduct of the municipal securities activities of the dealer and its associated persons to ensure compliance with Board rules and the applicable provisions of the Securities Exchange Act of 1934 and rules thereunder.
 11. MSRB Rule G-27(c) requires each dealer to 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 with MSRB Rule G-27(a).
 12. From April 2016 through March 2019, Dealerweb's WSPs required a review for the accuracy of municipal transaction reporting, including a review for the accuracy of the Time of Trade reported to the MSRB. The WSPs called for a comparison of the firm's records and the corresponding contra party trade report. The completion of the review was to be evidenced by maintaining the sample and related notes in a review file. The firm, however, failed to conduct the documented comparison required by its WSPs to confirm the accuracy of the Time of Trade reported to the MSRB.
 13. Additionally, the WSPs failed to designate the frequency of and supervisor responsible for the Time of Trade review.
 14. By virtue of the foregoing, Respondent violated MSRB Rule G-27.
- B. Respondent also consents to the imposition of the following sanctions:
- Censure; and
 - A fine of \$25,000 (\$15,000 for the MSRB Rule G-14 and G-8 violations and \$10,000 for the MSRB Rule G-27 violation).

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 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 17, 2020

Date



Dealerweb Inc.
Respondent

Print Name: Scott Zucker

Title: Chief Administrative Officer

Reviewed by:

Accepted by FINRA:

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

November 19, 2020

Date



Justin Diner
Senior Attorney
FINRA
Department of Enforcement
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