



DISCIPLINARY DECISION

Cboe BZX Exchange, Inc.

Star No. 20170531296/File No. USE-1784

BNP Paribas Securities Corp.

Pursuant to Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rule(s)

- BZX Rules 3.1 – Business Conduct of Members, 5.1 – Written Procedures and 5.3 – Records
- Section 17(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Exchange Act Rule 17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers thereunder

Sanction

A censure and a fine of \$3,500

Effective Date

December 10, 2019

/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

Cboe BZX Exchange, Inc.
LETTER OF CONSENT
Star No. 20170531296
File No. USE-1784

In the Matter of:

BNP Paribas Securities Corp.
51 West 52nd Street, 36th Floor
New York, NY 10019

Subject

Pursuant to the provisions of Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) Rule 8.3 – Expedited Proceeding, BNP Paribas Securities Corp. (the “Firm”) submits this Letter of Consent for the purposes of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies the allegations of the Letter of Consent for Star No. 20170531296/File No. USE-1784, and the stipulation of facts and findings described herein do not constitute such an admission.

BACKGROUND

1. During all relevant periods herein, the Firm was an Exchange Member registered to conduct business on BZX as a Market-Maker, and its registration remains in effect. The Firm is a broker-dealer headquartered in New York, New York and employs approximately 1,210 registered representatives among its 12 branch offices. The Firm engages in market making transactions and brokerage activities for its customers, who are primarily institutions, other broker-dealers, and affiliates.
2. This matter originated from the 2017 Cycle Examination of the Firm conducted by FINRA’s Trading and Financial Compliance Examinations (“TFCE”) within the Department of Market Regulation, on behalf of BZX and other options exchanges, and involved, among other things, a review of the manual options order tickets handled by the Firm during the period between July 17, 2017 and July 21, 2017 (the “Exam Review Period”). TFCE also reviewed the Firm’s supervisory systems, including written supervisory procedures (“WSPs”), relating to the Firm’s maintenance of accurate books and records during the period between January 2, 2017 and February 9, 2019 (the “Supervisory Review Period”).

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: BZX Rules 3.1 – Business Conduct of Members, 5.1 – Written Procedures, and 5.3 – Records; and Section 17(a) of the Securities Exchange Act of 1934, as amended (“Exchange Act”) and Rule 17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers thereunder.
4. During all relevant periods herein, Rule 17a-3(a), promulgated under the Exchange Act, provided, in relevant part: “Every member of a national securities exchange who transacts a business in securities directly with others than members of a national securities exchange...and every broker or dealer registered pursuant to section 15 of the Exchange Act ...shall make and keep current the following books and records related to its business: (6)(i) A memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. The memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation thereof; the account for which entered; the time the order was received; the time of entry; the price at which executed; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry; and, to the extent feasible, the time of execution or cancellation....The term time of entry shall mean the time when the member, broker or dealer transmits the order or instruction for execution.”
5. During all relevant periods herein, BZX Rule 3.1 required each Member to “observe high standards of commercial honor and just and equitable principles of trade.”
6. During all relevant periods herein, BZX Rule 5.1 provided that “[e]ach Member shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the member and to assure their compliance with applicable laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.”
7. During all relevant periods herein, BZX Rule 5.3 provided that “[e]ach Member shall be responsible for making and keeping appropriate records for carrying out the Member’s supervisory procedures.”

Supervision and Written Supervisory Procedures

8. During the Supervisory Review Period, the Firm failed to establish and maintain WSPs and a supervisory system applicable to the Firm's Global Equities Securities Desk (the "Desk") that were reasonably designed to assure compliance with the recordkeeping provisions of the federal securities laws and BZX rules that require the accurate documentation of the order receipt and transmission times of options orders. Specifically, the Firm's Regulatory Reporting & Controls group ("RRC") conducted a weekly review of five manual options orders entered into its order management system by the Desk. The Firm's supervisory review was intended to confirm the accuracy of the order receipt, transmission, and execution timestamps, and its WSPs and supervisory system required the escalation to supervisors of any patterns of inaccurate order information. During 2017, the Firm routed as many as approximately 11,000 manual options orders to exchanges. The Firm's weekly supervisory reviews did not, however, detect any of the timestamp inaccuracies identified during the Exam Review Period. Given the potential for human error in connection with manual orders, the Firm's weekly sampling of five manual orders was not reasonably designed to assure compliance with the applicable recordkeeping provisions of the federal securities laws and BZX rules. The Firm's WSPs failed to include a requirement for supervisors to review any electronically received options orders.
9. During the Supervisory Review Period, the Firm did not have any procedures in place to periodically test to ensure that its systems were effectively interacting with Athena Data Warehouse ("Athena"), the Firm's central repository for transaction data. As a result, systemic flaws associated with Athena caused books and records inaccuracies that were not promptly identified. These flaws consisted of: (i) a mapping error during data transfer from the Firm's order management system that resulted in Athena incorrectly capturing the execution time for electronically transmitted customer trades on the Desk; (ii) a coding error that resulted in Athena incorrectly designating certain order legs as short sales; and (iii) certain transaction data not being properly recorded in Athena. As a result, trade information was not accurately processed and/or transferred from the Firm's data and order management systems to Athena, impacting the Firm's ability to maintain accurate books and records. The Firm's WSPs also failed to include procedures to supervise the automated order ticket and transaction data review conducted by Athena.
10. The acts, practices and conduct described in paragraphs 8 and 9, above, constitute violations of BZX Rules 3.1, 5.1 and 5.3, in that the Firm failed to establish, maintain and enforce WSPs, including a supervisory system of follow-up and review, reasonably designed to assure compliance with applicable federal securities laws and BZX rules.

SANCTIONS

11. The Firm does not have any prior relevant disciplinary history.
12. In light of the alleged rule violations described above, the Firm consents to the imposition of the following sanctions:
 - a. A censure; and
 - b. A fine in the amount of \$3,500.

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 8.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The Firm waives any right to claim bias or prejudgment of the Chief Regulatory Officer ("CRO") in connection with the CRO's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent. The Firm further waives any claim that a person violated the *ex parte* prohibitions of Exchange Rule 8.16, in connection with such person's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including its acceptance or rejection.

The Firm agrees to pay the monetary sanction(s) upon notice that this Letter of Consent has been accepted and that such payment(s) are due and payable. The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 8.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by BZX or any other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange in accordance with Exchange Rule 8.18.

The Firm understands that it may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.

Date: 12/3/2019

BNP Paribas Securities Corp.

By: 

Name: Stephan Nawrocki

Title: Managing Director