

## BrokerCheck Report

### BMO CAPITAL MARKETS CORP.

CRD# 16686

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Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

## About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- o information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- o information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

**Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

[brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://www.finra.org/brokercheck). It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)

**BMO CAPITAL MARKETS CORP.**

CRD# 16686

SEC# 8-34344

**Main Office Location**

151 WEST 42ND STREET  
NEW YORK, NY 10036  
Regulated by FINRA New York Office

**Mailing Address**

151 WEST 42ND STREET  
NEW YORK, NY 10036

**Business Telephone Number**

212-702-1981

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

<https://www.adviserinfo.sec.gov>

**Report Summary for this Firm**

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

**Firm Profile**

This firm is classified as a corporation.

This firm was formed in Delaware on 03/28/1988.

Its fiscal year ends in December.

**Firm History**

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

**Firm Operations****This firm is registered with:**

- the SEC
- 18 Self-Regulatory Organizations
- 53 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 14 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm does not have referral or financial arrangements with other brokers or dealers.

**Disclosure Events**

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

**The following types of disclosures have been reported:**

Type	Count
Regulatory Event	43



## Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 03/28/1988.

Its fiscal year ends in December.

## Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

### **BMO CAPITAL MARKETS CORP.**

**Doing business as BMO CAPITAL MARKETS CORP.**

**CRD#** 16686

**SEC#** 8-34344

### **Main Office Location**

151 WEST 42ND STREET  
NEW YORK, NY 10036

**Regulated by FINRA New York Office**

### **Mailing Address**

151 WEST 42ND STREET  
NEW YORK, NY 10036

### **Business Telephone Number**

212-702-1981



## Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

### Direct Owners and Executive Officers

**Legal Name & CRD# (if any):** BMO FINANCIAL CORP.

**Is this a domestic or foreign entity or an individual?** Domestic Entity

**Position** SHAREHOLDER

**Position Start Date** 07/2011

**Percentage of Ownership** 75% or more

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** BRICKLEY, THOMAS JOHN  
3028843

**Is this a domestic or foreign entity or an individual?** Individual

**Position** FINANCIAL AND OPERATIONS PRINCIPAL

**Position Start Date** 03/2020

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** COPPINS, MICHAEL WILLIAM  
4537128

**Is this a domestic or foreign entity or an individual?** Individual

**Position** CHIEF FINANCIAL OFFICER

**Position Start Date** 03/2017

## Firm Profile



### Direct Owners and Executive Officers (continued)

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** FORLENZA, MICHAEL  
5886049

**Is this a domestic or foreign entity or an individual?** Individual

**Position** CHIEF COMPLIANCE OFFICER

**Position Start Date** 12/2017

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** ROTHBAUM, BRAD ANDERS  
1802673

**Is this a domestic or foreign entity or an individual?** Individual

**Position** CHIEF OPERATING OFFICER & HEAD, GLOBAL MARKETS

**Position Start Date** 01/2013

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** TANNENBAUM, ALAN

## Firm Profile



### Direct Owners and Executive Officers (continued)

2134180

**Is this a domestic or foreign entity or an individual?** Individual

**Position** EXECUTIVE OFFICER

**Position Start Date** 02/2021

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

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## Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.



### Indirect Owners

<b>Legal Name &amp; CRD# (if any):</b>	BANK OF MONTREAL
<b>Is this a domestic or foreign entity or an individual?</b>	Foreign Entity
<b>Company through which indirect ownership is established</b>	BMO FINANCIAL CORP.
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	07/2011
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	Yes

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## Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





## Firm Operations

### Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

**This firm is currently registered with the SEC, 18 SROs and 53 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	08/16/1985

### SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	10/29/1985
BOX Exchange LLC	Approved	05/09/2012
Cboe BYX Exchange, Inc.	Approved	11/15/2010
Cboe BZX Exchange, Inc.	Approved	08/18/2008
Cboe C2 Exchange, Inc.	Approved	11/15/2013
Cboe EDGA Exchange, Inc.	Approved	07/15/2014
Cboe EDGX Exchange, Inc.	Approved	07/15/2014
Cboe Exchange, Inc.	Approved	10/08/2013
Investors' Exchange LLC	Approved	08/16/2016
Miami International Securities Exchange, LLC	Approved	10/10/2014
NYSE American LLC	Approved	10/31/2003
NYSE Arca, Inc.	Approved	12/22/2003
NYSE Chicago, Inc.	Approved	11/06/2003
Nasdaq BX, Inc.	Approved	01/08/2018
Nasdaq ISE, LLC	Approved	07/19/2010

Nasdaq PHLX LLC	Approved	01/10/2007
Nasdaq Stock Market	Approved	07/12/2006
New York Stock Exchange	Approved	11/07/1986



## Firm Operations

### Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	11/24/2003	North Carolina	Approved	08/08/2003
Alaska	Approved	08/21/2003	North Dakota	Approved	11/03/2003
Arizona	Approved	03/05/2002	Ohio	Approved	07/09/1999
Arkansas	Approved	08/27/2003	Oklahoma	Approved	07/24/1996
California	Approved	10/29/1997	Oregon	Approved	04/24/1995
Colorado	Approved	09/28/1989	Pennsylvania	Approved	11/07/1989
Connecticut	Approved	11/29/1989	Puerto Rico	Approved	09/30/2003
Delaware	Approved	06/12/2000	Rhode Island	Approved	04/04/1996
District of Columbia	Approved	06/29/1995	South Carolina	Approved	08/26/2003
Florida	Approved	03/13/1990	South Dakota	Approved	07/21/2003
Georgia	Approved	06/08/1999	Tennessee	Approved	02/01/2000
Hawaii	Approved	08/29/2003	Texas	Approved	01/03/1995
Idaho	Approved	07/25/2003	Utah	Approved	06/09/1993
Illinois	Approved	03/01/1990	Vermont	Approved	07/18/2000
Indiana	Approved	09/19/2003	Virgin Islands	Approved	09/21/2018
Iowa	Approved	11/05/2001	Virginia	Approved	10/27/1989
Kansas	Approved	02/10/2000	Washington	Approved	04/26/1999
Kentucky	Approved	07/02/1998	West Virginia	Approved	07/22/2003
Louisiana	Approved	03/10/2000	Wisconsin	Approved	04/18/1996
Maine	Approved	11/19/2003	Wyoming	Approved	08/11/2003
Maryland	Approved	02/23/1995			
Massachusetts	Approved	08/20/1990			
Michigan	Approved	01/28/1994			
Minnesota	Approved	12/15/1993			
Mississippi	Approved	07/21/2003			
Missouri	Approved	11/21/1996			
Montana	Approved	11/29/1995			
Nebraska	Approved	09/22/2003			
Nevada	Approved	03/10/2000			
New Hampshire	Approved	04/11/1996			
New Jersey	Approved	02/16/1990			
New Mexico	Approved	06/21/2000			
New York	Approved	08/14/1985			



## Firm Operations

### Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

**This firm currently conducts 14 types of businesses.**

#### Types of Business

Exchange member engaged in exchange commission business other than floor activities

Broker or dealer making inter-dealer markets in corporation securities over-the-counter

Broker or dealer retailing corporate equity securities over-the-counter

Broker or dealer selling corporate debt securities

Underwriter or selling group participant (corporate securities other than mutual funds)

U S. government securities dealer

U S. government securities broker

Put and call broker or dealer or option writer

Investment advisory services

Broker or dealer selling tax shelters or limited partnerships in primary distributions

Trading securities for own account

Private placements of securities

Broker or dealer selling interests in mortgages or other receivables

Other - 10Y FOREIGN SECURITIES (I.E. CANADIAN SECURITIES).

#### Other Types of Business

This firm does not effect transactions in commodities, commodity futures, or commodity options.

This firm does not engage in other non-securities business.

Non-Securities Business Description:

## **Firm Operations**



### **Clearing Arrangements**

**This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).**

### **Introducing Arrangements**

**This firm does not refer or introduce customers to other brokers and dealers.**

## Firm Operations

### Industry Arrangements



**This firm does have books or records maintained by a third party.**

**Name:** OMGEO LLC  
**Business Address:** 570 WASHINGTON BLVD.  
10TH FLOOR  
JERSEY CITY, NJ 07310  
**Effective Date:** 01/02/2015  
**Description:** THE APPLICANT HAS CONTRACTED WITH OMGEO LLC TO ARCHIVE ITS  
FIXED INCOMES SECURITY DTC-ID CONFIRMATIONS. THE APPLICANT  
WILL HAVE DIRECT ACCESS TO ITS DTC-ID CONFIRMATIONS.

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**This firm does not have accounts, funds, or securities maintained by a third party.**

**This firm does not have customer accounts, funds, or securities maintained by a third party.**

#### Control Persons/Financing

**This firm does not have individuals who control its management or policies through agreement.**

**This firm does not have individuals who wholly or partly finance the firm's business.**



## Firm Operations

### Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

**This firm is, directly or indirectly:**

- in control of
  - controlled by
  - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

**CLEARPOOL EXECUTION SERVICES, LLC is under common control with the firm.**

<b>CRD #:</b>	168490
<b>Business Address:</b>	17 STATE STREET 38TH FLOOR NEW YORK, NY 10004
<b>Effective Date:</b>	04/06/2020
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL

**THAMES RIVER MULTI-CAPITAL LLP is under common control with the firm.**

<b>Business Address:</b>	EXCHANGE HOUSE, PRIMROSE STREET LONDON, EC2A 2NY, ENGLAND, UNITED KINGDOM
<b>Effective Date:</b>	11/11/2016
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	UNITED KINGDOM
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

**THAMES RIVER CAPITAL LLP is under common control with the firm.**



**Firm Operations****Organization Affiliates (continued)**

**Business Address:** EXCHANGE HOUSE, PRIMROSE STREET  
LONDON, EC2A 2NY, ENGLAND, UNITED KINGDOM

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** UNITED KINGDOM

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**PYRFORD INTERNATIONAL LTD is under common control with the firm.**

**CRD #:** 105646

**Business Address:** 95, WIGMORE STREET  
LONDON, W1U 1FD, ENGLAND, UNITED KINGDOM

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** UNITED KINGDOM

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**LLOYD GEORGE INVESTMENT MANAGEMENT (BERMUDA) LIMITED is under common control with the firm.**

**Business Address:** ESTERA SERVICES (BERMUDA) LTD 22 VICTORIA STREET  
CANON'S COURT  
HAMILTON, BERMUDA HM12, BERMUDA

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** BERMUDA

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Firm Operations****Organization Affiliates (continued)**

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**LGM INVESTMENTS LIMITED is under common control with the firm.**

**Business Address:** 95, WIGMORE STREET  
LONDON, W1U 1FD ENGLAND, UNITED KINGDOM

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** UNITED KINGDOM

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**FULLGOAL FUND MANAGEMENT CO., LTD. is under common control with the firm.**

**Business Address:** 8 CENTURY AVENUE  
16F SHANGHAI IFC II, PUDONG NEW AREA  
SHANGHAI, CHINA

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** CHINA

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**FULLGOAL ASSET MANAGEMENT (HK) LIMITED is under common control with the firm.**

**Business Address:** ROOM 2404-5, MAN YEE BUILDING  
68 DES VOEUX ROAD CENTRAL  
CENTRAL HONG KONG, CHINA

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** CHINA

**Securities Activities:** No

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### **FP FUND MANAGERS LIMITED is under common control with the firm.**

**Business Address:** PIXHAM END  
DORKING SURREY RH4 1QA U, UNITED KINGDOM

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** UNITED KINGDOM

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### **F&C PORTUGAL, GESTÃO DE PATRIMÓNIOS, S.A. is under common control with the firm.**

**Business Address:** 372, 1.ª, RUA DE CAMPOLIDE,  
LISBOA, 1070-040,, PORTUGAL

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** PORTUGAL

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### **F&IC NETHERLANDS BV is under common control with the firm.**

**Business Address:** JACTHAVENWEG 109 E  
108 1 KM  
AMSTERDAM, NETHERLANDS

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** NETHERLANDS

## Firm Operations



### Organization Affiliates (continued)

**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### F&C MANAGEMENT LUXEMBOURG SA is under common control with the firm.

**Business Address:** 49, AVENUE J.F KENNEDY  
LUXEMBOURG, UNITED KINGDOM  
**Effective Date:** 11/11/2016  
**Foreign Entity:** Yes  
**Country:** UNITED KINGDOM  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### F&C MANAGEMENT LIMITED is under common control with the firm.

**Business Address:** EXCHANGE HOUSE,  
PRIMROSE STREET  
LONDON, EC2A 2NY ENGLAND, UNITED KINGDOM  
**Effective Date:** 11/11/2016  
**Foreign Entity:** Yes  
**Country:** UNITED KINGDOM  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### F&C IRELAND LIMITED is under common control with the firm.

