

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022077148301**

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

RE: BMO Capital Markets Corp. (Respondent)
Member Firm
CRD No. 16686

Pursuant to FINRA Rule 9216, Respondent BMO CMC 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

BMO CMC has been a FINRA member since 1985. The firm employs more than 1,100 registered representatives in 25 branch offices and is headquartered in New York, New York. The firm is a self-clearing, institutional broker-dealer providing investment banking and brokerage services to corporate, institutional, and affiliate clients. Its business focuses primarily on trading in equities, government agency securities, and investment-grade corporate bonds.¹

OVERVIEW

From January 2021 through June 2025, BMO CMC failed to timely report approximately 2,400 securities transactions and inaccurately reported approximately 323,000 securities transactions to FINRA's Trade Reporting and Compliance Engine (TRACE), violating FINRA Rules 6730 and 2010. During that period, BMO CMC failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures (WSPs), that was reasonably designed to achieve compliance with TRACE reporting obligations, violating FINRA Rules 3110 and 2010. For these violations, BMO CMC is censured and fined \$300,000.

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 three reviews by FINRA's Market Regulation Department.

BMO CMC failed to timely report information to TRACE.

TRACE facilitates the mandatory reporting of over-the-counter transactions in TRACE-eligible fixed-income securities and provides increased price transparency to market participants and investors. FINRA Rule 6730(a) provides, in relevant part, that "[e]ach member that is Party to a Transaction in a TRACE-Eligible Security must report the transaction . . . as soon as practicable," but generally "no later than within 15 minutes of the time of execution." FINRA Rule 6730(a)(6) provides that members have an obligation to report transaction information to TRACE promptly, accurately, and completely. Untimely TRACE reporting directly affects investors and other market participants by depriving investors and other market participants of meaningful information necessary to make trading and valuation decisions.

A violation of FINRA Rule 6730 also constitutes a violation of FINRA Rule 2010, which requires members, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

From January 2023 through September 2024, BMO CMC reported to TRACE approximately 2,400 transactions in TRACE-eligible securities more than 15 minutes after the time of execution. This was primarily due to issues associated with manual reporting. The firm addressed the issues in September 2024 when it automated these processes.

By submitting late reports to TRACE, BMO CMC violated FINRA Rules 6730 and 2010.

BMO CMC failed to accurately report information to TRACE.

FINRA Rule 6730 also 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. Inaccurate TRACE reporting affects the audit trail and can result in either false alerts or the inability to detect problematic transactions.

FINRA Rule 6730(d)(4)(D) requires member firms to append a .D indicator to securitized product transactions if the transaction is a "Dollar Roll."²

FINRA Rule 6730(d)(4)(E) explains the circumstances under which member firms must append a "non-member affiliate—principal transaction" (NMA-PT) indicator. Specifically, member firms must select the NMA-PT indicator when reporting a transaction with a non-member affiliate in which both the member and non-member

² A "Dollar Roll" is a simultaneous sale and purchase of an Agency Pass-Through Mortgage-Backed Security for different settlement dates, where the initial seller agrees to take delivery, upon settlement of the repurchase transaction, of the same or substantially similar securities.

affiliate act in a principal capacity, and the trade occurs within the same day, at the same price, and in the same security as a transaction by the member with another contra-party. Application of the NMA-PT indicator removes a trade from public dissemination.

FINRA Rule 6730(d)(1) and 6730(d)(4)(F) generally require member firms to include the no remuneration (NR) indicator where a trade report does not reflect either a commission, mark-up, or mark-down. The NR indicator is part of publicly disseminated TRACE transaction data and identifies those trades where no commission, mark-up, or mark-down was charged or known when reported.

From July through September 2022, BMO CMC failed to include the .D indicator on TRACE reports for all 242 Dollar Roll transactions that it executed during that period. The errors were due to manual errors and a coding issue in one of the firm's automated systems, which the firm corrected in October 2022, after FINRA notified the firm of the issue.

From October 2023 through November 2024, BMO CMC inaccurately included the NMA-PT indicator for 401 transactions that were not executed in a principal capacity. The errors were due to a coding issue in the firm's order entry system, which the firm corrected in November 2024. From January to March 2025, the firm failed to include the NMA-PT indicator for 1,385 transactions that were executed in a principal capacity and satisfied the other conditions requiring the NMA-PT indicator described above. The errors were due to a coding error in the firm's automated system for processing securities transactions, which the firm corrected in March 2025.

From January 2021 to November 2023, BMO CMC failed to include the NR indicator on TRACE reports for all 302,627 transactions that the firm executed during that period without a mark-up, mark-down, or commission due to manual and coding errors. From September 2024 to June 2025, BMO CMC failed to include the NR indicator on TRACE reports for 18,254 transactions that the firm executed without a mark-up, mark-down, or commission due to a coding error in the firm's automated reporting system, which the firm corrected by June 2025.

By submitting inaccurate reports to TRACE, BMO CMC violated FINRA Rules 6730 and 2010.

BMO CMC's supervisory system was not reasonably designed to achieve compliance with TRACE reporting rules.

FINRA Rule 3110(a) requires members to establish and maintain a supervisory system 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. A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010.

From January 2021 through June 2025, BMO CMC failed to establish, maintain, and enforce a supervisory system, including WSPs, that was reasonably designed to achieve compliance with the firm's TRACE reporting obligations. From January 2021 until August 2023, although the firm performed some supervisory reviews of its TRACE reporting for accuracy, the firm had no process to review, and did not review, the accuracy of indicators, including the NR indicator, NMA-PT indicator, and Dollar Roll transaction indicator. Further, during the same period, the firm generated internal reports concerning its TRACE reporting that consistently identified a high number and percentage of late TRACE reports. However, the firm did not take reasonable action to address its late TRACE reporting. In March 2024, the firm implemented a supervisory system to review indicators for accuracy, and in September 2024, the firm implemented an automated system for processing securities transactions that automated its TRACE reporting, in part to address its late reporting. However, the firm did not reasonably test the system to ensure that it was working properly.

The firm corrected its supervisory issues by June 2025.

By failing to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with its TRACE reporting obligations, BMO CMC 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.

11/12/2025

Date

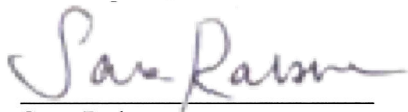


BMO Capital Markets Corp.
Respondent

Print Name: Michael Forlenza

Title: Chief Operating Officer

Reviewed by:



Sara Raisner
Counsel for Respondent
Allen Overy Shearman Sterling US LLP
599 Lexington Avenue
New York, NY 10022

Accepted by FINRA:

11/26/2025

Date

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



Alex Marinello
Principal Counsel
FINRA
Department of Enforcement
Two Jericho Plaza
Jericho, NY 11753