

**NASDAQ PHLX LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

**TO: BNP Paribas Securities Corp.  
Hilda Brewer  
Vice President  
525 Washington Blvd  
Jersey City, NJ 07310**

**FROM: Nasdaq PHLX LLC (“PHLX”)  
c/o Financial Industry Regulatory Authority (“FINRA”)  
Department of Enforcement  
15200 Omega Drive, Suite 300  
Rockville, MD 20850**

**DATE: January 7, 2020**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2017053129604**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent (“AWC”) has been accepted on **December 12, 2019** by the PHLX Review Council’s Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the PHLX Review Council, pursuant to PHLX Rule 9216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration (“Form BD”) to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or PHLX if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by Nasdaq’s Finance Department regarding the payment of any fine if a fine has been imposed.

BNP Paribas Securities Corp.  
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If you have any questions concerning this matter, please contact me at (212) 858-5209.



Monika Mohan  
Counsel  
Department of Enforcement, FINRA  
Signed on behalf of PHLX

Enclosure

FINRA District 10 – New York  
William St. Louis  
Senior Vice President and Regional Director  
(Via email)

**NASDAQ PHLX LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
NO. 2017053129604

**TO: Nasdaq PHLX LLC**  
c/o Department of Enforcement  
Financial Industry Regulatory Authority (“FINRA”)

**RE: BNP Paribas Securities Corp., Respondent**  
Broker-Dealer  
CRD No. 15794

Pursuant to Rule 9216 of Nasdaq PHLX LLC (“Phlx”) Code of Procedure, BNP Paribas Securities Corp. (“BNPS” or the “firm”) 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, Phlx will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of Phlx, or to which Phlx is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by Phlx:**

**BACKGROUND**

BNPS became a member of Phlx on December 2, 2008, and a member of FINRA on December 27, 1984. Its registrations remain in effect. BNPS, headquartered in New York, NY, has approximately 1,060 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.

The firm has no relevant disciplinary history.

**SUMMARY**

- 1. FINRA’s Trading and Financial Compliance Examinations staff (the “Staff”) within the Department of Market Regulation, on behalf of Phlx and other options exchanges, conducted 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”).**

2. During the Exam Review Period, BNPS failed to accurately record the order receipt and order transmission times of manual options orders it had routed to Phlx and various other national securities exchanges for execution in violation of Rule 17a-3(a)(6)(i) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Phlx Rule 760.
3. From January 2, 2017 through February 9, 2019 (the "Supervisory Review Period"), the firm violated Phlx Rule 748(h) by failing to establish, maintain, and enforce written supervisory procedures ("WSPs") and a system of supervision that were reasonably designed to achieve compliance with the applicable federal securities laws and Phlx rules that require the accurate documentation of the order receipt and transmission times of options orders.

### **FACTS AND VIOLATIVE CONDUCT**

4. The recordkeeping provisions of the federal securities laws and Phlx rules are designed to ensure that regulators have access to certain basic information about securities transactions. Access to transaction records serves as an essential component for effective surveillance and examination of broker-dealers by Phlx and other self-regulatory organizations.
5. Section 17 of the Exchange Act and Exchange Rule 17a-3(a)(6)(i) promulgated thereunder require broker-dealers, such as BNPS, to create a brokerage order ticket of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. In relevant part, the rule requires the brokerage order ticket to show, among other things, the terms and conditions of the order or instructions, the time the order was received, the time the order was entered, and the time of execution or cancellation. Such records must be accurate.
6. Phlx Rule 760 requires member firms to make, keep current, and preserve books and records as prescribed by the Exchange Act.
7. Phlx Rule 748(h) requires member organizations to establish, maintain, and enforce WSPs, and a system of supervision for applying such procedures, that are reasonably designed to supervise the types of businesses and activities in which they and their associated persons engage in order to achieve compliance with, and to prevent and detect violations of, applicable securities laws and regulations, including the By-Laws and Rules of the Exchange.
8. During the Exam Review Period, the firm handled approximately 856 manual options orders; 654 of them were manually routed to floor brokers on certain options exchanges. Of those 654 manual options orders routed to floor brokers, 121, or 19%, were customer options orders. Fifty-one manual customer options orders routed to these options exchanges during the Exam Review Period were reviewed for timestamp accuracy.