**Business Address:** BLOCK 5, HARTCOURT CENTRE, HARCOURT ROAD  
DUBLIN, IRELAND  
**Effective Date:** 11/11/2016  
**Foreign Entity:** Yes

**Firm Operations****Organization Affiliates (continued)**

**Country:** IRELAND  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**F&C INVESTMENT BUSINESS LIMITED is under common control with the firm.**

**Business Address:** 80 GEORGE STREET, EDINBURGH  
 EDINBURGH, EH2 3BU, SCOTLAND  
**Effective Date:** 11/11/2016  
**Foreign Entity:** Yes  
**Country:** SCOTLAND  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**F&C EMERGING MARKETS LIMITED is under common control with the firm.**

**Business Address:** COMPUTERSHARE INVESTORS SERVICES PLC,  
 7TH FLOOR, JUPITER HOUSE TRITON COURT, 14 FINSBURY  
 LONDON EC2A 1BR ENGLAND, UNITED KINGDOM  
**Effective Date:** 11/11/2016  
**Foreign Entity:** Yes  
**Country:** UNITED KINGDOM  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**F&C ASSET MANAGEMENT PLC is under common control with the firm.**

**Business Address:** 95 QUEEN VICTORIA STREET  
 LONDON EC4V 4HG, UNITED KINGDOM  
**Effective Date:** 11/11/2016

**Firm Operations****Organization Affiliates (continued)**

**Foreign Entity:** Yes  
**Country:** UNITED KINGDOM  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**F&C ASSET MANAGERS LIMITED is under common control with the firm.**

**Business Address:** EXCHANGE HOUSE  
 PRIMROSE STREET  
 LONDON EC2A 2NY, ENGLAND, UNITED KINGDOM  
**Effective Date:** 11/11/2016  
**Foreign Entity:** Yes  
**Country:** UNITED KINGDOM  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**BMO PRIVATE INVESTMENT COUNSEL INC. is under common control with the firm.**

**Business Address:** 100, 41ST FLOOR  
 KING STREET WEST, FIRST CANADIAN PLACE  
 TORONTO, ON, CANADA M5X 1A1  
**Effective Date:** 11/11/2016  
**Foreign Entity:** Yes  
**Country:** CANADA  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**BMO GLOBAL ASSET MANAGEMENT (ASIA) LIMITED is under common control with the firm.**

**Business Address:** 36TH FLOOR AND SUITE 3808

## Firm Operations



### Organization Affiliates (continued)

ONE EXCHANGE SQUARE  
CENTRAL, HONG KONG, CHINA

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** CHINA

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### **BMO CAPITAL MARKETS LIMITED is under common control with the firm.**

**Business Address:** 95, QUEEN VICTORIA STREET  
2ND FLOOR  
LONDON, EC4V 5HG, ENGLAND

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** ENGLAND

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### **BMO ASSET MANAGEMENT INC is under common control with the firm.**

**Business Address:** 100, 43RD FLOOR  
KING STREET WEST  
TORONTO, ON, CANADA M5X 1A1

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** CANADA

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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## Firm Operations



### Organization Affiliates (continued)

**BMO ADVISORS PRIVATE LIMITED is under common control with the firm.**

**Business Address:** 13, ABUL FAZAL ROAD  
BENGAIL MARKET  
NEW DELHI, 11001, INDIA

**Effective Date:** 11/11/2016

**Foreign Entity:** Yes

**Country:** INDIA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**BMO NESBITT BURNS SECURITIES LTD. is under common control with the firm.**

**CRD #:** 281337

**Business Address:** 100 KING STREET WEST  
TORONTO, ONTARIO, CANADA M5X 1A1

**Effective Date:** 01/12/2016

**Foreign Entity:** Yes

**Country:** CANADA

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**BMO GLOBAL ASSET MANAGEMENT is under common control with the firm.**

**CRD #:** 149280

**Business Address:** 1001 BRICKELL BAY DRIVE  
MIAMI, FL 33131

**Effective Date:** 07/06/2011

**Foreign Entity:** No

**Country:**

**Securities Activities:** No



## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** Yes

**Description:** A WHOLLY OWNED SUBSIDIARY OF BMO FINANCIAL CORP., WHICH IS OWNED BY THE BANK OF MONTREAL.

**STOKER OSTLER, A PART OF BMO FINANCIAL GROUP is under common control with the firm.**

**CRD #:** 111320

**Business Address:** 4900 N. SCOTTSDALE ROAD  
SCOTTSDALE, AZ 85251

**Effective Date:** 04/24/2010

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** STOKER OSTLER, A PART OF BMO FINANCIAL GROUP IS AN AFFILIATE OF BMO CAPITAL MARKETS CORP.; STOKER OSTLER, A PART OF BMO FINANCIAL GROUP IS A WHOLLY OWNED SUBSIDIARY OF HARRIS FINANCIAL CORP; WHICH IS OWNED BY THE BANK OF MONTREAL.

**BMO FAMILY OFFICE, LLC is under common control with the firm.**

**CRD #:** 110264

**Business Address:** 2200 GENG RD  
SUITE 100  
PALO ALTO, CA 94303

**Effective Date:** 05/01/2014

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** A WHOLLY OWNED SUBSIDIARY OF BMO FINANCIAL CORP. WHICH IS OWNED BY BANK OF MONTREAL.

## Firm Operations



### Organization Affiliates (continued)

#### **BMO HARRIS FINANCIAL ADVISORS, INC. is under common control with the firm.**

**CRD #:** 137115

**Business Address:** 115 S. LASALLE STREET  
13 WEST  
CHICAGO, IL 60603

**Effective Date:** 12/04/2011

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** WHOLLY OWNED SUBSIDIARY OF HARRIS FINANCIAL CORP. WHICH IS OWNED BY BANK OF MONTREAL.

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#### **BMO INVESTMENTS INC. is under common control with the firm.**

**Business Address:** 302 BAY STREET  
7TH FLOOR  
TORONTO, ONTARIO, CANADA M5X1A1

**Effective Date:** 07/03/2003

**Foreign Entity:** Yes

**Country:** CANADA

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### **BMO NESBITT BURNS LTEE/LTD is under common control with the firm.**

**Business Address:** 1501 MCGILL COLLEGE AVENUE  
MONTREAL, QUESBEC, CANADA H3A3MB

**Effective Date:** 07/03/2003

**Foreign Entity:** Yes

**Country:** CANADA

**Securities Activities:** Yes

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** No

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### **BMO INVESTORLINE INC. is under common control with the firm.**

**Business Address:** 100 KING STREET  
TORONTO, ONTARIO, CANADA M5X1A1

**Effective Date:** 07/03/2003

**Foreign Entity:** Yes

**Country:** CANADA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### **NESBITT BURNS (BARBADOS) MANAGEMENT CORP. is under common control with the firm.**

**Business Address:** CHANCERY HOUSE  
BRIDGETOWN, BARBADOS

**Effective Date:** 07/03/2003

**Foreign Entity:** Yes

**Country:** BARBADOS

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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#### **BMO NESBITT BURNS INC. is under common control with the firm.**

**Business Address:** 1 FIRST CANADIAN PLACE  
5TH FLOOR  
TORONTO, ONTARIO, CANADA M5X1H3

**Effective Date:** 07/03/2003

**Foreign Entity:** Yes

**Country:** CANADA

**Firm Operations****Organization Affiliates (continued)**

**Securities Activities:** Yes  
**Investment Advisory Activities:** No  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**BMO ASSET MANAGEMENT CORP. is under common control with the firm.**

**CRD #:** 106466  
**Business Address:** 190 SOUTH LASALLE STREET  
 CHICAGO, IL 60690-0755  
**Effective Date:** 06/18/2012  
**Foreign Entity:** No  
**Country:**  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MONTREAL.

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**BMO NESBITT BURNS SECURITIES LTD. is under common control with the firm.**

**CRD #:** 44057  
**Business Address:** 1 FIRST CANADIAN PLACE  
 21ST FLOOR  
 TORONTO, ONTARIO, CANADA M5X 1A1  
**Effective Date:** 07/03/2003  
**Foreign Entity:** Yes  
**Country:** CANADA  
**Securities Activities:** Yes  
**Investment Advisory Activities:** No  
**Description:** INDIRECT WHOLLY OWNED SUBSIDIARY OF BANK OF MOTREAL.

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**This firm is directly or indirectly, controlled by the following:**

- bank holding company

## Firm Operations



### Organization Affiliates (continued)

- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank

**BMO FINANCIAL CORP. is a Bank Holding Company and controls the firm.**

**Business Address:** 111 WEST MONROE STREET  
CHICAGO, IL 60602

**Effective Date:** 07/06/2011

**Description:** SOLE STOCK HOLDER OF APPLICANT

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**BANK OF MONTREAL is a Foreign Bank and controls the firm.**

**Business Address:** 1 FIRST CANADIAN PLACE  
100 KING STREET WEST  
TORONTO, CANADA M5X 1H3

**Effective Date:** 07/03/2003

**Description:** BANK OF MONTREAL IS THE DIRECT OWNER OF BMO FINANCIAL CORP.

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## Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	<b>Pending</b>	<b>Final</b>	<b>On Appeal</b>
Regulatory Event	0	43	0

## Disclosure Event Details

### What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
  - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
  - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
  - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
    - § A "pending" event involves allegations that have not been proven or formally adjudicated.
    - § An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
    - § A "final" event has been concluded and its resolution is not subject to change.
  - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
    - § An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
    - § A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
    - § A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

### Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

### Disclosure 1 of 43

**Reporting Source:** Regulator  
**Current Status:** Final



**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TRANSMIT ROES TO OATS. THE FINDINGS STATED THAT THE FIRM'S ROUTE REPORTS WERE SUPPRESSED FROM BEING REPORTED TO OATS DUE TO A CODING ERROR WITHIN ITS ORDER MANAGEMENT SYSTEM USED BY THE FIRM'S PROGRAM TRADING DESK THAT OCCURRED DURING THE IMPLEMENTATION OF AN UPDATE. THIS CODING ERROR CAUSED A FINANCIAL INFORMATION EXCHANGE SPECIFICATIONS TAG TO BE OMITTED, WHICH RESULTED IN THE SYSTEM NOT IDENTIFYING THE TRANSACTIONS AS BEING REPORTABLE. THE FIRM CORRECTED THIS ERROR LATER. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO INCLUDE A DISCUSSION OF THE MATERIAL ASPECTS OF ITS RELATIONSHIP WITH EACH VENUE, INCLUDING A DESCRIPTION OF ANY PAYMENTS FOR ORDER FLOW, AND ANY AMOUNTS PER SHARE OR PER ORDER THAT THE BROKER-DEALER RECEIVED, IN ITS QUARTERLY REGULATION NMS REPORTS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND FINRA RULES. THE FIRM'S SUPERVISORY SYSTEM AND WSPS DID NOT INCLUDE A REVIEW DESIGNED TO DETERMINE WHETHER ALL REQUIRED ROES WERE BEING REPORTED TO OATS. IN ADDITION, THE FIRM'S SUPERVISORY SYSTEM, INCLUDING ITS WSPS, FAILED TO INCLUDE A REVIEW OF ITS QUARTERLY DISCLOSURE REPORTS DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION NMS.

**Initiated By:** FINRA

**Date Initiated:** 07/22/2020

**Docket/Case Number:** [2017055668501](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/22/2020





**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?**

No

**Sanctions Ordered:**

Censure  
Monetary/Fine \$40,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

THE FIRM WAS CENSURED AND FINED \$40,000. FINES PAID IN FULL ON JULY 31, 2020.

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**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TRANSMIT ROES TO OATS. THE FINDINGS STATED THAT THE FIRM'S ROUTE REPORTS WERE SUPPRESSED FROM BEING REPORTED TO OATS DUE TO A CODING ERROR WITHIN ITS ORDER MANAGEMENT SYSTEM USED BY THE FIRM'S PROGRAM TRADING DESK THAT OCCURRED DURING THE IMPLEMENTATION OF AN UPDATE. THIS CODING ERROR CAUSED A FINANCIAL INFORMATION EXCHANGE SPECIFICATIONS TAG TO BE OMITTED, WHICH RESULTED IN THE SYSTEM NOT IDENTIFYING THE TRANSACTIONS AS BEING REPORTABLE. THE FIRM CORRECTED THIS ERROR LATER. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO INCLUDE A DISCUSSION OF THE MATERIAL ASPECTS OF ITS RELATIONSHIP WITH EACH VENUE, INCLUDING A DESCRIPTION OF ANY PAYMENTS FOR ORDER FLOW, AND ANY AMOUNTS PER SHARE OR PER ORDER THAT THE BROKER-DEALER RECEIVED, IN ITS QUARTERLY REGULATION NMS REPORTS. SPECIFICALLY, THE FIRM RECEIVED PAYMENT FOR ORDER FLOW IN THE FORM OF REBATES FROM EXCHANGES, WHICH THE FIRM WAS REQUIRED TO DISCLOSE ON THE FIRM'S QUARTERLY 606 REPORTS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND FINRA RULES. THE FIRM'S SUPERVISORY SYSTEM AND WSPS DID NOT INCLUDE A REVIEW DESIGNED TO DETERMINE WHETHER ALL REQUIRED ROES WERE BEING REPORTED TO OATS. IN ADDITION, THE FIRM'S SUPERVISORY SYSTEM, INCLUDING ITS WSPS, FAILED TO INCLUDE A REVIEW OF ITS QUARTERLY DISCLOSURE REPORTS DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION NMS.



**Initiated By:** FINRA  
**Date Initiated:** 07/22/2020  
**Docket/Case Number:** [2017055668501](#)  
**Principal Product Type:** Other  
**Other Product Type(s):** EQUITY AND OPTIONS  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 07/22/2020  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$40,000.00  
**Other Sanctions Ordered:**  
**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$40,000.

#### Disclosure 2 of 43

**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** BETWEEN JULY 1, 2016 AND MARCH 31, 2017, KGS-ALPHA CAPITAL MARKETS, L.P. ("KGS ALPHA" OR THE "FIRM"), N/K/A BMO CAPITAL MARKETS CORP., FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE ("TRACE") THE CORRECT TIME OF EXECUTION FOR 266 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIZED PRODUCTS, AS REQUIRED BY FINRA RULE 6730(C)(8). FOR 71 OF THESE TRANSACTIONS, KGS-ALPHA ALSO FAILED TO SHOW THE CORRECT TIME OF EXECUTION ON THE MEMORANDA OF THE BROKERAGE ORDERS, AS REQUIRED BY EXCHANGE ACT RULE 17A-3. IN ADDITION, BETWEEN JULY 1, 2016 AND JUNE 30, 2017, KGS-ALPHA FAILED TO REPORT TO TRACE 287 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIZED PRODUCTS WITHIN THE TIME REQUIRED BY FINRA RULE 6730(A). BASED ON THE FOREGOING, KGS VIOLATED EXCHANGE ACT RULE 17A-3, AND FINRA RULES 6730(A), 6730(C)(8), AND 2010.  
**Initiated By:** FINRA  
**Date Initiated:** 12/06/2019



**Docket/Case Number:** 2016052813401

**Principal Product Type:** Other

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIZED PRODUCTS

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/06/2019

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE, THE FIRM IS CENSURED AND FINED \$30,000.

### Disclosure 3 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ACCURATELY RECORD THE ORDER RECEIPT AND ORDER TRANSMISSION TIMES OF MANUAL OPTIONS ORDERS IT HAD ROUTED TO FLOOR BROKERS AT NYSE ARCA AND VARIOUS OTHER NATIONAL SECURITIES EXCHANGES FOR EXECUTION IN VIOLATION OF RULE 17A-3(A)(6)(I) PROMULGATED UNDER THE EXCHANGE ACT, AND NYSE ARCA RULE 6.68. THE FINDINGS STATED THAT DURING THE PERIOD OF JANUARY 23, 2017 THROUGH SEPTEMBER 28, 2017, THE FIRM ALSO VIOLATED NYSE ARCA RULE 11.18 BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE WSPS, AND A SYSTEM OF SUPERVISION TO SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS AND THE OPERATION OF ITS BUSINESS. SUCH SYSTEM MUST REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AND TO DETECT AND PREVENT VIOLATIONS OF, THE APPLICABLE RECORDKEEPING PROVISIONS OF THE FEDERAL SECURITIES LAWS AND NYSE ARCA RULES THAT REQUIRE THE ACCURATE DOCUMENTATION OF THE ORDER RECEIPT AND TRANSMISSION TIMES OF OPTIONS ORDERS.

