

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021072094901**

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

RE: Alpaca Securities LLC (Respondent)
Member Firm
CRD No. 288202

Pursuant to FINRA Rule 9216, Respondent Alpaca Securities LLC 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

Alpaca has been a FINRA member since 2018. The firm is headquartered in New York, NY, and has nine branches with approximately 60 registered representatives. Alpaca provides customers with self-directed, commission-free trading through its online trading platform, and began providing correspondent and clearing services in May 2022.¹

OVERVIEW

Between April 2021 and June 2025, Alpaca failed to timely report to the FINRA/Nasdaq Trade Reporting Facility (FNTRF) approximately 1.87 million transactions, in violation of FINRA Rules 6380A and 2010.

From February 2021 to May 2023, Alpaca submitted inaccurate trade reports to the FNTRF and the Over-the-Counter Reporting Facility (ORF). The firm reported inaccurate execution quantities for over 6,700 transactions and omitted the required prior reference price modifier and prior reference time for approximately 2.2 million transactions, in violation of FINRA Rules 6380A, 6622, and 2010.

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

Finally, from December 2020 through February 2026, Alpaca failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with FINRA's trade reporting rules, in violation of FINRA Rules 3110 and 2010.

For these violations, Alpaca is censured and fined \$300,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA market surveillance.

The FNTRF and the ORF provide member firms with a mechanism by which to report transactions effected other than on an exchange. The data that member firms report to the FNTRF and the ORF have a direct impact on the accuracy of market data that FINRA disseminates. Accurate and timely reporting of all reportable transactions is essential to maintain complete audit trails and to ensure the reliability of aggregate market data. FINRA relies on this data to reconstruct and review the activities of market participants to safeguard the integrity of the securities markets and protect investors.

FINRA Rules 6380A and 6622 set forth when and how members must report to the FNTRF and the ORF trades in national market system (NMS) stocks and over-the-counter (OTC) equity securities, respectively. A violation of FINRA Rule 6380A or 6622 also is a violation of FINRA Rule 2010, which provides that each member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

A. Alpaca failed to timely report to the FNTRF approximately 1.87 million transactions in NMS stocks.

FINRA Rule 6380A(a)(1) requires reporting facility participants to report transactions in NMS stocks executed during normal market hours "as soon as practicable but no later than 10 seconds after execution," and further provides that "[t]ransactions not reported within 10 seconds after execution shall be designated as late."

Between April 2021 and June 2025, Alpaca failed to timely report to the FNTRF approximately 1.87 million transactions due to performance issues and capacity constraints in its trade reporting systems. Specifically, the firm's trade reporting systems did not have sufficient processing capacity to adequately handle spikes in trade volume executed and concentrated at or shortly after market open or during other periods of high order volume. While the firm made enhancements to its trade reporting technology in response to spikes in trade volume during this period, those enhancements were insufficient to prevent untimely trade reporting resulting from even greater spikes in trade volume. As such, during this period, the firm experienced significant growth, but failed to scale its trade reporting infrastructure to meet its rapidly increasing reporting obligations.

By failing to timely report trades to the FNTRF, Alpaca violated FINRA Rules 6380A and 2010.

B. Alpaca submitted over 2 million inaccurate trade reports to the FNTRF and the ORF.

FINRA Rules 6380A(c)(2) and 6622(c)(2) require that each last sale report transmitted to the FNTRF and the ORF, respectively, contain, among other things, the number of shares.

FINRA Rules 6380A(a)(5)(G) and 6622(a)(5)(G) provide that member firms must report a trade with a prior reference price modifier where “the transaction report reflects a price different from the current market when the execution price is based on a prior reference point in time,” and the transaction is not executed and reported within 10 seconds from the prior reference point in time. In such cases, these rules also require member firms to include in the transaction report both the time of execution of the trade and the prior reference time. Appropriate use of the prior reference price modifier enables market participants to properly identify trades executed based on a prior reference price and distinguish them from late trade reports.

From February 2021 to May 2023, Alpaca submitted to the FNTRF and the ORF over 2 million inaccurate trade reports, which reported inaccurate execution quantities or omitted the required prior reference price modifier and corresponding prior reference time.

First, from February 2021 to May 2023, due to coding errors in the firm’s trade reporting system, Alpaca reported to the FNTRF inaccurate execution quantities for over 6,700 trades.

Second, from July 2021 to July 2022, Alpaca reported to the FNTRF or the ORF approximately 2.2 million transactions without appending the required prior reference price modifier and corresponding prior reference time. The firm was required to include this information, because the execution prices for these transactions were based on prior reference prices and the transactions were not executed and reported within 10 seconds of the prior reference times. Alpaca failed to append the prior reference price modifier and include prior reference times for these trades because it was unaware of its obligation to do so under FINRA Rules 6380A(a)(5)(G) and 6622(a)(5)(G).

By submitting inaccurate trade reports to the FNTRF and the ORF, Alpaca violated FINRA Rules 6380A, 6622, and 2010.

C. Alpaca failed to reasonably supervise the firm’s compliance with FINRA’s trade reporting rules.

FINRA Rule 3110(a) requires a member firm 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 member firm 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. The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation. A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010.

