

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2024080158101**

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

RE: Blue Ocean ATS (Respondent)
Member Firm
CRD No. 306512

Pursuant to FINRA Rule 9216, Respondent Blue Ocean ATS 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

Blue Ocean has been registered with FINRA since October 2020. The firm is headquartered in West Palm Beach, Florida, and has one branch office and 14 registered representatives. In June 2021, Blue Ocean began operating an alternative trading system (ATS) for matching orders in National Market System (NMS) stocks. The firm's subscribers are broker-dealers registered with FINRA. Subscribers to the Blue Ocean ATS may elect to receive ATS market data that includes depth of quote data which, subject to certain exceptions, includes all open buy and sell orders for each security at various price levels. Blue Ocean's ATS operates in an overnight session, between 8:00 PM ET and 4:00 AM ET.¹

OVERVIEW

Since inception, Blue Ocean's ATS has accounted for approximately 95% of all trading volume in the overnight session, including a substantial volume of low-priced securities. Despite the well-known risks associated with trading low-priced securities, including potential price manipulation, the firm did not have reasonable policies and procedures to detect and cause the reporting of suspicious activity since at least January 2023 to the present, in violation of FINRA Rules 3310 and 2010.

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

During the same period, Blue Ocean's supervisory system, including its written supervisory procedures (WSPs), did not address various forms of manipulation relevant to its business. The firm's manual review of two reports to detect manipulative trading was unreasonable, including because the reports were limited in scope and not reasonably designed to detect patterns. The firm therefore violated FINRA Rules 3110 and 2010.

For these violations, Blue Ocean is censured, fined \$550,000, and has agreed to an undertaking.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA cycle examination of the firm.

I. Blue Ocean failed to establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious transactions.

FINRA Rule 3310 requires each member firm to develop and implement a written AML program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (BSA) and implementing regulations promulgated by the Department of the Treasury. FINRA Rule 3310(a) requires each firm to "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder." The implementing regulation, 31 C.F.R. § 1023.320, requires broker-dealers, under specified circumstances, to file with the Financial Crimes Enforcement Network "a report of any suspicious transaction relevant to a possible violation of law or regulation." In addition, FINRA Rule 3310(f)(ii) requires, in relevant part, that a member firm's AML program include appropriate risk-based procedures for conducting ongoing customer due diligence, including conducting ongoing monitoring to identify and report suspicious transactions.

In May 2019, FINRA issued Regulatory Notice 19-18, reminding firms of their suspicious activity monitoring and reporting obligations and providing a non-exhaustive list of red flags suggestive of money laundering for firms to consider incorporating into their AML programs, as may be appropriate in implementing a risk-based approach to BSA/AML compliance. Regulatory Notice 19-18 identifies a number of red flags specific to securities trading, including: (i) pre-arranged or other non-competitive trading including wash or cross trades, with no apparent business purpose; (ii) frequent patterns of placing orders on one side of the market, usually inside the existing National Best Bid or Offer (NBBO), followed by the customer entering orders on the other side of the market that execute against other market participants that joined the market at the improved NBBO (activity indicative of "spoofing"); (iii) frequent patterns of placing multiple limit orders on one side of the market at various price levels, followed by the customer entering orders on the opposite side of the market that are executed and the customer cancelling the original limit orders (activity indicative of "layering"); (iv) trading that represents a significant proportion of the daily volume in a low-priced or

thinly traded security; and (v) accumulation of stock in small increments throughout the day to increase price.

In February 2021, FINRA issued Regulatory Notice 21-03, which provides information to “help FINRA member firms that engage in low-priced securities business assess and, as appropriate, strengthen their controls to identify and mitigate their risk, and the risk to their customers.” Regulatory Notice 21-03 also provides a non-exhaustive list of “activities [that] may be red flags of fraud involving low-priced securities.” These include “customers that engage in transactions that are consistent with an intent to affect the price of a low-priced stock, and do not have a legitimate investment rationale for the transactions.”

A violation of FINRA Rule 3310 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.

Although trading during an overnight session can present opportunities for convenience, it also presents certain risks, including less liquidity and increased volatility. Since January 2023, the firm’s overnight trading volume has increased significantly, from approximately 60 million shares traded in the first quarter of 2023 to 4.8 billion shares traded in the last quarter of 2025. Included in the overall volume is a substantial amount of low-priced securities.² For example, between September 2024 and June 2025, the firm executed more than 33 million trades totaling 5.5 billion shares of low-priced securities.

Despite the firm’s growth and the risks associated with low-priced securities trading activity and overnight trading, Blue Ocean did not develop and implement an AML program that was reasonably tailored to the risks of its business, including detecting potentially manipulative trading. The firm’s policies and procedures failed to identify various red flags of potential market manipulation relevant to Blue Ocean’s business and low-priced securities trading, including spoofing, layering, and other manipulative order entry patterns.