**Initiated By:** NYSE ARCA, INC.



**Date Initiated:** 11/20/2019

**Docket/Case Number:** 2017053129003

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/20/2019

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED A \$95,000, OF WHICH \$30,000 SHALL BE PAID THE NYSE ARCA.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ACCURATELY RECORD THE ORDER RECEIPT AND ORDER TRANSMISSION TIMES OF MANUAL OPTIONS ORDERS IT HAD ROUTED TO FLOOR BROKERS AT NYSE ARCA AND VARIOUS OTHER NATIONAL SECURITIES EXCHANGES FOR EXECUTION IN VIOLATION OF RULE 17A-3(A)(6)(I) PROMULGATED UNDER THE EXCHANGE ACT, AND NYSE ARCA RULE 6.68. THE FINDINGS STATED THAT DURING THE PERIOD OF JANUARY 23, 2017 THROUGH SEPTEMBER 28, 2017, THE FIRM ALSO VIOLATED NYSE ARCA RULE 11.18 BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE WSPS, AND A SYSTEM OF SUPERVISION TO SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS AND THE OPERATION OF ITS BUSINESS. SUCH SYSTEM MUST REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH,



AND TO DETECT AND PREVENT VIOLATIONS OF, THE APPLICABLE RECORDKEEPING PROVISIONS OF THE FEDERAL SECURITIES LAWS AND NYSE ARCA RULES THAT REQUIRE THE ACCURATE DOCUMENTATION OF THE ORDER RECEIPT AND TRANSMISSION TIMES OF OPTIONS ORDERS.

**Initiated By:** NYSE ARCA, INC.

**Date Initiated:** 11/20/2019

**Docket/Case Number:** 2017053129003

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/20/2019

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$95,000.00, OF WHICH 30,000.00 SHALL BE PAID TO NYSE ARCA.

#### Disclosure 4 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ACCURATELY RECORD THE ORDER RECEIPT AND ORDER TRANSMISSION TIMES OF MANUAL OPTIONS ORDERS IT HAD ROUTED TO FLOOR BROKERS AT NYSE AMERICAN AND VARIOUS OTHER NATIONAL SECURITIES EXCHANGES FOR EXECUTION IN VIOLATION OF RULE 17A-3(A)(6)(I) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND NYSE AMERICAN RULE 956NY. THE FINDINGS STATED THAT THE FIRM ALSO VIOLATED NYSE AMERICAN RULE 320 BECAUSE ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS") AND SUPERVISORY SYSTEM APPLICABLE TO THE HANDLING OF MANUAL OPTIONS ORDERS DURING THE PERIOD OF JANUARY 23, 2017 THROUGH



SEPTEMBER 28, 2017 WERE NOT REASONABLY DESIGNED TO ESTABLISH, MAINTAIN, AND ENFORCE COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS AND THE RULES OF THE NYSE AMERICAN.

**Initiated By:** NYSE AMERICAN LLC

**Date Initiated:** 11/20/2019

**Docket/Case Number:** 2017053129002

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/20/2019

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM IS CENSURED AND FINED \$95,000, OF WHICH \$30,000 SHALL BE PAID TO NYSE AMERICAN.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ACCURATELY RECORD THE ORDER RECEIPT AND ORDER TRANSMISSION TIMES OF MANUAL OPTIONS ORDERS IT HAD ROUTED TO FLOOR BROKERS AT NYSE AMERICAN AND VARIOUS OTHER NATIONAL SECURITIES EXCHANGES FOR EXECUTION IN VIOLATION OF RULE 17A-3(A)(6)(I) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF



1934, AS AMENDED, AND NYSE AMERICAN RULE 956NY. THE FINDINGS STATED THAT THE FIRM ALSO VIOLATED NYSE AMERICAN RULE 320 BECAUSE ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS") AND SUPERVISORY SYSTEM APPLICABLE TO THE HANDLING OF MANUAL OPTIONS ORDERS DURING THE PERIOD OF JANUARY 23, 2017 THROUGH SEPTEMBER 28, 2017 WERE NOT REASONABLY DESIGNED TO ESTABLISH, MAINTAIN, AND ENFORCE COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS AND THE RULES OF THE NYSE AMERICAN.

**Initiated By:** NYSE AMERICAN LLC

**Date Initiated:** 11/20/2019

**Docket/Case Number:** 2017053129002

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/20/2019

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM IS CENSURED AND FINED \$95,000.00, OF WHICH \$30,000.00 SHALL BE PAID TO NYSE AMERICAN.

### Disclosure 5 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ACCURATELY RECORD THE ORDER RECEIPT AND ORDER TRANSMISSION TIMES OF MANUAL OPTIONS ORDERS IT HAD ROUTED TO FLOOR BROKERS AT PHLX AND VARIOUS OTHER NATIONAL SECURITIES EXCHANGES FOR EXECUTION IN VIOLATION OF RULE 17A-3(A)(6)(I) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS



AMENDED, AND PHLX RULE 760. THE FINDINGS STATED THAT THE FIRM ALSO VIOLATED PHLX RULE 748(H) BECAUSE ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS") AND SUPERVISORY SYSTEM APPLICABLE TO THE HANDLING OF MANUAL OPTIONS ORDERS WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AND TO DETECT AND PREVENT, INSOFAR AS PRACTICABLE, VIOLATIONS OF, THE APPLICABLE RECORDKEEPING PROVISIONS OF THE FEDERAL SECURITIES LAWS AND PHLX RULES DURING THE SUPERVISORY REVIEW PERIOD OF JANUARY 23, 2017 THROUGH SEPTEMBER 28, 2017. THE FINDINGS ALSO STATED THAT DURING THE EXAM REVIEW PERIOD, THE FIRM ROUTED A CUSTOMER OPTIONS ORDER TO A FLOOR BROKER, WHO ROUTED THE OPTIONS ORDER TO A SECOND FLOOR BROKER. THE FIRM, HOWEVER, BEGAN TO HEDGE THAT OPTIONS ORDER BEFORE THE FIRST FLOOR BROKER ROUTED THE ORDER TO THE SECOND FLOOR BROKER, AND ALSO BEGAN TO HEDGE BEFORE THE CUSTOMER ORDER WAS EXPOSED TO THE TRADING CROWD, IN VIOLATION OF PHLX RULES 1064(D) AND 707. FURTHERMORE, DURING THE REVIEW PERIOD, THE FIRM FAILED ESTABLISH OR MAINTAIN ANY WSPS TO PREVENT, DETECT OR REVIEW FOR INSTANCES OF ANTICIPATORY HEDGING, AND THUS VIOLATED PHLX RULE 748(H).

<b>Initiated By:</b>	NASDAQ PHLX LLC
<b>Date Initiated:</b>	11/20/2019
<b>Docket/Case Number:</b>	2017053129001
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	OPTIONS
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	N/A
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	11/20/2019
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$70,000.00



**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM IS CENSURED AND FINED \$135,000, OF WHICH \$70,000 SHALL BE PAID TO PHLX.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ACCURATELY RECORD THE ORDER RECEIPT AND ORDER TRANSMISSION TIMES OF MANUAL OPTIONS ORDERS IT HAD ROUTED TO FLOOR BROKERS AT PHLX AND VARIOUS OTHER NATIONAL SECURITIES EXCHANGES FOR EXECUTION IN VIOLATION OF RULE 17A-3(A)(6)(I) PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND PHLX RULE 760. THE FINDINGS STATED THAT THE FIRM ALSO VIOLATED PHLX RULE 748(H) BECAUSE ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS") AND SUPERVISORY SYSTEM APPLICABLE TO THE HANDLING OF MANUAL OPTIONS ORDERS WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AND TO DETECT AND PREVENT, INsofar AS PRACTICABLE, VIOLATIONS OF, THE APPLICABLE RECORDKEEPING PROVISIONS OF THE FEDERAL SECURITIES LAWS AND PHLX RULES DURING THE SUPERVISORY REVIEW PERIOD OF JANUARY 23, 2017 THROUGH SEPTEMBER 28, 2017. THE FINDINGS ALSO STATED THAT DURING THE EXAM REVIEW PERIOD, THE FIRM ROUTED A CUSTOMER OPTIONS ORDER TO A FLOOR BROKER, WHO ROUTED THE OPTIONS ORDER TO A SECOND FLOOR BROKER. THE FIRM, HOWEVER, BEGAN TO HEDGE THAT OPTIONS ORDER BEFORE THE FIRST FLOOR BROKER ROUTED THE ORDER TO THE SECOND FLOOR BROKER, AND ALSO BEGAN TO HEDGE BEFORE THE CUSTOMER ORDER WAS EXPOSED TO THE TRADING CROWD, IN VIOLATION OF PHLX RULES 1064(D) AND 707. FURTHERMORE, DURING THE REVIEW PERIOD, THE FIRM FAILED ESTABLISH OR MAINTAIN ANY WSPS TO PREVENT, DETECT OR REVIEW FOR INSTANCES OF ANTICIPATORY HEDGING, AND THUS VIOLATED PHLX RULE 748(H).

**Initiated By:** NASDAQ PHLX LLC

**Date Initiated:** 11/20/2019

**Docket/Case Number:** 2017053129001

**Principal Product Type:** Options

**Other Product Type(s):**



<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	N/A
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	11/20/2019
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$70,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FIRM IS CENSURED AND FINED \$135,000.00, OF WHICH \$70,000.00 SHALL BE PAID TO PHLX.

#### Disclosure 6 of 43

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED BOX RULE 3010 BECAUSE ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS") AND SUPERVISORY SYSTEM APPLICABLE TO THE HANDLING OF MANUAL OPTIONS ORDERS WERE NOT REASONABLY DESIGNED TO ASSURE COMPLIANCE WITH THE APPLICABLE RECORDKEEPING PROVISIONS OF THE FEDERAL SECURITIES LAWS AND BOX RULES.
<b>Initiated By:</b>	BOX EXCHANGE LLC
<b>Date Initiated:</b>	11/19/2019
<b>Docket/Case Number:</b>	2017053129004
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	N/A
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	11/19/2019



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$95,000, OF WHICH \$5,000 SHALL BE PAID TO BOX.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED BOX RULE 3010 BECAUSE ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS") AND SUPERVISORY SYSTEM APPLICABLE TO THE HANDLING OF MANUAL OPTIONS ORDERS WERE NOT REASONABLY DESIGNED TO ASSURE COMPLIANCE WITH THE APPLICABLE RECORDKEEPING PROVISIONS OF THE FEDERAL SECURITIES LAWS AND BOX RULES.

**Initiated By:** BOX EXCHANGE LLC

**Date Initiated:** 11/19/2019

**Docket/Case Number:** 2017053129004

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Consent

**Resolution Date:** 11/19/2019

**Sanctions Ordered:** Censure  
Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**



**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$95,000.00, OF WHICH \$5,000.00 SHALL BE PAID TO BOX.

### Disclosure 7 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC ADMIN RELEASE 34-86976, IA RELEASE 5348 / SEPTEMBER 16, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED AGAINST BMO CAPITAL MARKETS CORP. ("BMO CMC" OR "RESPONDENT").

ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF BMO CMC'S FAILURE TO SUBMIT TO THE COMMISSION TRUE AND COMPLETE DATA IN RESPONSE TO COMMISSION STAFF ELECTRONIC BLUE SHEETS ("EBS") REQUESTS, RESULTING IN THE REPORTING OF EBS THAT WAS INCOMPLETE OR DEFICIENT. COMMISSION STAFF ROUTINELY SENDS REQUESTS FOR SECURITIES TRADING RECORDS TO MARKET MAKERS, BROKERS AND/OR CLEARING FIRMS IN ORDER TO IDENTIFY BUYERS AND SELLERS OF SECURITIES, AND FIRMS PROVIDE THE REQUESTED RECORDS IN A UNIVERSAL ELECTRONIC FORMAT KNOWN AS THE EBS FORMAT. IT IS A FUNDAMENTAL OBLIGATION OF BROKER-DEALERS TO PROVIDE COMPLETE AND ACCURATE EBS DATA WHEN REQUESTED BY REPRESENTATIVES OF THE COMMISSION TO DO SO. THE SUBMISSION OF COMPLETE AND ACCURATE BLUE SHEET DATA IS CRITICAL TO MANY ASPECTS OF THE COMMISSION'S OPERATIONS AND ITS ABILITY TO DISCHARGE ITS ENFORCEMENT AND REGULATORY MANDATES. THE FAILURE OF A BROKER-DEALER TO PROVIDE COMPLETE AND ACCURATE EBS INFORMATION IN RESPONSE TO A COMMISSION REQUEST CAN IMPACT THE COMMISSION'S ABILITY TO DISCHARGE ITS STATUTORY OBLIGATIONS, UNDERMINE THE INTEGRITY OF ITS INVESTIGATIONS AND EXAMINATIONS, AND ULTIMATELY INTERFERE WITH THE COMMISSION'S ABILITY TO PROTECT INVESTORS. FROM JANUARY 6, 2014 TO AUGUST 13, 2018 (THE "RELEVANT PERIOD"), BMO CMC MADE 4,074 EBS SUBMISSIONS THAT CONTAINED TRADE DATA FOR 5,419,376 TRANSACTIONS, ALL OF WHICH WERE DEFICIENT IN ONE OR MORE WAYS. AS A RESULT, BMO CMC VIOLATED THE RECORDKEEPING AND REPORTING REQUIREMENTS OF SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J) AND 17A-25 THEREUNDER. AS DESCRIBED ABOVE, BMO CMC FAILED TO FURNISH COMPLETE AND ACCURATE RECORDS TO THE COMMISSION STAFF THAT WERE REQUESTED BY THE COMMISSION IN ITS BLUE SHEET REQUESTS. THEREFORE, BMO CMC WILLFULLY VIOLATED THE RECORDKEEPING AND REPORTING REQUIREMENTS OF SECTION 17(A)(1) OF THE EXCHANGE ACT



AND RULE 17A-4(J) THEREUNDER BY FAILING TO FURNISH PROMPTLY TRUE AND COMPLETE TRADING INFORMATION AS REQUESTED BY COMMISSION STAFF OVER A PERIOD OF MORE THAN FOUR YEARS. IN ADDITION, BMO CMC WILLFULLY VIOLATED EXCHANGE ACT RULE 17A-25 BY FAILING TO SUBMIT ELECTRONICALLY CERTAIN SECURITIES TRANSACTION INFORMATION TO THE COMMISSION THROUGH THE EBS SYSTEM IN RESPONSE TO REQUESTS MADE BY THE COMMISSION.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 09/16/2019

**Docket/Case Number:** 3-19457

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 09/16/2019

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,950,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** RESPONDENT IS TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J) AND 17A-25 PROMULGATED THEREUNDER, AND IS CENSURED. RESPONDENT SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY FOR \$1,950,000.

