

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020067122301**

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

RE: Jeffrey Tabak (Respondent)
General Securities Principal
CRD No. 856416

Pursuant to FINRA Rule 9216, Respondent Jeffrey Tabak 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 accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Respondent Jeffrey Tabak first registered with FINRA in 1978 as an Options Principal through an association with a FINRA member. In 1982, he registered as General Securities Principal (GP), among other registrations, through an association with a different FINRA member. From October 2014 through August 10, 2022, Tabak was registered as a GP, among other registrations, through an association with former FINRA member Lek Securities Corporation (LSC), and from October 2019 to July 2022, he served as LSC's Chief Compliance Officer. Tabak remains registered with FINRA through an association with another FINRA member.¹

OVERVIEW

From October 2019 through on or about July 2022, Tabak, as LSC's designated responsible principal, failed to establish, maintain, and enforce supervisory systems and procedures, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with federal securities laws and FINRA rules prohibiting market manipulation in exchange-listed and traded securities in violation of FINRA Rules 3110 and 2010.

¹ For more information about the Respondent, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from multiple FINRA surveillance alerts.

FINRA Rule 3110(a) requires each member to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules.

FINRA Rule 3110(b) requires each member 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.”

FINRA Rule 2010 requires associated persons, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade. A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010.

During the relevant period, LSC’s WSPs designated Tabak as the principal responsible for establishing and maintaining the firm’s systems and procedures to detect, investigate, and address potentially manipulative trading in exchange-listed and traded securities. He was also responsible for reviewing, assessing the effectiveness of, and modifying, if necessary, the firm’s exception reports designed to detect potentially manipulative activity in exchange-listed and traded securities. During the relevant period, the Firm’s WSPs and system for applying such procedures, and Tabak’s conduct as the principal designated as responsible under the Firm’s WSPs, were deficient in the following ways.

First, the firm’s WSPs, for which Tabak was responsible, did not reasonably describe how the firm would detect and prevent potentially manipulative trading or provide reasonable guidance to personnel responsible for the surveillance of potentially manipulative trading in exchange-listed and traded securities. The WSPs did not identify the exception reports the firm used, what conduct a reviewer should escalate, or how issues noted during the review should be documented or escalated.

Second, the firm’s exception reports used to detect potentially manipulative trading in exchange-listed and traded securities did not contain information that a reviewer would need to assess whether the firm’s customers were engaged in potentially manipulative trading. For example, one exception report designed to identify potentially prearranged trading did not identify the customers, the stock symbols at issue, or other information about the trades, such as timing and venue of execution. Absent such information, a reviewer would be unable to reasonably assess whether the activity reflected on the report was potentially manipulative. Tabak knew that the Firm’s exception reports were not reasonably designed for these reasons. Further, he did not understand how exceptions were generated or what the information reflected on the reports meant.

Third, to the extent the firm’s exception reports identified potentially manipulative trading in exchange-listed and traded securities, Tabak failed to ensure that the activity

was reasonably investigated, including by failing to require reasonable documentation of such review or investigation.

Finally, Tabak failed to reasonably investigate and address potentially manipulative wash trades in exchange-listed and traded securities in an account of LSC's foreign affiliate. The foreign affiliate maintained an omnibus account at LSC through which the affiliate's foreign customers bought and sold securities in the U.S. markets. From at least June 2020 through June 2022, the firm's exception reports identified thousands of potentially manipulative wash trades by a customer of LSC's foreign affiliate (Customer A) in the stock of Customer A's parent, but Tabak, as the principal designated as responsible under the Firm's WSPs, did not reasonably investigate the potentially manipulative trading.

For example, on one trading day, thousands of customer buy orders for millions of shares were entered through LSC's systems in the stock of Customer A's parent and approximately two-thirds of those orders were cancelled. Similarly, thousands of customer sell orders for millions of shares were entered and cancelled through the firm in the stock of Customer A's parent that same day. Overall, this activity represented the majority of the total daily market volume in the stock of Customer A's parent. That day, approximately 95 trades by Customer A in the stock of its parent appeared on the firm's wash sale exception report, reflecting that the sales had executed against other trades by Customer A in the stock of its parent. This pattern of trading by Customer A had been occurring and appearing on the firm's wash sale exception report for months prior to that trading day. Nonetheless, Tabak took no steps to investigate this activity, to determine whether Customer A, or a related customer, was attempting to manipulate the share price of Customer A's parent. The firm's exception reports continued to reflect a similar pattern of potential wash trades by Customer A in the stock of its parent for the next year, but Tabak failed to take reasonable steps to investigate and address the potentially manipulative activity.

Therefore, Respondent violated FINRA Rules 3110 and 2010.

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

- a six month suspension from associating with any FINRA member in all principal capacities,
- a \$772 fine (resolved simultaneously with similar matters being brought by certain exchanges for a total, aggregate fine of \$10,000),² and
- a requirement that within 60 days of the Notice of Acceptance of this AWC, Tabak will attend and satisfactorily complete 10 hours of continuing education concerning supervisory responsibilities, including manipulative trading, by a

² Those matters were brought by Investors' Exchange LLC, The Nasdaq Stock Market LLC, Nasdaq Phlx LLC, Nasdaq BX, Inc., The New York Stock Exchange, Inc., NYSE Arca, Inc., NYSE American, Inc., NYSE National, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe BYX Exchange, Inc., and Cboe BZX Exchange, Inc., and concern the same conduct at issue here.

provider not unacceptable to FINRA. Tabak will notify Christina Stanland, Senior Director, of the name and contact information of the provider who is providing the continuing education at least 10 days prior to attending the training. Within 30 days following completion of the 10 hours of continuing education, Tabak will submit written proof that the continuing education program has been satisfactorily completed to Christina Stanland by email to Christina.Stanland@finra.org. All correspondence must identify the respondent and matter number.

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 he 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.

Respondent understands that if he is barred or suspended from associating with any FINRA member in all principal capacities, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent may not be associated with any FINRA member in all principal capacities, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Respondent is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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 him;
- 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 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 he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and 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 him to submit this AWC.

July 23, 2024

Date

Jeffrey Tabak

Jeffrey Tabak
Respondent

Reviewed by:

James Nealon

James Nealon, Esq.
Counsel for Respondent
Nealon Law LLC
442 Fifth Avenue, Suite 2455
New York, New York 10018

Accepted by FINRA:

August 6, 2024

Date

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

Christina Stanland

Christina Stanland
Senior Director
FINRA
Department of Enforcement
200 Liberty Street
New York, NY 10281