

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020067466901**

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

RE: Score Priority Corp., formerly known as Just2Trade, Inc. (Respondent)
Member Firm
CRD No. 11826

Pursuant to FINRA Rule 9216, Respondent Score Priority Corp. 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

Score Priority¹ has been a FINRA member since 1983, with headquarters located in New York, New York. Score Priority is an online introducing broker-dealer that provides a web-based trading platform for its customers' self-directed trading activities. Score Priority also provides margin accounts through its clearing firms. Score Priority has approximately 15 registered representatives and two branch offices.

Respondent does not have any relevant disciplinary history.

OVERVIEW

From September 2016 through September 2020, Score Priority failed to develop and implement an anti-money laundering (AML) program reasonably designed to achieve and monitor the firm's compliance with the Bank Secrecy Act and the implementing regulations thereunder. In particular, the firm did not establish and implement policies and procedures tailored to the firm's business, which could be reasonably expected to detect and cause the report of suspicious activity arising from transactions and money

¹ Score Priority changed its name from Just2Trade, Inc. in January 2020.

movements in domestic and foreign-based retail accounts. The firm also failed to establish a risk-based customer identification program (CIP) that was tailored to the firm's business and a due diligence program reasonably designed to detect and report, on an ongoing basis, any known or suspected money laundering activity conducted through or involving correspondent accounts for foreign financial institutions (FFIs).

As a result, the firm violated FINRA Rules 3310(a) and (b) and 2010.

FACTS AND VIOLATIVE CONDUCT

1. Broker-dealers are required to establish and implement a reasonable AML program.

FINRA Rule 3310 requires each member to “develop and implement a written anti-money laundering program reasonably designed to achieve and monitor [their] compliance with the requirements of the Bank Secrecy Act (BSA) (31 U.S.C. 5311, et seq.) and the implementing regulations promulgated thereunder by the Department of the Treasury.” Under FINRA Rule 3310(a), the program must, at a minimum, “establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. § 5318(g) and the implementing regulations thereunder.”

Title 31 U.S.C. § 5318(g) authorizes the Department of the Treasury to issue suspicious activity reporting requirements for broker-dealers. The Department of the Treasury issued the implementing regulation, 31 C.F.R. § 103.19(a)(1), on July 1, 2002, providing that, with respect to any transaction after December 30, 2002, “[e]very broker or dealer in securities within the United States . . . shall file with FinCEN . . . a report of any suspicious transaction relevant to a possible violation of law or regulation.”

NASD Notice to Members (NTM) 02-21, issued in April 2002, provided detailed guidance to the industry regarding the obligation of a broker-dealer to monitor for and report suspicious transactions. In NTM 02-21, the NASD advised each broker-dealer that when developing an AML program, it should tailor the program to fit its business, taking into consideration, among other factors, “the types of transactions in which its customers engage.” NTM 02-21 further reminded broker-dealers of their duty to look for “red flags,” i.e., signs of suspicious activity that suggest money laundering or other violative activity, and provided broker-dealers with a non-exhaustive list of such red flags, including, among others, that the customer wishes to engage in transactions that lack business sense or apparent investment strategy; that the customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity; and that the customer's account shows an unexplained high level of account activity with very low levels of securities transactions. In August 2002, FINRA issued NTM 02-47, which described the suspicious activity reporting rule promulgated by the Department of the Treasury for the securities industry. NTM 02-47 further advised

broker-dealers of their duty to file a suspicious activity report (SAR) for any transaction raising suspicions of illegal activity occurring after December 30, 2002.²

Failure to tailor a firm's AML procedures to its business and customer base and failure to monitor, analyze, and investigate red flags of suspicious activity to determine whether it is appropriate to file a SAR violates FINRA Rule 3310(a). A violation of FINRA Rule 3310 also constitutes a violation of FINRA Rule 2010, which requires FINRA members, in the conduct of their business, to observe "high standards of commercial honor and just and equitable principles of trade."

2. Score Priority failed to establish and implement a reasonable AML program that could reasonably be expected to detect and cause the reporting of suspicious transactions.

Score Priority is an online introducing broker-dealer that offers its customers low-cost, self-directed trading of stocks and options through a web-based trading platform. The firm accepts accounts from customers located in foreign jurisdictions, including high risk jurisdictions. During all relevant periods, the firm had approximately 2,000 customers. The majority of the firm's customers were retail customers. Additionally, the firm had accounts for institutional customers, including FFIs. The firm's business model was designed to attract active traders. The firm regularly received more than 1,000 orders from its customers per day.

a. Score Priority did not reasonably design its AML program.

Between September 2016 and September 2020, Score Priority did not tailor its AML program to reasonably monitor for and report suspicious activity in light of the firm's business model.