**Regulator Statement** RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE OFFER) WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE



RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT IS TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J) AND 17A-25 PROMULGATED THEREUNDER, AND IS CENSURED. RESPONDENT SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY FOR \$1,950,000.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FROM JANUARY 6, 2014 TO AUGUST 13, 2018 BMO CAPITAL MARKETS CORP. ("BMO CMC") FAILED TO FURNISH COMPLETE AND ACCURATE RECORDS TO THE SECURITIES AND EXCHANGE COMMISSION ("SEC" OR "COMMISSION") THAT WERE REQUESTED BY THE SEC IN ELECTRONIC BLUE SHEET REQUESTS. AS SUCH, THE COMMISSION FOUND THAT BMO CMC WILLFULLY VIOLATED SECTION 17(A)(1) OF THE EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND RULES 17A-4(J) AND 17A-25 THEREUNDER.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 09/16/2019

**Docket/Case Number:** 3-19457(SECURITIES EXCHANGE ACT OF 1934 RELEASE NO.86976/09/16/2019 INVESTMENT ADVISERS ACT OF 1940 RELEASE NO. 5348/ 09/16/2019

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 09/16/2019

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,950,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** N/A

**Sanction Details:** THE SEC ORDERED THAT BMO CMC (I) CEASE AND DESIST FROM VIOLATING SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J)



AND 17A-25 THEREUNDER; (II) BE CENSURED; AND (III) PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$1,950,000. THE CIVIL MONETARY PENALTY WAS PAID ON 09/16/2019.

### Firm Statement

ON SEPTEMBER 16, 2019, BMO CMC ENTERED INTO A SETTLEMENT WITH THE SEC RELATED TO ITS ELECTRONIC BLUE SHEET ("EBS") REPORTING ("SEC ORDER"). THE SEC ORDER FINDS THAT FROM JANUARY 6, 2014 TO AUGUST 13, 2018, BMO CMC FAILED TO FURNISH COMPLETE AND ACCURATE RECORDS TO THE SEC THAT WERE SOUGHT BY THE COMMISSION IN CONNECTION WITH EBS REQUESTS. BMO CMC ADMITTED THE FACTS SET FORTH IN SECTION III OF THE ORDER AND ACKNOWLEDGED THAT ITS CONDUCT VIOLATED SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J) AND 17A-25 THEREUNDER. THE SEC ORDERED THAT BMO CMC: (I) CEASE AND DESIST FROM VIOLATING SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J) AND 17A-25 THEREUNDER; (II) BE CENSURED; AND (III) PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$1,950,000. THE SEC ORDER ACKNOWLEDGES BMO CMC'S COOPERATION AFFORDED TO THE COMMISSION STAFF AND THE REMEDIAL ACTIONS TAKEN BY BMO CMC, INCLUDING ITS RETENTION OF A CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF ITS EBS REPORTING PROCESSES AND TO ASSIST BMO CMC IN THE IDENTIFICATION AND CORRECTION OF EBS REPORTING DEFICIENCIES, THE INSTITUTION OF NEW CONTROLS, THE CREATION OF A NEW, DEDICATED UNIT TO OVERSEE EBS REPORTING, AND THE IMPLEMENTATION OF NEW RISK-BASED MONITORING AND TESTING PROCEDURES.

### Disclosure 8 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NOTICE OF FINES FOR MINOR RULE PLAN VIOLATIONS: IN CONNECTION WITH THE FIRM'S 2018 TRADING AND FINANCIAL COMPLIANCE EXAMINATION EXAM, FINRA DETERMINED THAT FOR PERIODS RANGING BETWEEN APPROXIMATELY TWO-AND-A-HALF YEARS AND NINE YEARS, THE FIRM FAILED TO REGISTER THREE QUALIFIED INDIVIDUALS AS GENERAL SECURITIES PRINCIPALS (SERIES 24) WITH NYSE ARCA. ADDITIONALLY, FOR A PERIOD OF NINE YEARS, THE FIRM FAILED TO REGISTER ONE QUALIFIED INDIVIDUAL AS A GENERAL SECURITIES REPRESENTATIVE (SERIES 7) WITH NYSE ARCA. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT ITS REGISTERED REPRESENTATIVES WERE PROPERLY REGISTERED WITH NYSE ARCA.



**Initiated By:** NYSE ARCA, INC.  
**Date Initiated:** 09/03/2019  
**Docket/Case Number:** 2018057166001  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Other  
**Resolution Date:** 09/03/2019  
**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No  
**Sanctions Ordered:** Monetary/Fine \$4,500.00  
**Other Sanctions Ordered:**  
**Sanction Details:** THE FIRM WAS FINED \$4,500.  
 BECAUSE ONE OR MORE OF THE INDIVIDUAL FINES BEING IMPOSED EXCEEDS \$2,500, SUCH FINE IS REQUIRED TO BE REPORTED BY THE FIRM ON THE FORM BD. A FAILURE TO REPORT THE FINE ON THE FORM BD COULD SUBJECT THE FIRM TO FURTHER DISCIPLINARY ACTION. MOREOVER, SUCH FINE WILL ALSO BE REPORTED BY NYSE ARCA, NYSE REGULATION, AND/OR FINRA TO THE SECURITIES AND EXCHANGE COMMISSION UNDER RULE 19D-1 OF THE SECURITIES EXCHANGE ACT OF 1934.

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** NOTICE OF FINES FOR MINOR RULE PLAN VIOLATIONS: IN CONNECTION WITH THE FIRM'S 2018 TRADING AND FINANCIAL COMPLIANCE EXAMINATION EXAM, FINRA DETERMINED THAT FOR PERIODS RANGING BETWEEN APPROXIMATELY TWO-AND-A-HALF YEARS AND NINE YEARS,





THE FIRM FAILED TO REGISTER THREE QUALIFIED INDIVIDUALS AS GENERAL SECURITIES PRINCIPALS (SERIES 24) WITH NYSE ARCA. ADDITIONALLY, FOR A PERIOD OF NINE YEARS, THE FIRM FAILED TO REGISTER ONE QUALIFIED INDIVIDUAL AS A GENERAL SECURITIES REPRESENTATIVE (SERIES 7) WITH NYSE ARCA. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT ITS REGISTERED REPRESENTATIVES WERE PROPERLY REGISTERED WITH NYSE ARCA.

**Initiated By:** NYSE ARCA, INC.

**Date Initiated:** 09/03/2019

**Docket/Case Number:** 2018057166001

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Other

**Resolution Date:** 09/03/2019

**Sanctions Ordered:** Monetary/Fine \$4,500.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS FINED \$4,500. BECAUSE ONE OR MORE OF THE INDIVIDUAL FINES BEING IMPOSED EXCEEDS \$2,500, SUCH FINE IS REQUIRED TO BE REPORTED BY THE FIRM ON THE FORM BD. A FAILURE TO REPORT THE FINE ON THE FORM BD COULD SUBJECT THE FIRM TO FURTHER DISCIPLINARY ACTION. MOREOVER, SUCH FINE WILL ALSO BE REPORTED BY NYSE ARCA, NYSE REGULATION, AND/OR FINRA TO THE SECURITIES AND EXCHANGE COMMISSION UNDER RULE 19D-1 OF THE SECURITIES EXCHANGE ACT OF 1934.

#### Disclosure 9 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC ADMIN RELEASE 34-86693 / AUGUST 16, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC



INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE INSTITUTED AGAINST BMO CAPITAL MARKETS CORPORATION ("BMO CMC" OR "RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF BMO CMC'S IMPROPER PRACTICES WITH RESPECT TO SECURITIES LENDING TRANSACTIONS INVOLVING PRE-RELEASED AMERICAN DEPOSITARY RECEIPTS ("ADRS"). ADRS ALLOW U.S. INVESTORS TO INVEST IN FOREIGN COMPANIES WITHOUT HAVING TO PURCHASE THE SHARES IN THE FOREIGN MARKETS, AND ALLOW FOREIGN COMPANIES TO GET INCREASED EXPOSURE TO U.S. MARKETS. ADR FACILITIES, WHICH PROVIDE FOR THE ISSUANCE OF ADRS, ARE ESTABLISHED BY A DEPOSITARY BANK ("DEPOSITARY") PURSUANT TO A DEPOSIT AGREEMENT ("DEPOSIT AGREEMENT").

TYPICALLY, A DEPOSITARY ISSUES ADRS TO A MARKET PARTICIPANT THAT CONTEMPORANEOUSLY DELIVERS THE CORRESPONDING NUMBER OF FOREIGN SECURITIES TO THE DEPOSITARY'S FOREIGN CUSTODIAN ("CUSTODIAN"). HOWEVER, IN CERTAIN SITUATIONS, DEPOSIT AGREEMENTS MAY PROVIDE FOR "PRE-RELEASE" TRANSACTIONS IN WHICH A MARKET PARTICIPANT CAN OBTAIN NEWLY ISSUED ADRS FROM THE DEPOSITARY BEFORE DELIVERING ORDINARY SHARES TO THE CUSTODIAN. ONLY BROKERS (OR OTHER MARKET PARTICIPANTS) THAT HAVE ENTERED INTO PRE-RELEASE AGREEMENTS WITH A DEPOSITARY ("PRE-RELEASE AGREEMENTS") CAN OBTAIN PRE-RELEASED ADRS FROM THE DEPOSITARY. IN EFFECT, THE PRE-RELEASE BROKER OR ITS CUSTOMER BECOMES THE TEMPORARY CUSTODIAN OF THE ORDINARY SHARES THAT WOULD OTHERWISE HAVE BEEN DELIVERED TO THE CUSTODIAN. FROM AT LEAST JANUARY 2012 UNTIL APPROXIMATELY DECEMBER 2014, BMO CMC RECEIVED PRE-RELEASED ADRS FROM PRE-RELEASE BROKERS THAT HAD BEEN ISSUED BY DEPOSITARIES WHERE THE PRE-RELEASE BROKERS HAD NOT COMPLIED WITH THEIR OBLIGATIONS UNDER THE PRE-RELEASE AGREEMENTS, NOR HAD BMO CMC TAKEN REASONABLE STEPS TO SATISFY ITSELF THAT THE PRE-RELEASE BROKERS HAD COMPLIED WITH THEIR OBLIGATIONS UNDER THE PRE-RELEASE AGREEMENTS. BMO CMC UNDERSTOOD THAT THE ADRS THAT IT BORROWED FROM PRE-RELEASE BROKERS MAY HAVE BEEN SOURCED FROM DEPOSITARIES PURSUANT TO PRE-RELEASE AGREEMENTS. BMO CMC ALSO UNDERSTOOD THE BENEFICIAL OWNERSHIP AND OTHER REPRESENTATIONS THAT PRE-RELEASE BROKERS WERE REQUIRED TO MAKE TO DEPOSITARIES IN ORDER TO OBTAIN PRE-RELEASED ADRS. RESPONDENT ALSO UNDERSTOOD THE CONDUIT NATURE OF PRE-RELEASE BROKERS' SECURITIES LENDING BUSINESSES, WHICH UNDER THE CIRCUMSTANCES SHOULD HAVE INDICATED THAT THE PRE-RELEASE BROKERS DID NOT OWN UNDERLYING ORDINARY SHARES. BMO CMC'S ASSOCIATED PERSONS ON ITS SECURITIES LENDING DESK, BY OBTAINING ADRS FROM PRE-RELEASE



BROKERS IN CIRCUMSTANCES WHERE THEY SHOULD HAVE KNOWN THAT SUCH ADRS LIKELY HAD BEEN PRE-RELEASED WITHOUT COMPLIANCE WITH THE PRE-RELEASE BROKERS' OBLIGATIONS UNDER THE PRE-RELEASE AGREEMENTS, VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT"). BMO CMC'S SUPERVISORY POLICIES AND PROCEDURES WERE NOT REASONABLY DESIGNED AND IMPLEMENTED TO PROVIDE SUFFICIENT OVERSIGHT OF ASSOCIATED PERSONS TO PREVENT AND DETECT THEIR VIOLATIONS OF SECTION 17(A)(3) OF THE SECURITIES ACT. AS A RESULT, BMO CMC FAILED REASONABLY TO SUPERVISE ITS ASSOCIATED PERSONS WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 08/16/2019

**Docket/Case Number:** 3-19356

**Principal Product Type:** Other

**Other Product Type(s):** AMERICAN DEPOSITARY RECEIPTS

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Order

**Resolution Date:** 08/16/2019

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,200,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** PREJUDGMENT INTEREST

**Sanction Details:** RESPONDENT SHALL, WITHIN 30 DAYS OF THE ENTRY OF THE ORDER, PAY DISGORGEMENT OF \$2,218,363.04 AND PREJUDGMENT INTEREST OF \$546,340.40, AND PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$1,200,000.

**Regulator Statement** RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE OFFER) WHICH THE COMMISSION HAS DETERMINED TO ACCEPT.



IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT IS CENSURED. RESPONDENT SHALL, WITHIN 30 DAYS OF THE ENTRY OF THE ORDER, PAY DISGORGEMENT OF \$2,218,363.04 AND PREJUDGMENT INTEREST OF \$546,340.40, AND PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$1,200,000.

