

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023077020901**

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

RE: Haywood Securities (USA) Inc. (Respondent)
Member Firm
CRD No. 42072

Pursuant to FINRA Rule 9216, Respondent Haywood Securities (USA) 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

Haywood has been a FINRA member since 1997. Headquartered in Vancouver, British Columbia, Haywood employs 108 registered representatives in three branch offices. Haywood conducts a general securities business.¹

OVERVIEW

Between January 2018 and April 2024, Haywood failed to accurately compute its required customer reserve, as required by Section 15(c)(3) of the Securities Exchange Act of 1934 and Exchange Act Rule 15c3-3, resulting in at least 36 hindsight deficiencies. The firm's inaccurate customer reserve computations also caused the firm to maintain inaccurate books and records. As a result, Haywood violated Sections 15(c)(3) and 17(a) of the Exchange Act, Exchange Act Rules 15c3-3, 17a-3, and 17a-4, and FINRA Rules 4511 and 2010.

During this same period, Haywood failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve

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

compliance with the customer reserve requirements of Exchange Act § 15(c)(3) and Exchange Act Rule 15c3-3. As a result, Haywood violated FINRA Rules 3110 and 2010.

For these violations, Haywood is censured and fined \$275,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA cycle examination.

Haywood failed to accurately compute its customer reserve requirement and to maintain a sufficient balance in its customer reserve account.

The purpose of Exchange Act § 15(c)(3) and Exchange Act Rule 15c3-3, also known as the “Customer Protection Rule,” is to protect customer securities and funds that customers leave in a firm’s custody from being improperly used by a broker-dealer to fund its business operations and to ensure that funds are available for distribution to customers if the broker-dealer becomes insolvent. Exchange Act Rule 15c3-3(e)(1) requires broker-dealers that hold customer funds to open and maintain a “Special Reserve Bank Account for the Exclusive Benefit of Customers” (the Reserve Account). Broker-dealers must at all times maintain certain minimum deposits of cash or qualified securities in the Reserve Account computed in accordance with a formula incorporated in Exhibit A of Exchange Act Rule 15c3-3 (the Reserve Formula).

The Reserve Formula requires each broker-dealer to compute the amount it owes to customers (reserve credits) and compare that amount to the amount its customers owe to the broker-dealer (reserve debits). If reserve credits exceed reserve debits, as determined by the Reserve Formula, the broker-dealer must deposit the difference in its Reserve Account. A hindsight deficiency occurs when a broker-dealer discovers that it previously failed to make a sufficient deposit in its Reserve Account to comply with Exchange Act Rule 15c3-3.

Exchange Act Rule 15c3-3(e)(3)(i)(A) requires, subject to exceptions not relevant here, that broker-dealers perform weekly computations as of the close of the last business day of each week to determine the requisite amount to be deposited in the Reserve Account, and deposit such amount no later than one hour after the opening of banking business on the second following business day. Exchange Act Rule 15c3-3(g) permits a broker-dealer to make withdrawals from its Reserve Account if, at the time of the withdrawal, the amount remaining in the Reserve Account is not less than the amount required by Exchange Act Rule 15c3-3(e). Such excess funds may be withdrawn from the Reserve Account no later than one hour after the opening of banking business on the second following business day after the computation date.

Pursuant to Exchange Act Rule 15c3-3(e)(3)(iv), additional reserve computations “may be made as of the close of any business day, and the deposits so computed must be made no later than one hour after the opening of banking business on the second following business day.” If a computation made pursuant to Exchange Act Rule 15c3-3(e)(3)(iv) shows adequate excess, a withdrawal may be made any time after such computation is

complete, up to one hour after the opening of banking business on the second following business day.

A violation of Exchange Act § 15(c)(3) or Exchange Act Rule 15c3-3 is also a violation of FINRA Rule 2010, which requires member firms to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

Between January 2018 and April 2024, Haywood failed to accurately compute its required customer reserve and maintain a sufficient aggregate balance in its Reserve Account. During this period, the firm performed intraday Reserve Formula computations during the week as often as once per day, using mid-day balances from the day the computation was being performed rather than balances as of the close of business as required by Exchange Act Rule 15c3-3(e)(3)(iv). The firm then withdrew funds from its Reserve Account based on these intraday computations. Due to these withdrawals, Haywood often lacked sufficient funds in its Reserve Account to comply with Exchange Act Rule 15c3-3(e). The firm’s improper withdrawals resulted in at least 36 hindsight deficiencies ranging from \$27,471 to \$96.6 million.