First, the firm lacked reasonable written AML procedures for the surveillance of potentially suspicious trading and money movements in customer accounts. Although the firm's written procedures required the use and review of exception reports to assist with the identification of red flags for suspicious trading and suspicious money movements, they did not identify any exception reports that the firm would use and did not describe how supervisors should use them. The firm's written procedures stated that the firm would perform additional monitoring of accounts in which suspicious trading was identified, but did not describe steps for performing that monitoring or state how often the monitoring should occur. The written procedures also required that the firm "periodically" monitor transaction activity in foreign accounts, but did not describe the frequency or the manner in which such monitoring should occur.

² More recently, in FINRA Regulatory Notice 19-18, issued in May 2019, FINRA reminded broker-dealers of their obligations to develop and implement a written AML program reasonably designed to achieve and monitor the firm's compliance with the requirements of the BSA and its implementing regulations, and to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under the BSA and its implementing regulations.

Second, from September 2016 until April 2020, the firm relied almost exclusively on a manual review of the daily trade blotter to identify suspicious trading, even though it did not reflect patterns of trading across accounts or across multiple days. During this period, the firm did not regularly use any exception reports or automated tools to monitor customer transactions for suspicious activity, such as cancelled orders, patterns of trading across accounts or multiple days, coordinated trading, trading resulting in losses that might indicate a lack of rational economic motive, and other indicia of common forms of market manipulation. This manual review was also unreasonable given the volume and complexity of the trading by the firm's customers.

Although the firm implemented an automated surveillance system from a third-party vendor in April 2020, it failed to timely review some alerts generated by the new system.³

Additionally, until January 2020, the firm relied on a manual review of its daily money movement report to identify suspicious money movements, even though it did not reflect patterns or trends in money movements over multiple days, or accounts that had unexplained or sudden extensive wire activity, including in accounts that had little or no previous activity. In addition, it did not identify accounts that had high levels of money movements with very low levels of securities transactions. This manual review was also unreasonable given the volume and complexity of money movements by the firm's customers.

Third, the firm had a practice of failing to reasonably respond to AML red flags. Under 31 C.F.R. § 1023.320(a)(2), the firm is required to file a SAR for any transaction that it knows, suspects, or has reason to suspect "has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage." Although the firm's AML procedures contained the language of the statute, the firm's practice was to observe whether suspicious trading continued over a period of weeks or months, rather than timely consider filing a SAR. Additionally, the firm's AML procedures did not contain any procedures about documenting any analyses or records regarding the investigation of potentially suspicious activity, and the firm did not document the findings of its investigations.

b. Score Priority failed to timely or reasonably detect, investigate, and respond to numerous potentially suspicious activities by retail customers, including China-based accounts.

As a result of Score Priority's failure to implement a reasonably designed AML program, the firm failed to detect, investigate, and respond to potentially suspicious activities.

For example, from July 2017 to August 2018, the firm failed to timely identify and respond to suspicious trading by multiple customers based in China.⁴ Even though the

³ Since May 2020, the firm has hired additional individuals to assist with AML compliance.

⁴ The U.S. Department of State characterizes the People's Republic of China as a major money laundering jurisdiction.

customers were purportedly unrelated, they placed more than 200,000 orders and effected more than 100,000 trades for a total of more than \$1 billion in shares of some of the same low-priced, low-volume securities. This trading generated nearly \$160,000 in commissions for the firm. Many of the customers continued trading despite having outsized losses, which is an indicator of a lack of a rational economic motive for the trading. Half of the customers also had high order-cancellation rates, an indicator of potential bid support and attempts at market manipulation.

Three of these customers presented red flags of coordinated trading in another low-priced, low-volume stock during 2017. Their trading represented more than ten percent of the total market volume in the security on multiple days. The customers' trading included successive bids at increasing prices, followed by multiple cancelled orders, which can be indicative of bid support and attempts at manipulating market prices.

Additionally, the firm failed to detect that a Europe-based customer engaged in suspicious activity during 2020. The customer purchased options, most of which were highly illiquid, low-priced, out-of-the-money call options, over multiple trading days. On 12 occasions during a four-month period, the customer sold out of an option by posting offers at significantly higher prices than his purchase price, even though there had been no significant change in price of the underlying security, the options remained out-of-the-money, and the amount of time until expiration of the options had decreased. For example, the customer purchased 43 contracts in a call expiring 23 days later for \$0.15. Nine days after the purchase, the customer sold the same calls at \$1.60, earning a \$6,235.00 profit, despite the fact that the underlying security price had decreased by over three dollars. Four business days later, the customer wire transferred \$8,000 from the account to a bank account in Europe. In total, the customer realized profits of more than \$87,000, approximately a 600% return on his investment, which he transferred by wire to a bank account in Europe.