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**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

SEC ADMIN RELEASE 34-86693 / AUGUST 16, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE INSTITUTED AGAINST BMO CAPITAL MARKETS CORPORATION ("BMO CMC" OR "RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF BMO CMC'S IMPROPER PRACTICES WITH RESPECT TO SECURITIES LENDING TRANSACTIONS INVOLVING PRE-RELEASED AMERICAN DEPOSITARY RECEIPTS ("ADRS"). ADRS ALLOW U.S. INVESTORS TO INVEST IN FOREIGN COMPANIES WITHOUT HAVING TO PURCHASE THE SHARES IN THE FOREIGN MARKETS, AND ALLOW FOREIGN COMPANIES TO GET INCREASED EXPOSURE TO U.S. MARKETS. ADR FACILITIES, WHICH PROVIDE FOR THE ISSUANCE OF ADRS, ARE ESTABLISHED BY A DEPOSITARY BANK ("DEPOSITARY") PURSUANT TO A DEPOSIT AGREEMENT ("DEPOSIT AGREEMENT"). TYPICALLY, A DEPOSITARY ISSUES ADRS TO A MARKET PARTICIPANT THAT CONTEMPORANEOUSLY DELIVERS THE CORRESPONDING NUMBER OF FOREIGN SECURITIES TO THE DEPOSITARY'S FOREIGN CUSTODIAN ("CUSTODIAN"). HOWEVER, IN CERTAIN SITUATIONS, DEPOSIT AGREEMENTS MAY PROVIDE FOR "PRE-RELEASE" TRANSACTIONS IN WHICH A MARKET PARTICIPANT CAN OBTAIN NEWLY ISSUED ADRS FROM THE DEPOSITARY BEFORE DELIVERING ORDINARY SHARES TO THE CUSTODIAN. ONLY BROKERS (OR OTHER MARKET PARTICIPANTS) THAT HAVE ENTERED INTO PRE-RELEASE AGREEMENTS WITH A DEPOSITARY ("PRE-RELEASE AGREEMENTS") CAN OBTAIN PRE-RELEASED ADRS FROM THE DEPOSITARY. IN EFFECT, THE PRE-RELEASE BROKER OR ITS CUSTOMER BECOMES THE TEMPORARY CUSTODIAN OF THE ORDINARY SHARES THAT WOULD OTHERWISE HAVE BEEN DELIVERED TO THE CUSTODIAN. FROM AT LEAST JANUARY 2012 UNTIL APPROXIMATELY DECEMBER 2014, BMO CMC RECEIVED PRE-RELEASED ADRS FROM PRE-RELEASE BROKERS THAT HAD BEEN ISSUED BY DEPOSITARIES WHERE THE PRE-RELEASE BROKERS HAD NOT COMPLIED WITH THEIR OBLIGATIONS UNDER THE PRE-RELEASE AGREEMENTS, NOR HAD BMO CMC TAKEN REASONABLE STEPS TO



SATISFY ITSELF THAT THE PRE-RELEASE BROKERS HAD COMPLIED WITH THEIR OBLIGATIONS UNDER THE PRE-RELEASE AGREEMENTS. BMO CMC UNDERSTOOD THAT THE ADRS THAT IT BORROWED FROM PRE-RELEASE BROKERS MAY HAVE BEEN SOURCED FROM DEPOSITARIES PURSUANT TO PRE-RELEASE AGREEMENTS. BMO CMC ALSO UNDERSTOOD THE BENEFICIAL OWNERSHIP AND OTHER REPRESENTATIONS THAT PRE-RELEASE BROKERS WERE REQUIRED TO MAKE TO DEPOSITARIES IN ORDER TO OBTAIN PRE-RELEASED ADRS. RESPONDENT ALSO UNDERSTOOD THE CONDUIT NATURE OF PRE-RELEASE BROKERS' SECURITIES LENDING BUSINESSES, WHICH UNDER THE CIRCUMSTANCES SHOULD HAVE INDICATED THAT THE PRE-RELEASE BROKERS DID NOT OWN UNDERLYING ORDINARY SHARES. BMO CMC'S ASSOCIATED PERSONS ON ITS SECURITIES LENDING DESK, BY OBTAINING ADRS FROM PRE-RELEASE BROKERS IN CIRCUMSTANCES WHERE THEY SHOULD HAVE KNOWN THAT SUCH ADRS LIKELY HAD BEEN PRE-RELEASED WITHOUT COMPLIANCE WITH THE PRE-RELEASE BROKERS' OBLIGATIONS UNDER THE PRE-RELEASE AGREEMENTS, VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT"). BMO CMC'S SUPERVISORY POLICIES AND PROCEDURES WERE NOT REASONABLY DESIGNED AND IMPLEMENTED TO PROVIDE SUFFICIENT OVERSIGHT OF ASSOCIATED PERSONS TO PREVENT AND DETECT THEIR VIOLATIONS OF SECTION 17(A)(3) OF THE SECURITIES ACT. AS A RESULT, BMO CMC FAILED REASONABLY TO SUPERVISE ITS ASSOCIATED PERSONS WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 08/16/2019

**Docket/Case Number:** 3-19356

**Principal Product Type:** Other

**Other Product Type(s):** AMERICAN DEPOSITARY RECEIPTS

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Order

**Resolution Date:** 08/16/2019

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,200,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** PREJUDGMENT INTEREST



**Sanction Details:** RESPONDENT SHALL, WITHIN 30 DAYS OF THE ENTRY OF THE ORDER, PAY DISGORGEMENT OF \$2,218,363.04 AND PREJUDGMENT INTEREST OF \$546,340.40, AND PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$1,200,000.

**Firm Statement** BMO CAPITAL MARKETS CORP (CMC) SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION DETERMINED TO ACCEPT. THE ORDER FINDS THAT BMO CAPITAL MARKETS CORP (CMC) FAILED REASONABLY TO FULFILL ITS SUPERVISORY RESPONSIBILITIES WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT. SOLELY FOR THE PURPOSE OF SETTLING THE PROCEEDINGS, BMO CAPITAL MARKETS CORP (CMC) CONSENTED TO THE ORDER WITHOUT ADMITTING OR DENYING THE FINDINGS IN THE ORDER, EXCEPT AS TO THE SEC'S JURISDICTION OVER IT AND THE SUBJECT MATTER. PURSUANT TO THE ORDER, BMO CAPITAL MARKETS CORP (CMC) IS CENSURED AND SHALL PAY DISGORGEMENT OF \$2,218,363.04, PREJUDGMENT INTEREST OF \$546,340.40, AND A CIVIL MONETARY PENALTY OF \$1,200,000.00.

### Disclosure 10 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THE FINDINGS STATED THAT THIS RESULTED IN POTENTIAL ADVERSE IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS; AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 22,948 CONTRACTS WERE EXECUTED ON THE EXCHANGE. THE FINDINGS



ALSO INCLUDED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES. FINRA FOUND THAT THE FIRM ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARDCODED SETTINGS IN PLACE AT THE TIME. THE FIRM MISMARKED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDERS MISMARKING OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND THESE ORDERS WERE MISMARKING LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM.

**Initiated By:** BATS BZX EXCHANGE, INC.

**Date Initiated:** 10/11/2017

**Docket/Case Number:** 2014041870703

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)



**Resolution Date:** 11/08/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$122,588.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED THE AMOUNT OF \$350,000, OF WHICH \$122,588 IS PAYABLE TO BZX. PURSUANT TO BZX RULE 8.8, THE DECISION IN THIS MATTER IS FINAL 20 BUSINESS DAYS AFTER THE ISSUANCE OF THE DECISION. THEREFORE, THIS AWC BECAME FINAL NOVEMBER 8, 2017.

**Regulator Statement** ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND OTHER SELF-REGULATORY ORGANIZATIONS.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THE FINDINGS STATED THAT THIS RESULTED IN POTENTIAL ADVERSE IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS; AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN





APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 22,948 CONTRACTS WERE EXECUTED ON THE EXCHANGE. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES. FINRA FOUND THAT THE FIRM ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARDCODED SETTINGS IN PLACE AT THE TIME. THE FIRM MISMARKED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDERS MISMARKING OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND WERE LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM.

**Initiated By:** BATS BZX EXCHANGE, INC.

**Date Initiated:** 10/11/2017

**Docket/Case Number:** 20140418707-03

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**



### Other Sanction(s)/Relief Sought:

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/08/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$122,588.00

### Other Sanctions Ordered:

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$122,588.

**Firm Statement** UNDER THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM AGREED TO PAY A TOTAL FINE OF \$350,000 OF WHICH \$122,588 SHALL BE PAID TO THE EXCHANGE AND THE REMAINING AMOUNT SHALL BE PAID TO EACH OF THE OTHER SELF-REGULATORY ORGANIZATIONS.

### Disclosure 11 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, BMO CAPITAL MARKETS CORP. ("BMOC" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THE FINDINGS STATED THAT THIS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY, POTENTIAL ADVERSE IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS.

THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056

**CONTRACTS.**

THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES.

THE FINDINGS ALSO INCLUDED THAT BMO ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARD-CODED SETTINGS IN PLACE AT THE TIME. BMO MISMARKED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDERS MISMARKING OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND WERE LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM.

FINRA FOUND THAT THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 6,825 CONTRACTS WERE EXECUTED ON THE EXCHANGE.

**Initiated By:** NASDAQ BX, INC.  
**Date Initiated:** 10/11/2017  
**Docket/Case Number:** 2014041870705



<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	10/11/2017
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$40,862.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FIRM WAS CENSURED AND FINED \$350,000, OF WHICH \$40,862 SHALL BE PAID TO BX.
<b>Regulator Statement</b>	ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND SOME OTHER SELF-REGULATORY ORGANIZATIONS.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, BMO CAPITAL MARKETS CORP. ("BMO" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THE FINDINGS STATED THAT THIS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY, POTENTIAL ADVERSE IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET



PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES. THE FINDINGS ALSO INCLUDED THAT BMOC ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARD-CODED SETTINGS IN PLACE AT THE TIME. BMOC MISMARKED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDERS MISMARKING OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND WERE LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM. FINRA FOUND THAT THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 6,825 CONTRACTS



WERE EXECUTED ON THE EXCHANGE.

**Initiated By:** NASDAQ BX, INC.

**Date Initiated:** 10/11/2017

**Docket/Case Number:** 20140418707-05

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/11/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$40,862.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$40,862.

**Firm Statement** UNDER THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM AGREED TO PAY A TOTAL FINE OF \$350,000 OF WHICH \$40,862 SHALL BE PAID TO THE EXCHANGE AND THE REMAINING AMOUNT SHALL BE PAID TO EACH OF THE OTHER SELF-REGULATORY ORGANIZATIONS.

## Disclosure 12 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, BMO CAPITAL MARKETS CORP. ("BMO" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THE FINDINGS STATED THAT THIS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY, POTENTIAL ADVERSE



IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES.

THE FINDINGS ALSO INCLUDED THAT BMO ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARD-CODED SETTINGS IN PLACE AT THE TIME. BMO MISMARKED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDERS MISMARKING OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND WERE LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM.

FINRA FOUND THAT THE FIRM FAILED TO PROPERLY EXPOSE THE



"CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 1,094 CONTRACTS WERE EXECUTED ON THE EXCHANGE.

**Initiated By:** NASDAQ ISE, LLC

**Date Initiated:** 10/11/2017

**Docket/Case Number:** 2014041870701

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/11/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$37,100.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED A TOTAL OF \$350,000, OF WHICH \$37,100 SHALL BE PAID TO ISE.

**Regulator Statement** ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND SOME OTHER SELF-REGULATORY ORGANIZATIONS:

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, BMO CAPITAL MARKETS CORP. ("BMO" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO





THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THE FINDINGS STATED THAT THIS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY, POTENTIAL ADVERSE IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES. THE FINDINGS ALSO INCLUDED THAT BMOC ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARD-CODED SETTINGS IN PLACE AT THE TIME. BMOC MISMARKED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD



CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDERS MISMARKING OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND WERE LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM. FINRA FOUND THAT THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 1,094 CONTRACTS WERE EXECUTED ON THE EXCHANGE.

**Initiated By:** NASDAQ ISE, LLC

**Date Initiated:** 10/11/2017

**Docket/Case Number:** 20140418707-01

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/11/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$37,100.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$37,100.

**Firm Statement** UNDER THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM AGREED TO PAY A TOTAL FINE OF \$350,000 OF WHICH \$37,100 SHALL BE PAID TO THE EXCHANGE AND THE REMAINING AMOUNT SHALL BE PAID TO EACH OF THE OTHER SELF-REGULATORY ORGANIZATIONS.

#### Disclosure 13 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** THE BUSINESS CONDUCT COMMITTEE ("COMMITTEE"), PURSUANT TO



RULE 960.2(F) OF THE RULES OF NASDAQ PHLX LLC ("EXCHANGE RULES"), AND UPON INFORMATION AND BELIEF, HEREBY AUTHORIZES THE ISSUANCE OF THIS STATEMENT OF CHARGES AND ALLEGES THAT THIS MATTER INVOLVES THE FAILURE OF BMO CAPITAL MARKETS CORP. ("BMOC" OR THE "FIRM"), A MEMBER ORGANIZATION OF THE NASDAQ PHLX LLC (THE "EXCHANGE" OR "PHLX"), TO ADHERE TO THE EXCHANGE RULES AND FEDERAL SECURITIES LAWS GOVERNING THE OBLIGATION OF FIRMS TO DESIGNATE TRANSACTIONS WITH THE CORRECT ORIGIN CODE AND PROPERLY EXPOSE ORDERS FOR PRICE IMPROVEMENT.

THE FINDINGS STATED THAT THE FIRM VIOLATED CERTAIN RULES OF THE EXCHANGE AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS. THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM.

THESE INCORRECT ORDERS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; POTENTIAL ADVERSE IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS; AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS.

THE FINDINGS ALSO STATED THAT BMOC ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARD-CODED SETTINGS IN PLACE AT THE TIME. ALSO, BMOC MISMARKED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT



SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE MISMARKED OF ORDER OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND WERE LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM.

THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR ENSURING THAT ORDERS HAD BEEN ENTERED WITH THE CORRECT ORIGIN CODES AND PROPERLY EXPOSED FOR PRICE IMPROVEMENT, AND FOR CONDUCTING REVIEWS TO DETECT THAT ORDERS HAD BEEN ENTERED AND EXECUTED WITH INCORRECT ORIGIN CODES AND NOT AFFORDED THE OPPORTUNITY FOR PRICE IMPROVEMENT. THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES.