Therefore, Haywood violated Exchange Act § 15(c)(3), Exchange Act Rule 15c3-3, and FINRA Rule 2010.

Haywood maintained inaccurate books and records.

FINRA Rule 4511 requires FINRA members to make and preserve books and records as required under the FINRA rules, the Exchange Act, and the applicable Exchange Act rules.

Exchange Act § 17(a) and Exchange Act Rule 17a-3(a)(11) require broker-dealers to make and keep current a record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of aggregate indebtedness and net capital as of the trial balance date. Exchange Act Rule 17a-4(b)(5) requires broker-dealers to preserve all trial balances and computations of aggregate indebtedness and net capital, among other things. Customer reserve computations and supporting documents are included within this requirement. Specifically, Exchange Act Rule 15c3-3(e)(3)(vi) requires broker-dealers to make and maintain a record of each computation made pursuant to Exchange Act Rule 15c3-3(e)(3) or otherwise and preserve each record in accordance with Exchange Act Rule 17a-4. When a withdrawal is made on any business day, Exchange Act Rule 15c3-3(g) requires broker-dealers to make a record of the computation on the basis of which the withdrawal was made and preserve such computation in accordance with Exchange Act Rule 17a-4.

Inherent in the obligation to make and preserve books and records is the requirement that they be accurate. A violation of Exchange Act § 17(a), Exchange Act Rules 17a-3 and 17a-4, or FINRA Rule 4511 is also a violation of FINRA Rule 2010.

As described above, Haywood failed to accurately compute its required customer reserve from January 2018 to April 2024. The firm's computation of its required customer reserve, and the balances on which the computation relied as a basis to make a withdrawal, were recorded on the firm's books and records. These books and records were rendered inaccurate by the firm's improper use of mid-day balances to compute its reserve requirement.

Therefore, Haywood violated Exchange Act § 17(a), Exchange Act Rules 17a-3 and 17a-4, and FINRA Rules 4511 and 2010.

Haywood failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with its customer reserve obligations.

FINRA Rule 3110(a) requires member firms 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 member firms 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.

Between January 2018 and April 2024, Haywood's supervisory system, including its WSPs, was not reasonably designed to achieve compliance with the customer reserve requirements of Exchange Act Rule 15c3-3. The firm's WSPs failed to address the requirement under Exchange Act Rule 15c3-3(e)(3)(i)(A) that weekly customer reserve computations be based on balances as of the close of the last business day of the week. The firm also had no procedures concerning the requirement that any daily reserve computations be based on balances as of the close of business as required by Exchange Act Rule 15c3-3(e)(3)(iv). In addition, the firm's WSPs did not address whether or under what circumstances it was permissible for the firm to withdraw funds from its Reserve Account.²

Therefore, Haywood violated FINRA Rules 3110 and 2010.

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

- a censure and
- a \$275,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. FINRA's Finance Department will

² In May 2024, the firm updated its supervisory system, and subsequently updated its written procedures, regarding the customer reserve requirements of Exchange Act Rule 15c3-3.

contact Respondent regarding payment. 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 become 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.

September 16, 2026
Date



Haywood Securities (USA) Inc.
Respondent

Print Name: Robert Blanchard

Title: President & CEO

Reviewed by:

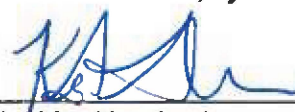


Dana H. Prince
Counsel and Corporate Secretary for Respondent
Getz Prince Wells LLP
355 Burrard Street, Suite 530
Vancouver, BC V6C 2G8

Accepted by FINRA:

September 28, 2026
Date

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



Kavitha Sivashanker
Senior Counsel
FINRA
Department of Enforcement
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