With respect to a firm's supervision of trade reporting, NASD Notice to Members 98-96 reminded firms that written procedures should set forth: the specific individual(s) responsible for supervision; the supervisory steps and reviews to be taken by the appropriate supervisor, including any exception reports or other documents being reviewed and the substantive area being reviewed; the frequency of such reviews; and how such reviews shall be documented.

From December 2020 through February 2026, Alpaca failed to establish and maintain a supervisory system reasonably designed to achieve compliance with FINRA's trade reporting rules.

First, from December 2020 (when Alpaca began transmitting trade reports to the FNTRF) to February 2026, the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with the firm's obligations to report trades to the FNTRF. From December 2020 to July 2021, the firm performed no supervisory reviews of the accuracy or timeliness of trade reports transmitted to the FNTRF. Further, from December 2020 through February 2026, the firm's WSPs were not reasonably designed as to trade reporting. Until November 2021, Alpaca's WSPs did not identify the individuals responsible for supervising trade reporting to the FNTRF or describe the supervisory steps and reviews to be taken by the appropriate supervisor concerning the timeliness and accuracy of the firm's trade reports. In November 2021, the firm implemented additional procedures for reviewing FNTRF trade reports for timeliness and accuracy. However, despite learning in July 2022 that the firm had improperly omitted the prior reference price modifier from over two million trade reports, the firm did not establish written procedures concerning its supervision of the use of modifiers in trade reports transmitted to the FNTRF until February 2026.

Second, from March 2022 (when Alpaca began transmitting trade reports to the ORF) to February 2026, the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with the firm's obligations to report trades to the ORF. Until October 2025, the firm's WSPs did not identify the individuals responsible for supervising trade reporting to the ORF or describe the supervisory steps and reviews to be taken by the appropriate supervisor concerning the timeliness and accuracy of the firm's trade reports to the ORF. Further, the firm did not establish written procedures concerning its supervision of the use of modifiers in trade reports transmitted to the ORF until February 2026.

Finally, from May 2021 to June 2025, Alpaca failed to reasonably investigate and respond to red flags suggesting that its trade reporting infrastructure could not adequately keep up with the firm's rapidly increasing trade volume, in particular in pre-market fractional orders. Beginning in May 2021, the firm was aware that it was repeatedly reporting trades late to the FNTRF with respect to pre-market fractional orders executed and concentrated at or shortly after the market open and other high-volume periods. By June 2021, the firm was aware that the cause of its late reporting to the FNTRF was that its systems could not adequately handle spikes in trade volume in pre-market fractional orders executed and concentrated at or shortly after the market open and other high-volume periods. Nonetheless, the firm failed to reasonably investigate whether its trade reporting systems could support its rapidly growing trade volume, or to implement system enhancements that would eliminate latency in trade reporting and have the capacity to handle projected and foreseeable growth in the firm's reporting obligations. As a result, the firm continued to experience systems issues that caused untimely trade reporting through June 2025.

By failing to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA's trade reporting rules, Alpaca violated FINRA Rules 3110 and 2010.

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

- a censure and
- a \$300,000 fine.

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 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.

March 6, 2026

Date

David Dusseault

Alpaca Securities LLC
Respondent

Print Name: David Dusseault

Title: President and COO

Reviewed by:

Gavin Meyers

Gavin Meyers
Counsel for Respondent
Pierson Ferdinand LLP
601 Pennsylvania Avenue NW
Suite 900
Washington, DC 20004

Accepted by FINRA:

March 17, 2026

Date

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

Rachel Gargiulo

Rachel Gargiulo
Principal Counsel
FINRA

Department of Enforcement
99 High Street, Suite 900
Boston, MA 02210

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

**CORRECTIVE ACTION STATEMENT
BY ALPACA SECURITIES LLC**

Alpaca Securities LLC (“Alpaca” or the “Firm”) submits this Corrective Action Statement in connection with the foregoing Letter of Acceptance, Waiver and Consent No. 2021072094901 (“AWC”) describing certain of the actions taken by the Firm to the address issues described in the AWC. Without admitting or denying the AWC’s findings, Alpaca has implemented the following corrective measures to prevent recurrence and to strengthen its reporting, supervisory, and customer-facing practices.

Order Handling for Pre-Market Fractional Share Orders. In January 2026, commenced implementation planning and development to treat all pre-market fractional share orders as “not held” as part of its remedial measures designed to ensure timely trade reporting and to prevent recurrence of the related issues identified in the AWC. Historically, Alpaca handled these orders as “held” which resulted in a concentration of executions at or immediately after the market open. As described in the AWC, during the review period Alpaca did not timely report certain transactions to the applicable trade reporting facilities. Alpaca notified its customers of the change from “held” to “not held” for such fractional orders in February 2026. By treating pre-market fractional orders as “not held,” the revised protocol provides the Firm time and price discretion and the ability to sequence executions so that they can be reported as soon as practicable and within the ten-second trade reporting requirements. As a result, pre-market fractional orders may execute at the market opening price when satisfying trade reporting timeliness obligations is feasible, while other orders may execute at subsequent prices that reflect prevailing market conditions at the time of execution, which may be more or less favorable than the market opening price.