**Initiated By:** NASDAQ PHLX LLC

**Date Initiated:** 10/04/2017

**Docket/Case Number:** 2014041870707

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 10/05/2017



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?**

No

**Sanctions Ordered:**

Censure  
Monetary/Fine \$88,500.00

**Other Sanctions Ordered:**

**Sanction Details:**

THE FIRM WAS CENSURED, AND FINED A TOTAL OF \$350,000 OF WHICH \$88,500 IS TO BE PAID TO THE EXCHANGE.

**Regulator Statement**

THE DECISION OF THE BUSINESS CONDUCT COMMITTEE ("COMMITTEE") OF NASDAQ PHLX LLC (THE "EXCHANGE") IN THE MATTER IS AS FOLLOWS:

THE FIRM MADE AN OFFER OF SETTLEMENT, STIPULATION OF FACTS AND CONSENT TO SANCTIONS.

RESPONDENT STIPULATES TO THE FACTS, CONSENTS TO THE CONCLUSION OF VIOLATIONS OF CERTAIN PROVISIONS OF THE SECURITIES EXCHANGE ACT OF 1934, AND CERTAIN PROVISIONS OF EXCHANGE RULES, AND CONSENTS TO THE IMPOSITION OF SANCTIONS SPECIFICALLY INCLUDING, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR CONCLUSIONS IN THE STATEMENT OF CHARGES.

RESPONDENT AGREES THAT THE DECISION TO BE ISSUED SHALL BE FINAL, AND WAIVES ANY RIGHT TO A REVIEW OF THE DECISION OR ANY OTHER PHASE OR ASPECT OF THIS PROCEEDING BY THE BOARD OF DIRECTORS OF THE EXCHANGE; BY THE U.S. SECURITIES AND EXCHANGE COMMISSION; BY ANY FEDERAL OR STATE COURT; OR IN ANY OTHER FORUM OR BY ANY OTHER MEANS.

THE COMMITTEE ACCEPTS THE FOREGOING STIPULATION OF FACTS AND ON THE BASIS THEREOF FINDS THAT RESPONDENT VIOLATED EXCHANGE RULES 707, 708, 760, 785(C), 1014(G)(I)(A), 1053, 1063(E)(I), 1080(C)(II)(C)(1)(2), AND 748 (B), (D), AND (G), AND SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULE 17A-3(A)(6)(I) THEREUNDER.

THE COMMITTEE BELIEVES THAT THE SANCTIONS PROPOSED BY RESPONDENT IN ITS OFFER SERVE THE PUBLIC INTEREST, ARE SUFFICIENTLY REMEDIAL UNDER THE CIRCUMSTANCES, AND REPRESENT A PROPER DISCHARGE OF THE EXCHANGE'S REGULATORY RESPONSIBILITIES UNDER THE EXCHANGE ACT OF 1934.

IF RESPONDENT FAILS TO PAY THE FINE WITHIN 30 CALENDAR DAYS OF THE DATE OF THIS DECISION, OR FAILS TO COMPLY WITH ANY OTHER SANCTION BY THE DATE SET FORTH HEREIN, THE COMMITTEE SHALL DECLARE RESPONDENT TO BE IN MATERIAL BREACH OF ITS AGREEMENT AND MAY TAKE WHATEVER ACTIONS IT DEEMS NECESSARY TO RESPOND TO THE BREACH, INCLUDING, BUT NOT LIMITED TO, RESCINDING THIS DECISION AND ALLOWING THE MATTER TO PROCEED IN ACCORDANCE WITH EXCHANGE RULES 960.1 THROUGH 960.12.

(ASSOCIATED CASE PHLX ENFORCEMENT # 2017- 13)

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>THE BUSINESS CONDUCT COMMITTEE ("COMMITTEE"), PURSUANT TO RULE 960.2(F) OF THE RULES OF NASDAQ PHLX LLC ("EXCHANGE RULES"), AND UPON INFORMATION AND BELIEF, HEREBY AUTHORIZES THE ISSUANCE OF THIS STATEMENT OF CHARGES AND ALLEGES THAT THIS MATTER INVOLVES THE FAILURE OF BMO CAPITAL MARKETS CORP. ("BMOC" OR THE "FIRM"), A MEMBER ORGANIZATION OF THE NASDAQ PHLX LLC (THE "EXCHANGE" OR "PHLX"), TO ADHERE TO THE EXCHANGE RULES AND FEDERAL SECURITIES LAWS GOVERNING THE OBLIGATION OF FIRMS TO DESIGNATE TRANSACTIONS WITH THE CORRECT ORIGIN CODE AND PROPERLY EXPOSE ORDERS FOR PRICE IMPROVEMENT. THE FINDINGS STATED THAT THE FIRM VIOLATED CERTAIN RULES OF THE EXCHANGE AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS. THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THESE INCORRECT ORDERS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; POTENTIAL ADVERSE IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS; AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN</p>



APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS. THE FINDINGS ALSO STATED THAT BMOC ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARD-CODED SETTINGS IN PLACE AT THE TIME. ALSO, BMOC MISMARKED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE MISMARKED OF ORDER OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND WERE LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR ENSURING THAT ORDERS HAD BEEN ENTERED WITH THE CORRECT ORIGIN CODES AND PROPERLY EXPOSED FOR PRICE IMPROVEMENT, AND FOR CONDUCTING REVIEWS TO DETECT THAT ORDERS HAD BEEN ENTERED AND EXECUTED WITH INCORRECT ORIGIN CODES AND NOT AFFORDED THE OPPORTUNITY FOR PRICE IMPROVEMENT. THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES.

**Initiated By:** NASDAQ PHLX LLC  
**Date Initiated:** 10/04/2017  
**Docket/Case Number:** 20140418707-07  
**Principal Product Type:** Options

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Decision & Order of Offer of Settlement**Resolution Date:** 10/05/2017**Sanctions Ordered:** Censure  
Monetary/Fine \$88,500.00**Other Sanctions Ordered:****Sanction Details:** THE FIRM WAS CENSURED AND FINED \$88,500.**Firm Statement**

UNDER THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM AGREED TO PAY A TOTAL FINE OF \$350,000, OF WHICH \$88,500 SHALL BE PAID TO THE EXCHANGE AND THE REMAINING AMOUNT SHALL BE PAID TO EACH OF THE OTHER SELF-REGULATORY ORGANIZATIONS.

**Disclosure 14 of 43****Reporting Source:** Regulator**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, BMO CAPITAL MARKETS CORP. ("BMO" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THE FINDINGS STATED THAT THIS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY, POTENTIAL ADVERSE IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS.





THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS.

THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES.

THE FINDINGS ALSO INCLUDED THAT BMO ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARD-CODED SETTINGS IN PLACE AT THE TIME. BMO MISMARKEED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDERS MISMARKING OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND WERE LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM.

FINRA FOUND THAT THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 3,709 CONTRACTS WERE EXECUTED ON THE EXCHANGE.

**Initiated By:** NASDAQ OPTIONS MARKET LLC



**Date Initiated:** 10/11/2017  
**Docket/Case Number:** 2014041870706  
**Principal Product Type:** Options  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 10/11/2017  
**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$21,525.00  
**Other Sanctions Ordered:**  
**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$350,000, OF WHICH \$21,525 SHALL BE PAID TO THE EXCHANGE.  
**Regulator Statement** ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND SOME OTHER SELF-REGULATORY ORGANIZATIONS.

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, BMO CAPITAL MARKETS CORP. ("BMOC" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM.



THE FINDINGS STATED THAT THIS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY, POTENTIAL ADVERSE IMPACT ON THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT ON THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES. THE FINDINGS ALSO INCLUDED THAT BMOC ENTERED APPROXIMATELY 487 ORDERS, REPRESENTING APPROXIMATELY 183,674 CONTRACTS, WITH INCORRECT ORIGIN CODES, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDER MARKING ERRORS WERE DUE TO HUMAN ERROR BY FIRM TRADERS IN MANUALLY ENTERING INCORRECT ORIGIN CODES IN A SYSTEM WHICH DID NOT HAVE HARD-CODED SETTINGS IN PLACE AT THE TIME. BMOC MISMARKED APPROXIMATELY 1,578 DIFFERENT ORDERS, REPRESENTING APPROXIMATELY 921,347 CONTRACTS AS "FIRM" FOR CUSTOMER OR BD CUSTOMER ACCOUNTS, AND ROUTED THOSE ORDERS THROUGH ANOTHER BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM TO MULTIPLE EXCHANGES, INCLUDING THE EXCHANGE. THESE ORDERS MISMARKING OCCURRED WHILE THE FIRM WAS TRANSITIONING TO BECOME SELF-CLEARING, AND WERE LIMITED TO ORDERS ENTERED INTO ONE SPECIFIC BROKER-DEALER'S EXECUTION MANAGEMENT SYSTEM. FINRA FOUND THAT THE FIRM FAILED TO PROPERLY EXPOSE THE



"CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 3,709 CONTRACTS WERE EXECUTED ON THE EXCHANGE.

**Initiated By:** NASDAQ OPTIONS MARKET LLC

**Date Initiated:** 10/11/2017

**Docket/Case Number:** 20140418707-06

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/11/2017

**Sanctions Ordered:** Monetary/Fine \$21,525.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$21,525.

**Firm Statement** UNDER THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM AGREED TO PAY A TOTAL FINE OF \$350,000 OF WHICH \$21,525 SHALL BE PAID TO THE EXCHANGE AND THE REMAINING AMOUNT SHALL BE PAID TO EACH OF THE OTHER SELF-REGULATORY ORGANIZATIONS.

#### Disclosure 15 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY



SYSTEM USED BY THE FIRM. THE FINDINGS STATED THAT THIS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY, POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS.

THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 317 CONTRACTS WERE EXECUTED ON THE EXCHANGE.

THE FINDINGS STATED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES.

**Initiated By:** NYSE AMERICAN LLC  
**Date Initiated:** 06/28/2017  
**Docket/Case Number:** 2014041870704  
**Principal Product Type:** Options  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**


**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/11/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$17,812.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED THE AMOUNT OF \$350,000, OF WHICH \$17,812 SHALL BE PAID TO NYSE MKT.

PURSUANT TO NYSE MKT RULE 9310(A)(1)(B), THIS AWC BECAME FINAL ON AUGUST 11, 2017, SINCE NO REVIEW WAS REQUESTED BY A DIRECTOR OR A MEMBER OF THE COMMITTEE FOR REVIEW.

**Regulator Statement**

ACCEPTANCE OF THIS OFFER OF SETTLEMENT IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND SOME OTHER SELF-REGULATORY ORGANIZATIONS.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS, IN THAT THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THE FINDINGS STATED THAT THIS RESULTED IN TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY, POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL



AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 317 CONTRACTS WERE EXECUTED ON THE EXCHANGE. THE FINDINGS STATED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES.

**Initiated By:** NYSE AMERICAN LLC

**Date Initiated:** 06/28/2017

**Docket/Case Number:** 20140418707-04

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/11/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$17,812.00

**Other Sanctions Ordered:**



<b>Sanction Details:</b>	THE FIRM WAS CENSURED AND FINED \$17,812.
<b>Firm Statement</b>	UNDER THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM AGREED TO PAY A TOTAL FINE OF \$350,000, OF WHICH \$17,812 SHALL BE PAID TO THE EXCHANGE AND THE REMAINING AMOUNT SHALL BE PAID TO EACH OF THE OTHER SELF-REGULATORY ORGANIZATIONS.

### Disclosure 16 of 43

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE ARCA INC. AND THE FIRM.

THE FIRM ENTERED INTO AN OFFER OF SETTLEMENT AND CONSENT FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO IN THE OFFER OF SETTLEMENT.

THE HEARING OFFICER ACCEPTS THE OFFER OF SETTLEMENT AND CONSENT AND ISSUES THIS DECISION THAT THE FIRM VIOLATED CERTAIN RULES OF THE EXCHANGE AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS CLIENTS.

THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THESE INCORRECT ORDERS RESULTED IN POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS.

THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN





APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 2,875 CONTRACTS WERE EXECUTED ON THE EXCHANGE.

THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES.

<b>Initiated By:</b>	NYSE ARCA, INC.
<b>Date Initiated:</b>	10/05/2017
<b>Docket/Case Number:</b>	2014041870702
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Decision & Order of Offer of Settlement
<b>Resolution Date:</b>	10/05/2017
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$21,613.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$21,613.

**Regulator Statement** UNDER THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM AGREED TO PAY A TOTAL FINE OF \$350,000, OF WHICH \$21,613 SHALL BE PAID TO THE EXCHANGE AND THE REMAINING AMOUNT SHALL BE PAID TO EACH OF THE OTHER SELF-REGULATORY ORGANIZATIONS.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE FIRM ENTERED INTO AN OFFER OF SETTLEMENT AND CONSENT FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO IN THE OFFER OF SETTLEMENT. THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM HAD ENTERED OVER 2,000 ORDERS, REPRESENTING OVER ONE MILLION CONTRACTS, WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO MULTIPLE U.S. OPTIONS EXCHANGES, INCLUDING THE EXCHANGE, THROUGH AN ORDER ENTRY SYSTEM USED BY THE FIRM. THESE INCORRECT ORDERS RESULTED IN POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS, AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS, TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT IN ADDITION, THE FIRM FAILED TO PROPERLY EXPOSE THE "CUSTOMER" SIDE OF A CROSSING ORDER TO ALLOW FOR THE POSSIBILITY OF PRICE IMPROVEMENT IN APPROXIMATELY 101 INSTANCES, REPRESENTING A TOTAL OF 40,056 CONTRACTS, ON MULTIPLE EXCHANGES, OF WHICH APPROXIMATELY 2,875 CONTRACTS WERE EXECUTED ON THE EXCHANGE. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE AND ORDER EXPOSURE REQUIREMENTS. THE FIRM FAILED TO ADEQUATELY TRAIN ITS EMPLOYEES ON APPLICABLE RULES GOVERNING ORIGIN CODES, AND THE FIRM'S TRADERS HAD NOT SOUGHT INPUT FROM COMPLIANCE OR LEGAL PERSONNEL REGARDING THE PROPER MARKING OF ORDERS. MOREOVER, THE FIRM HAD NO



PROCEDURES TO ACHIEVE COMPLIANCE WITH EXCHANGE ORDER EXPOSURE RULES. IT WAS ONLY AFTER NOTICE FROM REGULATORS THAT THE FIRM HAD BEEN ALERTED TO ITS VIOLATIONS, AND THE FIRM, THEREAFTER, PROMPTLY TOOK STEPS TO DEVELOP AND IMPLEMENT RELEVANT SYSTEMS, PIECES OF TRAINING, AND PROCEDURES.

