

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 20180593449-01**

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

RE: StoneX Financial Inc., f/k/a INTL FCStone Financial Inc. (Respondent)
Member Firm
CRD No. 45993

Pursuant to FINRA Rule 9216, Respondent StoneX Financial 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

StoneX is a broker-dealer that has been a FINRA member since March 1999. The firm is headquartered in Winter Park, Florida, employs approximately 400 registered individuals, and has 14 branch offices. As part of its business, StoneX makes markets in Over the Counter (OTC) securities. On September 4, 2020, the firm changed its name from INTL FCStone Financial Inc. to StoneX Financial Inc.

On February 1, 2017, FINRA accepted an AWC in which StoneX consented to findings that between July 1, 2015 and September 31, 2015, it failed to immediately display customer limit orders in violation of FINRA Rule 6460, violated FINRA Rules 5320 and 2010, and failed to establish written supervisory procedures (WSPs) reasonably designed to achieve compliance with FINRA Rules 6460 and 5320, in violation of FINRA Rule 3110 and 2010. In that matter, StoneX also consented to a sanction consisting of a censure, a fine of \$42,500, and undertaking to revise its WSPs. *INTL FCStone Financial Inc.*, No. 20150475920-01 (AWC Feb. 1, 2017).¹

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

OVERVIEW

During two quarters, 3Q2017 and 2Q2018, StoneX failed to immediately display, route, execute, or cancel 27 out of 35 (77%) sampled exceptions of customer limit orders, 14 of which were cancel/replace orders. As a result, StoneX violated FINRA Rules 6460 and 2010. Further, from July 2017 through June 2018, StoneX failed to establish and maintain a supervisory system, including WSPs, that was reasonably designed to achieve compliance with Rule 6460 in violation of FINRA Rules 3110(a), 3110(b), and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's OTC Limit Order Display Rule Sweep, which monitors member firms' compliance with FINRA Rule 6460 and focuses on customer limit orders that, upon receipt, were not immediately fully displayed, routed, executed, or canceled.

StoneX failed to fully and immediately, display, route, execute, or cancel customer OTC limit orders.

FINRA Rule 6460 requires each OTC Market Maker displaying a priced quotation in any OTC Equity Security in an inter-dealer quotation system to publish immediately a bid or offer that reflects: (1) the price and full size of each customer limit order held by the OTC Market Maker that is at a price that would improve the bid or offer of such OTC Market Maker in such security; and (2) the full size of each customer limit order held by the OTC Market Maker that: (A) is priced equal to the bid or offer of such OTC Market Maker for such security, (B) is priced equal to the best bid or best offer of the inter-dealer quotation system in which the OTC Market Maker is quoting, and (C) represents more than a de minimis change in relation to the size associated with the OTC Market Maker's bid or offer. Absent an exception, firms must display customer limit orders as soon as practicable after receipt, which under normal market conditions would require display no later than 30 seconds after receipt.

FINRA Rule 2010 states, "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade." A violation of FINRA Rule 6460 is a violation of FINRA Rule 2010.

During 3Q2017 and 2Q2018, StoneX operated a trading desk where traders were required to handle some order flow manually, outside of automated systems, resulting in delays in the handling of certain OTC orders. As a result, StoneX failed to fully and immediately display, route, execute, or cancel 27 out of 35 (77%) of sampled customer limit orders, 14 of which were cancel/replace orders. These 14 cancel/replace orders were 100% of the cancel/replace orders in the sample. Therefore, Respondent violated FINRA Rules 6460 and 2010.

StoneX failed to reasonably supervise for cancel/replace orders not displayed immediately.

FINRA Rule 3110(a) states, “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 applicable FINRA rules.” A violation of FINRA Rule 3110 also violates FINRA Rule 2010.

From July 2017 through June 2018, StoneX failed to reasonably supervise for compliance with FINRA Rule 6460. Although the firm utilized exception reports to identify limit orders that were displayed more than 30 seconds after the order became eligible, the exception reports failed to capture cancel/replace orders. Therefore, Respondent violated FINRA Rules 3110(a) and 2010.

StoneX failed to establish written procedures reasonably designed to achieve compliance with FINRA Rule 6460.

FINRA Rule 3110(b) states, “Each member shall 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.”

From July 2017 through June 2018, StoneX failed to establish written procedures reasonably designed to achieve compliance with FINRA Rule 6460. While the firm’s procedures required a supervisory review of orders for compliance with FINRA Rule 6460, the firm’s written procedures failed to provide reasonable guidance and instructions to supervisors as to how to conduct such reviews. Therefore, Respondent violated FINRA Rules 3110(b) and 2010.

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

- a censure
- a fine of \$60,000

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:

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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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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 15, 2021

Date

Angela Angelakos

StoneX Financial Inc.

Respondent

Angela Angelakos

Print Name:

Title: Deputy General Counsel Regulatory

Reviewed by:

Vincent P. (Trace) Schmeltz III

Vincent P. (Trace) Schmeltz III
Counsel for Respondent
Barnes & Thornburg LLP
One N. Wacker Drive
Suite 4400
Chicago, IL 60606-2833

Accepted by FINRA:

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

November 22, 2021

Date

Justin Diner

Justin Diner

Senior Attorney

FINRA

Department of Enforcement

200 Liberty Street

New York, New York 10281