

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022074855301**

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

RE: BofA Securities, Inc. (Respondent)
Member Firm
CRD No. 283942

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

BACKGROUND

BofA Securities, Inc. is a full-service brokerage firm headquartered in New York, New York. The firm, which has been a FINRA member since January 2018, has approximately 5,500 registered representatives and 130 branch offices.¹

OVERVIEW

From October 2021 through June 2023, BofA Securities failed to timely report approximately 5,200 transactions to the Trade Reporting and Compliance Engine (TRACE), in violation of FINRA Rules 6730(a) and 2010.

From February 2018 through June 2022, BofA Securities failed to include a required modifier on approximately 57,000 reports to TRACE, in violation of FINRA Rules 6730(a) and (d) and 2010.

From February 2018 through June 2023, the firm failed to establish and maintain a system reasonably designed to achieve compliance with the firm's obligation to report transactions timely and accurately to TRACE, in violation of FINRA Rules 3110(a) and 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from a review conducted by FINRA's Department of Market Regulation.

BofA Securities failed to timely report transactions in TRACE-eligible securities.

FINRA Rule 6730 (Transaction Reporting) sets out the requirements that apply to firms when reporting transactions in TRACE-Eligible Securities, as defined in FINRA Rule 6710(a). FINRA Rule 6730(a) provides, in relevant part, that "[e]ach member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction as soon as practicable, but no later than within 15 minutes of the Time of Execution," except as otherwise specified in the Rule. Late trade reporting to TRACE impedes the real-time, public dissemination of transaction and pricing data, and can affect the audit trail and result in the inability to detect problematic transactions.

Violations of FINRA Rule 6730 also constitute violations of FINRA Rule 2010, which requires that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

During the relevant period, BofA Securities failed to timely report approximately 5,200 transactions to TRACE. Between October 2021 and June 2022, the firm failed to timely report 155 agency debt transactions. Between April and December 2022, the firm failed to timely report 2,095 transactions in securitized products. Between April and June 2023, the firm failed to timely report 2,945 corporate debt transactions.

Therefore, BofA Securities violated FINRA Rules 6730(a) and 2010.

BofA inaccurately reported transactions in TRACE-Eligible Securities without the required .B modifier.

FINRA Rule 6730 identifies the specific types of information required to be included in reports submitted to TRACE, including information about price and the use of modifiers and indicators. FINRA Rule 6730(d)(4)(G)(ii) requires member firms to use the .B modifier on reports to TRACE of transactions in U.S. Treasury securities if the transaction is part of a series of transactions where at least one of the transactions involves a futures contract. The .B modifier indicates particular transactions that are part of larger trading strategies and therefore may be executed at prices away from the market at the time of the transaction.

From February 2018 to June 2022, BofA Securities failed to include the required .B modifier on approximately 57,000 TRACE reports, in violation of FINRA Rules 6730(a) and (d) and 2010.

BofA Securities failed to establish and maintain a system reasonably designed to achieve compliance with the firm's TRACE-reporting obligations.

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.

From February 2018 through June 2023, BofA Securities failed to establish and maintain a supervisory system reasonably designed to achieve compliance with FINRA Rule 6730. In particular, the firm's system for reviewing late TRACE reports was not reasonably designed to take appropriate corrective action to prevent additional untimely reports, or to identify or address inaccuracies or missing modifiers in TRACE reports. The firm took a number of remedial measures by July 2023 to address its TRACE reporting deficiencies, including migrating to a new internal reporting system, and implementing new exception reports and management meetings to review the firm's compliance with its TRACE reporting obligations.

Therefore, BofA Securities violated FINRA Rules 3110(a) and 2010.

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

- a censure; and
- a \$250,000 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 prejudice 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.

12/13/2024
Date


BofA Securities, Inc.
Respondent

Print Name: Matthew McQueen

Title: Managing Director


BofA Securities, Inc.
Respondent

Print Name: LAURA CETERA

Title: MANAGING DIRECTOR

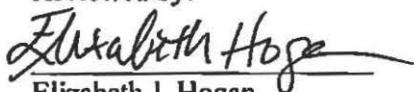


BofA Securities, Inc.
Respondent

Print Name: Brian Caroselli

Title: Managing Director

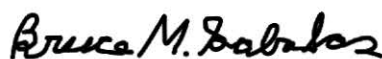
Reviewed by:



Elizabeth J. Hogan
Counsel for Respondent
McGuireWoods LLP
888 16th Street N.W.
Suite 500
Black Lives Matter Plaza
Washington, DC 20006

Accepted by FINRA:

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



January 2, 2025

Date

Bruce M. Sabados
Senior Counsel
FINRA
Department of Enforcement
200 Liberty Street
New York, NY 10281-1003