**Initiated By:** NYSE ARCA, INC.

**Date Initiated:** 10/05/2017

**Docket/Case Number:** 20140418707-02

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 10/05/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$21,613.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$21,613.

**Firm Statement** UNDER THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM AGREED TO PAY A TOTAL FINE OF \$350,000, OF WHICH \$21,613 SHALL BE PAID TO THE EXCHANGE AND THE REMAINING AMOUNT SHALL BE PAID TO EACH OF THE OTHER SELF-REGULATORY ORGANIZATIONS.

#### Disclosure 17 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT OATS WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FINDINGS STATED THAT THE FIRM TRANSMITTED



TO OATS REPORTABLE ORDER EVENTS (ROES) THAT WERE REJECTED BY OATS FOR CONTEXT OR SYNTAX ERRORS AND WERE REPAIRABLE. THE FIRM ALSO FAILED TO REPAIR REJECTED ROES WITHIN THE REQUIRED FIVE BUSINESS DAYS AND FAILED TO POPULATE THE CORRECT ROE RESUBMIT FLAG AND REJECTED ROE ID FOR REJECTION RESUBMISSIONS.

**Initiated By:** FINRA

**Date Initiated:** 10/23/2015

**Docket/Case Number:** [2014041466101](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/23/2015

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$15,000.  
  
FINE PAID IN FULL ON NOVEMBER 12, 2015.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT OATS WAS UNABLE TO LINK TO



THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FINDINGS STATED THAT THE FIRM TRANSMITTED TO OATS REPORTABLE ORDER EVENTS (ROES) THAT WERE REJECTED BY OATS FOR CONTEXT OR SYNTAX ERRORS AND WERE REPAIRABLE. THE FIRM ALSO FAILED TO REPAIR REJECTED ROES WITHIN THE REQUIRED FIVE BUSINESS DAYS AND FAILED TO POPULATE THE CORRECT ROE RESUBMIT FLAG AND REJECTED ROE ID FOR REJECTION RESUBMISSIONS.

**Initiated By:** FINRA

**Date Initiated:** 10/23/2015

**Docket/Case Number:** [2014041466101](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** MONETARY FINE.

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/23/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$15,000.

#### Disclosure 18 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** BMO CAPITAL MARKETS CORP. ("BMO"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$22,500 FOR: (I) FAILING TO REGISTER THREE (3) ASSOCIATED PERSONS AS A PROPRIETARY TRADER PRINCIPAL (TP) WITH THE EXCHANGE IN WEBCRD; (II) FAILING TO REGISTER FOUR (4) ASSOCIATED PERSONS AS A PROPRIETARY TRADER (PT) WITH THE EXCHANGE IN WEBCRD; (III) FAILING TO REGISTER ITS CHIEF COMPLIANCE OFFICER AS A PROPRIETARY TRADER COMPLIANCE OFFICER (CT) WITH THE EXCHANGE IN WEBCRD; AND (IV) FAILING TO



REGISTER ITS CHIEF FINANCIAL OFFICER AND FINANCIAL AND OPERATIONS PRINCIPAL AS A FINANCIAL AND OPERATIONS PRINCIPAL (FN) WITH THE EXCHANGE IN WEBCRD. (EXCHANGE RULE 3.4 - QUALIFICATION AND REGISTRATION)

**Initiated By:** C2 OPTIONS EXCHANGE, INCORPORATED

**Date Initiated:** 08/03/2015

**Docket/Case Number:** C2 15-0011/ 20150462898

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 11/25/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$22,500.00

**Other Sanctions Ordered:**

**Sanction Details:** A \$22,500 FINE AND A CENSURE.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** BMO CAPITAL MARKETS CORP. ("BMO"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$22,500 FOR: (I) FAILING TO REGISTER THREE (3) ASSOCIATED PERSONS AS A PROPRIETARY TRADER PRINCIPAL (TP) WITH THE EXCHANGE IN WEBCRD; (II) FAILING TO REGISTER FOUR(4) ASSOCIATED PERSONS AS A PROPRIETARY TRADER (PT) WITH THE EXCHANGE IN WEBCRD; (III) FAILING TO REGISTER ITS CHIEF COMPLIANCE OFFICER AS A PROPRIETARY TRADER COMPLIANCE OFFICER (CT) WITH THE EXCHANGE IN WEBCRD; AND (IV) FAILING TO REGISTER ITS CHIEF FINANCIAL OFFICER AND FINANCIAL AND OPERATIONS PRINCIPAL AS A FINANCIAL AND OPERATIONS PRINCIPAL (FN) WITH THE EXCHANGE IN WEBCRD. (EXCHANGE RULE 3.4 - QUALIFICATION AND REGISTRATION)

**Initiated By:** C2 OPTIONS EXCHANGE, INCORPORATED



**Date Initiated:** 08/03/2015

**Docket/Case Number:** C2 15-0011/ 20150462898

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 11/25/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$22,500.00

**Other Sanctions Ordered:**

**Sanction Details:** A \$22,500.00 FINE & CENSURE.

#### Disclosure 19 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** BMO CAPITAL MARKETS CORP. ("BMO"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$17,500 FOR: (I) FAILING TO REGISTER THREE (3) ASSOCIATED PERSONS AS A PROPRIETARY TRADER PRINCIPAL (TP) WITH THE EXCHANGE IN WEBCRD; AND (II) FAILING TO REGISTER FOUR (4) ASSOCIATED PERSONS AS A PROPRIETARY TRADER (PT) WITH THE EXCHANGE IN WEBCRD. (EXCHANGE RULE 3.6A - QUALIFICATION AND REGISTRATION OF TRADING PERMIT HOLDERS AND ASSOCIATED PERSONS)

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE

**Date Initiated:** 08/03/2015

**Docket/Case Number:** 15-0077/ 20150462894

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)



**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 11/25/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$17,500.00

**Other Sanctions Ordered:**

**Sanction Details:** A \$17,500 FINE AND A CENSURE.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** BMO CAPITAL MARKETS CORP. ("BMO"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$17,500 FOR: (I) FAILING TO REGISTER THREE (3) ASSOCIATED PERSONS AS A PROPRIETARY TRADER PRINCIPAL (TP) WITH THE EXCHANGE IN WEBCRD; AND (II) FAILING TO REGISTER FOUR (4) ASSOCIATED PERSONS AS A PROPRIETARY TRADER (PT) WITH THE EXCHANGE IN WEBCRD. (EXCHANGE RULE 3.6A - QUALIFICATION AND REGISTRATION OF TRADING PERMIT HOLDERS AND ASSOCIATED PERSONS)

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE

**Date Initiated:** 08/03/2015

**Docket/Case Number:** 15-0077/ 20150462894

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 11/25/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$17,500.00

**Other Sanctions Ordered:**





**Sanction Details:** A \$17,500.00 FINE & CENSURE.

### Disclosure 20 of 43

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ALLEGATIONS WERE RELATED TO ORDERS AND RECORDS OF ORDERS WITH RESPECT TO AUCTIONS OF GOVERNMENT SECURITIES. GENERALLY ACCEPTED INDUSTRY PRACTICES WERE QUESTIONED. HARRIS GOVERNMENT SECURITIES INC. (NOW MERGED WITH NESBITT BURNS SECURITIES INC.) PARTICIPATED IN A COLLECTIVE SETTLEMENT WITH 97 OTHER DEALERS WHICH WAS ACCEPTED BY THE SEC, OCC AND FRB.

**Initiated By:** SEC, FED. RESERVE BOARD & OPTIONS CLEARING CORPORATION

**Date Initiated:** 01/01/1992

**Docket/Case Number:** SEC FILE #3-7646

**Principal Product Type:** Debt - Government

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 01/01/1992

**Sanctions Ordered:** Monetary/Fine \$50,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** SETTLEMENT ON PAYMENT OF \$50,000 AGREED TO BY SEC, OCC AND FRB. NO SANCTIONS, SUSPENSIONS OR RESTRICTIONS IMPOSED. CEASE AND DESIST ORDER AND ORDER TO MAINTAIN COMPLIANCE PROCEDURES AND RELATION TO THE SUBJECT MATTER OF THE PROCEEDING.

**Firm Statement** SETTLEMENT ON PAYMENT OF \$50,000 AGREED TO BY SEC, OCC AND FRB. NO SANCTIONS, SUSPENSIONS OR RESTRICTIONS IMPOSED.

### Disclosure 21 of 43

**Reporting Source:** Regulator



<b>Current Status:</b>	Final
<b>Allegations:</b>	DURING THE REVIEW PERIOD, BMO FAILED TO EXPOSE 19 CUSTOMER ORDERS FOR ONE SECOND PRIOR TO ENTERING THE INTERACTING FIRM/PROP ORDERS. THIS CONSTITUTES A VIOLATION OF ISE RULE 717(D).
<b>Initiated By:</b>	INTERNATIONAL SECURITIES EXCHANGE
<b>Date Initiated:</b>	04/25/2013
<b>Docket/Case Number:</b>	2012-224
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	08/23/2013
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Monetary/Fine \$15,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	FIRM FINED \$15,000
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Appealed To and Date Appeal Filed:</b>	N/A
<b>Allegations:</b>	THE FIRM FAILED TO EXPOSE 19 CUSTOMER ORDERS FOR ONE SECOND PRIOR TO ENTERING THE INTERACTING FIRM/PROP ORDERS. THIS CONSTITUTES A VIOLATION OF ISE RULE 717(D)
<b>Initiated By:</b>	INTERNATIONAL SECURITIES EXCHANGE



**Date Initiated:** 04/25/2013  
**Docket/Case Number:** 2012-224  
**Principal Product Type:** Options  
**Other Product Type(s):** N/A  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)  
**Other Sanction(s)/Relief Sought:** NONE  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 08/23/2013  
**Sanctions Ordered:** Monetary/Fine \$15,000.00  
**Other Sanctions Ordered:** N/A  
**Sanction Details:** FIRM WAS FINED \$15,000  
**Firm Statement** THE ACTION IS CLOSED AND THE FINE HAS BEEN PAID.

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#### Disclosure 22 of 43

**Reporting Source:** Regulator  
**Current Status:** Final  
**Allegations:** FINRA RULES 2010, 6730(A) - BMO CAPITAL MARKETS CORP. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) S1 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010.  
**Initiated By:** FINRA  
**Date Initiated:** 11/21/2012  
**Docket/Case Number:** 2011028876201  
**Principal Product Type:** Other  
**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES  
**Principal Sanction(s)/Relief Sought:**



**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/21/2012

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$6,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$6,500. FINE PAID IN FULL ON 12/13/12.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA RULE 2010, 6730(A) - BMO CAPITAL MARKETS CORP FAILED TO REPORT TO TRACE S1 TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF EXECUTION TIME. THIS CONDUCT CONSTITUTED VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OF LATE REPORTING WITH EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010

**Initiated By:** FINANCIAL INDUSTRY REGULATORY AUTHORITY

**Date Initiated:** 11/21/2012

**Docket/Case Number:** 2011028876201

**Principal Product Type:** Other

**Other Product Type(s):** TRACE ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINE



**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 11/21/2012  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$6,500.00  
**Other Sanctions Ordered:** NONE  
**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS.

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### Disclosure 23 of 43

**Reporting Source:** Regulator  
**Current Status:** Final  
**Allegations:** NASD RULES 2110, 3010, 3360 - BMO CAPITAL MARKETS CORP. SUBMITTED SHORT INTEREST POSITION REPORTS TO FINRA THAT WERE INCORRECT AND FAILED TO REPORT TO FINRA ITS SHORT INTEREST IN POSITIONS TOTALING OVER 72 MILLION SHARES FOR 11 MONTHS. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING SHORT INTEREST REPORTING.  
**Initiated By:** FINRA  
**Date Initiated:** 09/20/2012  
**Docket/Case Number:** [2008013785401](#)  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 09/20/2012



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$90,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$90,000. FINE PAID IN FULL ON 10/04/2012

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**Reporting Source:** Firm

**Current Status:** Final

**Appealed To and Date Appeal Filed:** N/A

**Allegations:** SUBMITTED SHORT INTEREST POSITION REPORTS TO FINRA THAT WERE INCORRECT AND FAILED TO REPORT TO FINRA ITS SHORT INTEREST IN POSITIONS TOTALING OVER 72 MILLION SHARES FOR 11 MONTHS DURING 2007 & 2008. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING SHORT INTEREST REPORTING.

**Initiated By:** FINRA

**Date Initiated:** 09/20/2012

**Docket/Case Number:** [2008013785401](#)

**Principal Product Type:** No Product

**Other Product Type(s):** N/A

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/20/2012



<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$90,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$90,000.
<b>Firm Statement</b>	FINRA HAS APPROVED THE SETTLEMENT OF THE MATTER. THE MATTER IS CLOSED.

### Disclosure 24 of 43

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC RULE 10B-10 - BMO CAPITAL MARKETS CORP. FAILED TO PREPARE ACCURATE CUSTOMER CONFIRMATIONS: THE FIRM FAILED TO DISCLOSE ALL THE CAPACITIES IN WHICH IT ACTED; FAILED TO DISCLOSE THE CORRECT CAPACITY; FAILED TO DISCLOSE ALL THE CAPACITIES IN WHICH IT ACTED AND THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE; AND FAILED TO DISCLOSE THE CORRECT CAPACITY AND THAT THE FIRM WAS A MARKET MAKER IN THE SECURITY.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	03/30/2012
<b>Docket/Case Number:</b>	2010021483901
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	03/30/2012



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500. FINE PAID IN FULL APRIL 16, 2012.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** SEC RULE 10B-10 - BMO CAPITAL MARKETS CORP. FAILED TO PREPARE ACCURATE CUSTOMER CONFIRMATIONS: THE FIRM FAILED TO DISCLOSE ALL THE CAPACITIES IN WHICH IT ACTED; FAILED TO DISCLOSE THE CORRECT CAPACITY; THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE; AND FAILED TO DISCLOSE THE CORRECT CAPACITY AND THAT THE FIRM WAS A MARKET MAKER IN THE SECURITY.