Until November 2024, the firm’s written procedures also failed to identify what reports the firm used to monitor for potentially suspicious transactions related to manipulative trading activity and how designated reviewers should detect, investigate, and escalate red flags of suspicious transactions to enable the firm to file suspicious activity reports when warranted. In November 2024, the firm updated its procedures to identify two reports it used to detect potential red flags: a low-priced securities report and a wash sale report. The revised procedures, however, did not describe how designated reviewers should review these reports, investigate potential red flags, and escalate AML concerns for suspicious activity reporting.

In practice, the firm conducted no surveillance for spoofing, layering, and other manipulative order entry patterns. The firm also did not monitor whether any one

² Low-priced securities are also referred to as “microcap stocks” or “penny stocks” and tend to be volatile and trade in low volumes. See Regulatory Notice 21-03.

subscriber's activity represented a significant proportion of the overnight trading volume in a single low-priced security, which is a red flag of potential manipulation. The firm's monitoring of red flags of potentially manipulative trading activity was limited to a weekly manual review of a low-priced securities report, which captured certain executions in low-priced securities, and a wash sale report, which captured certain identical close-in-time executing orders from the same subscriber. These reviews were conducted by one employee who lacked meaningful AML experience and training and the reports often included thousands of transactions. For example, the low-priced securities report flagged an average of 2,500 orders per week and the wash sale report flagged an average of 1,000 trades per week. This manual review did not reasonably enable the firm to identify patterns of suspicious transactions over time, and across subscribers and securities. Further, the wash sale report did not enable the firm to detect trends concerning the frequency at which subscribers appeared on the reports.

As a result of the firm's failure to develop a reasonable AML program, since at least January 2023, it has failed to detect and investigate numerous red flags of potentially suspicious order schemes. For example, between November 2023 and December 2024, there were at least 270,000 instances of a subscriber placing a significant number of buy-side orders for the same security within a half-a-second or less of the previous buy-side order, which were not detected or investigated by the firm. More specifically, eight subscribers, in more than 1,000 instances, routed dozens of buy-side orders at increasing prices within seconds. One subscriber routed more than 120 buy-side orders in one low-priced security, some of which executed, for small share quantities (typically between 1 and 3 shares) in a short window of time near the close of Blue Ocean's overnight session, often in escalating prices and typically within a second or less. That subscriber also routed atypically small share quantities of buy orders in a different low-priced security in rapid bursts at escalating penny increments, with most orders unexecuted, while that same subscriber's sell-side executions filled at progressively higher prices following each burst.

By failing to develop and implement an AML compliance program reasonably expected to detect and cause the reporting of suspicious transactions, Blue Ocean violated FINRA Rules 3310(a), 3310(f)(ii), and 2010.

II. Blue Ocean failed to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with federal securities laws and FINRA rules prohibiting market manipulation.

FINRA Rule 3110(a) requires that FINRA members "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 that each FINRA member "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.

In Regulatory Notice 18-25, FINRA reminded ATS members of their obligations to supervise trading activity on their platforms. The Notice stated that “FINRA expects that an ATS’s supervisory system be reasonably designed to identify ‘red flags,’ including potentially manipulative or non-bona fide trading that occurs on or through its systems.”

A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

Since at least January 2023, the firm’s WSPs did not address various forms of market manipulation relevant to Blue Ocean’s business, including spoofing, layering, and other manipulative order entry patterns. In practice, the firm’s manual review of two limited exception reports relating to low-priced securities and potential wash sales was unreasonable in light of the number of transactions appearing on those reports, the inability to detect relevant patterns on those reports, and the inability to detect or reasonably address other forms of potential market manipulation. In November 2025, the firm began implementing an automated monitoring system to detect, among other things, potential spoofing and layering.

By failing to have a supervisory system, including WSPs, reasonably designed to achieve compliance with federal securities laws and FINRA rules prohibiting manipulative trading, Blue Ocean violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$550,000 fine; and
- an undertaking to do the following:
 - Within 180 days of the date of the notice of acceptance of this AWC, a member of Respondent’s senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, (a) the firm has remediated the AML issues identified in the AWC and developed and implemented a written AML program that complies with FINRA Rule 3310(a) and 3310(f) and is reasonably designed to achieve compliance with applicable sections of the BSA and its implementing regulations noted above regarding the issues identified in this AWC; and (b) the firm has remediated the issues identified in the AWC and implemented a supervisory system, including WSPs, reasonably designed to achieve compliance with the laws and rules prohibiting manipulative trading.

The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent’s remediation and implementation. FINRA staff may request further evidence of Respondent’s remediation and

implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Amanda Cox, Principal Counsel, at FINRA Department of Enforcement, 9509 Key West Avenue, Rockville, MD 20850 and Amanda.Cox@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

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

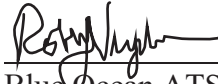
Respondent understands that:

- 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.

April 28, 2026

Date



Blue Ocean ATS
Respondent

Print Name: Robert J Virgilio

Title: Chief Compliance Officer

Reviewed by:



William Barbera
Counsel for Respondent
McDermott Will & Schulte LLP
919 Third Avenue
New York, NY 10022

Accepted by FINRA:

5/4/26

Date

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



Amanda Cox
Principal Counsel
FINRA
Department of Enforcement
9509 Key West Avenue
Rockville, MD 20850