

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021072379301**

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

RE: Barclays Capital Inc. (Respondent)
Member Firm
CRD No. 19714

Pursuant to FINRA Rule 9216, Respondent Barclays Capital Inc. (Barclays or the firm) 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

Barclays has been a FINRA member since October 1987, and its registration remains in effect. The firm is headquartered in New York, New York and has 16 branch offices with over 2,800 registered representatives. Barclays conducts a general securities business.¹

OVERVIEW

From at least January 2011 to April 2025, Barclays failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to monitor for layering and spoofing of U.S. equity and index options (options) in violation of NASD Rule 3010, and FINRA Rules 3110 and 2010.

From July 2011 to April 2025, Barclays failed to establish, document, and maintain reasonably designed post-trade regulatory risk management controls regarding layering and spoofing of options in violation of Section 15(c)(3) of the Securities Exchange Act of 1934 (the Exchange Act) and Rule 15c3-5 and FINRA Rule 2010.

From December 2019 to November 2021, Barclays failed to establish and maintain a supervisory system reasonably designed to monitor for layering and spoofing of equities

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

as relating to activity on certain exchanges in violation of FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter arose from a FINRA Rule 4530 disclosure by Barclays.

Barclays failed to establish and maintain a supervisory system and regulatory risk management controls reasonably designed to monitor for potential layering and spoofing of options.

FINRA Rule 3110(a), and its predecessor NASD Rule 3010(a),² provides that “[e]ach 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.” FINRA Rule 3110(b), and its predecessor NASD Rule 3010(b), further 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.”

A violation of FINRA Rule 3110, NASD Rule 3010, or Exchange Act rule is also 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.”

Exchange Act Section 15(c)(3) prohibits broker-dealers from contravening the rules and regulations prescribed by the Securities and Exchange Commission (SEC) to “provide safeguards with respect to the financial responsibility and related practices of brokers and dealers.” The SEC adopted Exchange Act Rule 15c3-5 to reduce the risks associated with market access faced by broker-dealers, the securities markets, and the financial system as a whole, and thereby enhance market integrity and investor protection by requiring effective financial and regulatory risk management controls reasonably designed to limit financial exposure and ensure compliance with applicable regulatory requirements to be implemented on a market-wide basis.

Exchange Act Rule 15c3-5(b) requires that a “broker or dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading system through use of its market participant identifier or otherwise, shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity.”

Exchange Act Rule 15c3-5(c)(2)(iv) requires broker-dealers with market access to establish, document, and maintain regulatory risk management controls and supervisory procedures that are reasonably designed to ensure compliance with all regulatory

² FINRA Rule 3110 superseded NASD Rule 3010 on December 1, 2014.

requirements, including controls reasonably designed to “[a]ssure that appropriate surveillance personnel receive immediate post-trade execution reports that result from market access.” In the Rule 15c3-5 Adopting Release dated November 3, 2010, the SEC stated that the “regulatory requirements” include “post-trade obligations to monitor for manipulation and other illegal activity,” and that it “believes that immediate reports of executions will provide surveillance personnel with important information about potential regulatory violations, and better enable them to investigate, report, or halt suspicious or manipulative trading.”

From at least January 2011 until March 2022, Barclays did not have a supervisory system in place to monitor for layering and spoofing market abuse for the firm’s options orders, which resulted in Barclays sending millions of options orders to the options exchanges without being surveilled for spoofing or layering. Specifically, none of Barclays’ surveillances for layering and spoofing included options order activity, and its WSPs did not reference surveilling options for layering and spoofing. In addition, from July 2011 through March 2022, Barclays did not maintain regulatory risk management controls and immediate post-trade execution reports so as to allow the firm to surveil for potential spoofing and layering for options orders that Barclays routed directly to the options exchanges.

On March 25, 2022, Barclays implemented two surveillances, and corresponding WSPs, to detect potential layering and spoofing in its options order flow. However, Barclays’ parameters for the surveillances required that the aggregated volume of potentially manipulative orders by account be at least 20 times greater than the average trade size of the security. This parameter was unreasonable because layering and spoofing can occur with smaller-sized orders. Barclays made changes to lower this threshold in mid-April 2025.

As a result, Barclays violated Exchange Act Section 15(c)(3) and Rules 15c3-5(b) and 15c3-5(c)(2)(iv), NASD Rule 3010, and FINRA Rules 3110 and 2010.

Barclays failed to establish and maintain a supervisory system reasonably designed to supervise for potential layering and spoofing of equities orders sent to certain exchanges.

On December 11, 2019, Barclays began relying on a third-party surveillance system to monitor the firm’s equities orders for potential layering and spoofing activity. During the system’s implementation, the firm mistakenly designated two national securities exchanges as “dark” venues instead of “lit” venues, which caused Barclays’ equities order flow sent to these exchanges to be excluded from the surveillance for potential layering and spoofing.³ On November 14, 2021, Barclays correctly designated the two national exchanges as lit venues in the third-party surveillance system and began surveilling orders sent to the exchanges for potential layering and spoofing.

³ Unlike lit venues, dark venues do not disseminate their best-priced bid and offer for a security to the public.

Therefore, Barclays violated FINRA Rules 3110 and 2010.

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

- A censure;
- a \$2,250,000 fine, of which \$303,000 shall be paid to FINRA.⁴

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

⁴ The remainder of the fine shall be allocated to: BOX Exchange LLC, Cboe BZX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe Exchange, Inc., Cboe EDGX Options Exchange, Inc., Investors Exchange LLC, Miami International Securities Exchange, MIAX Emerald, LLC, MIAX Pearl Options, LLC, Nasdaq BX Options, Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq Options Market, Nasdaq Phlx Options, NYSE American Options, NYSE Arca, Inc., and NYSE National, Inc.

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.

May 27, 2025

Date

Zack Zacharia

Barclays Capital Inc.
Respondent

Print Name: Zack Zacharia

Title: Chief Compliance Officer

Accepted by FINRA:

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

May 29, 2025

Date

Luis A. Prieto

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