Moreover, during 2019 and 2020, the firm failed to review multiple accounts in which there was an unexplained high level of account activity with no, or very low levels of, securities transactions.

Further, in April 2019, shortly after opening her account and reporting a liquid net worth of only \$150,000 or less, a China-based customer wired approximately \$500,000 from a China-based bank into her firm account, and used the money to purchase shares of a low-priced security. The firm did not obtain evidence of the source of the deposited funds, including documents regarding the customer's claim that the funds resulted from recent real estate transactions. In addition, the firm did not restrict the account's activity until its clearing firm instructed it to do so.

Therefore, Respondent violated FINRA Rules 3310(a) and 2010.

3. Score Priority failed to establish and implement a reasonable customer identification program with regard to foreign retail customers, and failed to conduct due diligence on FFIs.

FINRA Rule 3310(b) requires each member to establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the BSA and the implementing regulations thereunder, including 31 C.F.R. § 1023.220(a)(2) and 31 C.F.R. § 1010.610. Section 1023.220(a)(2) requires broker-dealers to establish a risk-based customer identification program (CIP) that is tailored to the firms' business, including the firms' customer base, to ensure that firms have a reasonable basis for knowing their customers, including by collecting prior to account opening, at a minimum, the customer's name, date of birth, and address, and by establishing procedures for verifying the identify of each customer through documentary or non-documentary methods. Section 1010.610(a) requires financial institutions (including broker-dealers) to establish a due diligence program that includes appropriate, specific, risk-based, and, where necessary, enhanced policies, procedures, and controls that are reasonably designed to assess the money laundering risk posed by foreign financial institution (FFI) correspondent accounts based upon a consideration of all relevant factors, which shall include, as appropriate: (i) the nature of the FFI's business and the market it serves; (ii) the type, purpose, and anticipated activity of such correspondent account; (iii) the nature and duration of the covered financial institution's relationship with the FFI; (iv) the AML and supervisory regime of the jurisdiction that issued the charter or license to the FFI; and (v) information known or reasonably available to the covered financial institution about the FFI's AML record. The regulation also requires covered financial institutions to "appl[y] risk-based procedures and controls to each such correspondent account reasonably designed to detect and report known or suspected money-laundering activity, including a periodic review of the correspondent account activity sufficient to determine consistency with information obtained about the type, purpose, and anticipated activity of the account."

A violation of FINRA Rule 3310 (b) is also a violation of FINRA Rule 2010.

Between September 2016 and September 2020, Score Priority failed to tailor its CIP to the firm's business, including its customer base, and failed to establish or implement policies and procedures regarding correspondent accounts for FFIs.

The firm's AML procedures failed to include reasonable risk-based procedures for verifying the identity of its customers. For example, the firm's procedures did not describe the methods the firm would use to verify the information provided by its customers, including its foreign customers. The firm's procedures also failed to describe the documents required to be collected from the firm's foreign customers, or how the firm would address red flags during the account opening process.

The firm also failed to establish or implement policies and procedures related to the due diligence or review of correspondent accounts for FFIs. The firm's written policies stated that correspondent accounts for FFIs were prohibited. However, the firm's AML

procedures also stated that specific enhanced due diligence and scrutiny must be applied to correspondent accounts for certain foreign financial institutions and then failed to describe the due diligence or scrutiny required.

Notwithstanding the firm's policy prohibiting opening correspondent accounts for FFIs, the firm opened a correspondent account for an FFI. The firm failed to collect and review information regarding the anti-money laundering and supervisory regime of the jurisdiction that issued the charter or license to the FFI, the Republic of Cyprus.⁵ In addition, the firm did not collect and review information known or reasonably available to the firm about the FFI's anti-money laundering record, such as a review of any AML independent test for the FFI. The firm also did not collect information from the FFI concerning the type, purpose, and anticipated activity of its account or periodically review its account activity for consistency with the same. As a result, the firm failed to identify the FFI's potentially suspicious trading, which was indicative of potential price manipulation. This included the FFI's market dominance in three low-priced securities, where the firm only engaged in liquidations with no purchases. This also included the FFI's market dominance in seven other low-priced securities where the FFI engaged in a greater quantity of sells than buys.

Therefore, Respondent violated FINRA Rules 3310(b) and 2010.

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

- a censure;
- a \$250,000 fine; and
- an undertaking to retain an independent consultant as described below.