9. From the 51 manual customer options orders routed to various options exchanges for execution during the Exam Review Period, the firm did not maintain an accurate record of the order receipt time for 36 (approximately 71%) of the sampled orders. Two of those were executed on Phlx.
10. From the 51 manual customer options orders routed to various options exchanges for execution during the Exam Review Period, the firm did not maintain an accurate record of the order transmission time for 41 (approximately 80%) of those orders. Two of those were executed on Phlx.
11. The conduct described in paragraphs 9 and 10 constitutes violations of Rule 17a-3(a)(6)(i) promulgated under the Exchange Act and Phlx Rule 760.
12. During the Supervisory Review Period, the firm failed to establish, maintain, and enforce WSPs and a supervisory system applicable to the firm's Global Equities Securities Desk (the "Desk") that were reasonably designed to achieve compliance with the recordkeeping provisions of the federal securities laws and Phlx 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 achieve compliance with, and to detect and prevent violations of, the applicable recordkeeping provisions of the federal securities laws and Phlx rules. The firm's WSPs also failed to include a requirement for supervisors to review any electronically received options orders.
13. 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 that was 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.

14. The conduct described in paragraphs 12 and 13 constitutes violations of Phlx Rule 748(h).

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

1. A censure;
2. A fine of \$97,500, of which \$43,500 (\$40,000 for the books and records violations and \$3,500 for the supervision violations) shall be paid to the Exchange.<sup>1</sup>

Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between the firm and NYSE American LLC, NYSE Arca, Inc., Nasdaq Options Market LLC, and Nasdaq ISE, LLC.

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 a Payment Information form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff

## II.

### WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under Phlx's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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

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<sup>1</sup> The balance of the fine shall be paid to NYSE American LLC, NYSE Arca, Inc., Nasdaq Options Market LLC, and Nasdaq ISE, LLC.

- D. To appeal any such decision to the Exchange Review Council 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 Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, 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 acceptance or rejection of this AWC.**

**Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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 FINRA's Department of Enforcement and the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Phlx Rule 9216;**
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Respondent; and**
- C. If accepted:**
- 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by Phlx or any other regulator against the Respondent;**
  - 2. Phlx may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Phlx Rule 8310 and IM-8310-3; and**
  - 3. 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 Phlx, or to which Phlx is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which Phlx is not a party.**

- 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 Phlx, nor does it reflect the views of Phlx 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 AWC and has been given a full opportunity to ask questions about it; that the firm 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

12/3/2019  
Date

BNP Paribas Securities Corp.  
Respondent

By: Stephan Nawrocki **Stephan B. Nawrocki**  
Managing Director

Name: Stephan Nawrocki

Title: Managing Director

Reviewed by:

\_\_\_\_\_  
Counsel for Respondent

Accepted by Phlx:

01.07.2020  
Date

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

Monika V. Mohan  
Monika V. Mohan, Counsel  
Department of Enforcement

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



**PAYMENT INFORMATION**

The fine amount will be reflected on an upcoming invoice and will be direct debited from the account for your firm that Nasdaq currently has on file. ***Please DO NOT submit payment at this time.***

Please inform your finance or applicable department of this forthcoming debit.

If you need to arrange for an alternative method of payment, please contact Nasdaq at (301) 978-8310 by no later than the last business day of the month in which the Notice of Acceptance of the AWC was issued. ***Otherwise, a direct debit will process from the account for your firm that Nasdaq currently has on file.***

Respectfully submitted,

Respondent

BNP Paribas Securities Corp.

12/5/2019

Date

By: Dawn K Jani  
Name: Dawn K Jani  
Title: Director - SRG