1. Respondent has undertaken to do the following:

- a. Retain at its own expense and within 60 days of the date of the notice of acceptance of this AWC an independent consultant not unacceptable to FINRA to conduct a comprehensive review of the reasonableness of the Respondent's policies, systems, procedures (written and otherwise), and training relating to compliance with FINRA Rule 3310 and the requirements of the Bank Secrecy Act, 31 USC §5311, et seq., and the regulations promulgated thereunder. This review shall include Respondent's policies, systems, procedures, and training related to:
 - i. monitoring for, identifying, investigating, documenting, and responding to red flags of suspicious transactions and money movements, including but not limited to transactions involving customers based outside of the

⁵ The U.S. Department of State characterizes the Republic of Cyprus as a major money laundering jurisdiction.

United States, low-priced securities, low-volume securities, options, high-volume trading, and high-volume cancellations; and

- ii. account opening, customer identification program, know your customer and due diligence requirements regarding customer accounts, including but not limited to accounts for customers based outside of the United States and correspondent accounts for FFIs.
- b. Ensure that the independent consultant, any firm with which the independent consultant is affiliated or of which he or she is a member, and any person engaged to assist the independent consultant in performance of his or her duties, shall not have provided consulting, legal, auditing, or other professional services to, or had any affiliation with, Respondent during the two years prior to the date of the notice of acceptance of this AWC.
- c. Cooperate with the independent consultant in all respects, including providing the independent consultant with access to Respondent's files, books, records, and personnel, as reasonably requested for the above-mentioned review. Respondent shall require the independent consultant to report to FINRA on its activities as FINRA may request and shall place no restrictions on the independent consultant's communications with FINRA. Further, upon request, Respondent shall make available to FINRA any and all communications between the independent consultant and the Respondent and documents examined by the independent consultant in connection with this review.
- d. Refrain from terminating the relationship with the independent consultant without FINRA's written approval. Respondent shall not be in and shall not have an attorney-client relationship with the independent consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the independent consultant from transmitting any information, reports, or documents to FINRA;
- e. Require the independent consultant to submit an initial written report to Respondent and FINRA at the conclusion of the independent consultant's review, which shall be no more than 90 days after the date of the notice of acceptance of this AWC. The initial report shall, at a minimum, (i) evaluate and address the adequacy of Respondent's policies, systems, and procedures relating to the issues identified in this AWC; (ii) provide a description of the review performed and the conclusions reached;

and (iii) make recommendations as may be needed regarding how Respondent should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to Respondent's policies, systems, procedures, and training relating to the issues identified in this AWC; and

- (i) Within 60 days after delivery of the initial report, Respondent shall adopt and implement the recommendations of the independent consultant or, if Respondent considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the independent consultant designed to achieve the same objective. Respondent shall submit such proposed alternative procedures in writing simultaneously to the independent consultant and FINRA.
- (ii) Respondent shall require the independent consultant to (A) reasonably evaluate the alternative procedures and determine whether it will achieve the same objective as the independent consultant's original recommendation and (B) provide Respondent and FINRA with a written report reflecting its evaluation and determination within 30 days of submission of any Respondent's proposed alternative procedures. In the event the independent consultant and Respondent are unable to agree, Respondent must abide by the independent consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the independent consultant.
- (iii) Within 30 days after the issuance of the later of the independent consultant's initial report or any written report regarding proposed alternative procedures, Respondent shall provide the independent consultant and FINRA with a written implementation report, certified by an officer of Respondent, attesting to, containing documentation of, and setting forth the details of Respondent's implementation of the independent consultant's recommendations. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.

- f. Require the independent consultant to enter into a written agreement that, for the duration of the engagement and for a period of two years from the completion of the engagement, the independent consultant shall not enter into any other employment, consultant, attorney-client, auditing, or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the independent consultant is affiliated or of which it is a member, and any person engaged to assist the independent consultant in the performance of its duties pursuant to this AWC, shall not, without FINRA's prior written consent, enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Respondent or any of Respondent's present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.
2. Upon written request showing good cause, FINRA may extend any of the procedural dates set forth above.
3. Respondent shall further retain the independent consultant to conduct a follow-up review and submit a final written report to the Respondent and to FINRA no later than one year from the date of the notice of acceptance of this AWC. In the final report, the independent consultant shall address Respondent's implementation of the systems, policies, procedures, and training, and shall make any further recommendations it deems necessary. Within 30 days of receipt of the independent consultant's final report, Respondent shall adopt and implement the recommendations contained in the final report, and inform FINRA in writing that it has done so.

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.

4/13/2021

Date

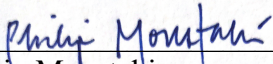
Score Priority Corp., f/k/a Just2Trade, Inc.
Respondent

By: 

Print Name: John Chandler Clifford

Title: Chief Compliance Officer

Reviewed by:


Philip Moustakis
Counsel for Respondent
Seward & Kissel LLP
One Battery Park Plaza
New York, NY 10004

Accepted by FINRA:

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

4/14/2021

Date


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