**Initiated By:** FINANCIAL REGULATORY AUTHORITY

**Date Initiated:** 03/30/2012

**Docket/Case Number:** 20120021483901

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/30/2012

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00





## Other Sanctions Ordered:

### Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500. FINE PAID IN FULL APRIL 16, 2012.

## Disclosure 25 of 43

### Reporting Source:

Regulator

### Current Status:

Final

### Allegations:

SEC RULES 10B-10, 17A-3, SEC RULES 200(G), 203(A)(1), 203(B)(2)(II), 203(B)(3), 203(B)(3)(II) OF REGULATION SHO, NASD RULES 2110, 3010, 3110, 3210(A)(2), 4632(A), 6230(C)(6) - BMO CAPITAL MARKETS CORP. KNEW OR HAD REASONABLE GROUNDS TO BELIEVE THAT THE SALE OF AN EQUITY SECURITY WAS OR WOULD BE EFFECTED PURSUANT TO AN ORDER MARKED LONG, AND FAILED TO DELIVER THE SECURITY ON THE DATE DELIVERY WAS DUE. THE FIRM EFFECTED A SHORT SALE TRANSACTION FOR A CUSTOMER WHO WAS DEEMED TO OWN THE SECURITY PURSUANT TO SEC RULE 200 OF REGULATION SHO AND FOR EACH TRANSACTION, THE CUSTOMER FAILED TO MAKE DELIVERY WITHIN 35 DAYS AFTER THE TRADE DATE AND THE FIRM FAILED TO BORROW THE SECURITIES OR CLOSE OUT THE SHORT POSITIONS BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY. THE FIRM HAD FAIL-TO-DELIVER POSITIONS AT A REGISTERED CLEARING AGENCY IN THRESHOLD SECURITIES AND A NON-REPORTING THRESHOLD SECURITY FOR A NUMBER OF CONSECUTIVE SETTLEMENT DAYS AND FAILED TO IMMEDIATELY THEREAFTER CLOSE OUT THE FAIL-TO DELIVER POSITIONS BY PURCHASING SECURITIES OF LIKE KIND OR QUANTITY; THE FIRM CONTINUED TO HAVE FAIL-TO-DELIVER POSITIONS IN THE SECURITIES IN THAT IT FAILED TO CLOSE OUT AT THE REGISTERED CLEARING AGENCY AS REQUIRED FOR ADDITIONAL SETTLEMENT DAYS. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND/OR NASD RULES ADDRESSING QUALITY OF MARKET TOPICS. THE FIRM'S SUPERVISORY PROCEDURES FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE WRITTEN SUPERVISORY PROCEDURES IN SALES PURSUANT TO SEC RULE 144 OR BY PROSPECTUS AND SEC RULE 203(A). THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULE 4632(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE



2110. THE FIRM FAILED TO SHOW THE TERMS AND CONDITIONS ON BROKERAGE ORDER MEMORANDA. THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) THE CORRECT CONTRA-PARTY'S IDENTIFIER FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES. THE FIRM FAILED TO PREPARE ACCURATE CUSTOMER CONFIRMATIONS; THE FIRM FAILED TO DISCLOSE ITS CORRECT CAPACITY IN THE TRANSACTION; FAILED TO DISCLOSE THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE, AND FAILED TO DISCLOSE ITS CORRECT CAPACITY AND THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE. THE FIRM FAILED TO PROPERLY MARK ORDERS LONG OR SHORT.

**Initiated By:** FINRA

**Date Initiated:** 05/13/2011

**Docket/Case Number:** [2008013554202](#)

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):** THRESHOLD SECURITIES, NON-REPORTING THRESHOLD SECURITY, DESIGNATED SECURITIES, TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/13/2011

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$57,500.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$57,500, AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING SALES PURSUANT TO SEC RULE 144 OR BY PROSPECTUS AND SEC RULE 203(A) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE



NAC.

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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>SEC RULES 10B-10, 17A-3, SEC RULES 200(G), 203(A)(1), 203(B)(2)(II), 203(B)(3), 203(B)(3)(II) OF REGULATION SHO, NASD RULES 2110, 3010, 3110, 3210(A)(2), 4632(A), 6230(C)(6) - BMO CAPITAL MARKETS CORP. KNEW OR HAD REASONABLE GROUNDS TO BELIEVE THAT THE SALE OF AN EQUITY SECURITY WAS OR WOULD BE EFFECTED PURSUANT TO AN ORDER MARKED LONG, AND FAILED TO DELIVER THE SECURITY ON THE DATE DELIVERY WAS DUE. THE FIRM EFFECTED A SHORT SALE TRANSACTION FOR A CUSTOMER WHO WAS DEEMED TO OWN THE SECURITY PURSUANT TO SEC RULE 200 OF REGULATION SHO AND FOR EACH TRANSACTION, THE CUSTOMER FAILED TO MAKE DELIVERY WITHIN 35 DAYS AFTER THE TRADE DATE AND THE FIRM FAILED TO BORROW THE SECURITIES OR CLOSE OUT THE SHORT POSITIONS BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY. THE FIRM HAD FAIL-TO-DELIVER POSITIONS AT A REGISTERED CLEARING AGENCY IN THRESHOLD SECURITIES AND A NON-REPORTING THRESHOLD SECURITY FOR A NUMBER OF CONSECUTIVE SETTLEMENT DAYS AND FAILED TO IMMEDIATELY THEREAFTER CLOSE OUT THE FAIL-TO DELIVER POSITIONS BY PURCHASING SECURITIES OF LIKE KIND OR QUANTITY; THE FIRM CONTINUED TO HAVE FAIL-TO-DELIVER POSITIONS IN THE SECURITIES IN THAT IT FAILED TO CLOSE OUT AT THE REGISTERED CLEARING AGENCY AS REQUIRED FOR ADDITIONAL SETTLEMENT DAYS. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND/OR NASD RULES ADDRESSING QUALITY OF MARKET TOPICS. THE FIRM'S SUPERVISORY PROCEDURES FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE WRITTEN SUPERVISORY PROCEDURES IN SALES PURSUANT TO SEC RULE 144 OR BY PROSPECTUS AND SEC RULE 203(A). THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULE 4632(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE 2110. THE FIRM FAILED TO SHOW THE TERMS AND CONDITIONS ON BROKERAGE ORDER MEMORANDA. THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) THE CORRECT CONTRA-PARTY'S IDENTIFIER FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES. THE FIRM FAILED TO PREPARE ACCURATE CUSTOMER CONFIRMATIONS; THE FIRM FAILED TO DISCLOSE ITS CORRECT CAPACITY</p>



IN THE TRANSACTION; FAILED TO DISCLOSE THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE, AND FAILED TO DISCLOSE ITS CORRECT CAPACITY AND THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE. THE FIRM FAILED TO PROPERLY MARK ORDERS LONG OR SHORT.

**Initiated By:** FINANCIAL INDUSTRY REGULATORY AUTHORITY

**Date Initiated:** 05/13/2011

**Docket/Case Number:** 200813554202

**Principal Product Type:** Debt - Corporate

**Other Product Type(s):** EQUITY - OTC

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/13/2011

**Sanctions Ordered:** Censure  
Monetary/Fine \$57,500.00

**Other Sanctions Ordered:**

**Sanction Details:** FINE - \$57500.00 AND CENSURE.

**Firm Statement** THE ACTION HAS BEEN SETTLED BY THE EXECUTION OF A LETTER OF ACCEPTANCE WAIVER & CONSENT WHICH WAS ACCEPTED BY FINRA. THE SETTLEMENT IS FINAL, ALL MATTERS ARE CLOSED.

#### Disclosure 26 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASDAQ RULE 4755 - BMO CAPITAL MARKETS CORP. ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE.

**Initiated By:** NASDAQ STOCK MARKET

**Date Initiated:** 05/13/2011

**Docket/Case Number:** 2008013554201



**Principal Product Type:** Other  
**Other Product Type(s):** UNSPECIFIED SECURITIES  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 05/13/2011  
**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No  
**Sanctions Ordered:** Monetary/Fine \$5,000.00  
**Other Sanctions Ordered:**  
**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS FINED \$5,000.

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** THE FIRM ENTERED 12 ORDERS IN THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE BUY, SHORT SALE OR LONG SALE. THE CONDUCT DESCRIBED CONSTITUTES VIOLATIONS OF NASDAQ RULE 4755.  
**Initiated By:** NASDAQ STOCK MARKET LLC  
**Date Initiated:** 05/13/2011  
**Docket/Case Number:** 2008013554201  
**Principal Product Type:** Equity - OTC  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)


**Other Sanction(s)/Relief Sought:**

<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	05/13/2011
<b>Sanctions Ordered:</b>	Monetary/Fine \$5,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	FINE - \$5000.00
<b>Firm Statement</b>	THE MATTER HAS BEEN SETTLED BY THE EXECUTION OF A LETTER OF ACCEPTANCE WAIVER & CONSENT. THIS MATTER IS CLOSED.

**Disclosure 27 of 43**

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>SEC RULES 10B-10, 17A-3, NASD RULES 2110, 3010, 3110, 6130(B), 6955(A)-BMO CAPITAL MARKETS CORP. TRANSMITTED REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT WERE REJECTED FOR CONTEXT OR SYNTAX ERRORS AND WERE REPAIRABLE BUT THE FIRM FAILED TO REPAIR SOME OF THE REJECTED REPAIRABLE ROES SO THAT THE FIRM FAILED TO TRANSMIT THESE ROES TO OATS. THE FIRM'S LISTED EQUITY OPTIONS (LEO) DESK FAILED TO TRANSMIT ALL OF ITS ROES TO OATS DURING A PERIOD OF TIME. THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS AND WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS THAT IT WAS A MARKET MAKER IN EACH SUCH SECURITY. THE FIRM FAILED TO SHOW THE TERMS AND CONDITIONS, IDENTIFY IF THE ORDER WAS A MARKET OR LIMIT ORDER, AND/OR SHOW THE CORRECT TIME OF EXECUTION ON BROKERAGE ORDER MEMORANDA. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND/OR NASD RULES ADDRESSING QUALITY OF MARKETS TOPICS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES FOR ITS LEO DESK FAILED TO PROVIDE FOR ONE OR MORE MINIMUM REQUIREMENTS FOR ADEQUATE WRITTEN SUPERVISORY PROCEDURES IN TRADE REPORTING, SALES TRANSACTIONS, TRADING HALTS, AND OATS. THE FIRM FAILED TO ACCEPT OR DECLINE IN THE FINRA/NASDAQ TRADE REPORTING FACILITY AND OTC REPORTING FACILITY TRANSACTIONS IN REPORTABLE SECURITIES WITHIN 20 MINUTES AFTER EXECUTION THAT</p>



THE FIRM HAD AN OBLIGATION TO ACCEPT OR DECLINE AS THE ORDER ENTRY IDENTIFIER (OEID).

**Initiated By:** FINRA

**Date Initiated:** 01/06/2010

**Docket/Case Number:** [2007009060401](#)

**Principal Product Type:** Other

**Other Product Type(s):** REPORTABLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/06/2010

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$35,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$35,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** SEC RULES 10B-10, 17A-3, NASD RULES 2110, 3010, 3110, 6130(B), 6955(A)-BMO CAPITAL MARKETS CORP TRANSMITTED REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT WERE REJECTED FOR CONTEXT OR SYNTAX ERRORS & WERE REPAIRABLE BUT THE FIRM FAILED TO TIMELY REPAIR SOME OF THE REJECTED REPAIRABLE ROES SO THAT THE FIRM FAILED TO TRANSMIT THESE ROES TO OATS. THE FIRMS LISTED EQUITY OPTIONS (LEO) DESK FAILED TO TRANSMIT ROES TO OATS DURING A PERIOD OF TIME. THE FIRM FAILED



TO PROVIDE WRITTEN NOTIFICATION FOR CERTAIN TRANSACTIONS DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS & WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS THAT IT WAS A MARKET MAKER IN EACH SUCH SECURITY. THE FIRM FAILED TO SHOW THE TERMS & CONDITIONS, IDENTIFY IF THE ORDER WAS A MARKET OR LIMIT ORDER, &/OR SHOW THE CORRECT TIME OF EXECUTION ON BROKERAGE ORDER MEMORANDA. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES FOR ITS LEO DESK FAILED TO PROVIDE FOR ONE OR MORE MINIMUM REQUIREMENTS FOR ADEQUATE WRITTEN SUPERVISORY PROCEDURES IN TRADE REPORTING, SALES TRANSACTIONS, TRADING HALTS & OATS. THE FIRM FAILED TO ACCEPT OR DECLINE IN THE FINRA/NASDAQ TRADE REPORTING FACILITY & OTC REPORTING FACILITY TRANSACTIONS IN REPORTABLE SECURITIES WITHIN 20 MINUTES AFTER EXECUTION THAT THE FIRM HAD AN OBLIGATION TO ACCEPT OR DECLINE AS THE ORDER ENTRY IDENTIFIER (OEID).

**Initiated By:** FINANCIAL INDUSTRY REGULATORY AUTHORITY

**Date Initiated:** 01/06/2010

**Docket/Case Number:** [2007009060401](#)

**Principal Product Type:** Other

**Other Product Type(s):** REPORTABLE SECURITIES

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** \$35,000 FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/06/2010

**Sanctions Ordered:** Censure  
Monetary/Fine \$35,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF THE FINDINGS.

**Firm Statement** THIS MATTER HAS BEEN CLOSED.





**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010, 3310 - BMO CAPITAL MARKETS CORP.'S AGGREGATE TRADE VOLUME (BUY AND SELL) FOR EQUITY SECURITIES ADVERTISED IN PRIVATE SERVICE PROVIDERS FOR ONE MONTH SUBSTANTIALLY EXCEEDED THE FIRM'S EXECUTED TRADE VOLUME FOR THE SAME SECURITIES. THE FIRM FAILED TO DETERMINE WHETHER THE TRADE VOLUME THAT IT ADVERTISED IN THESE SERVICES ACCURATELY REFLECTED ITS EXECUTED TRADE VOLUME. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING NASD RULE 3310 - THE IDENTIFICATION OF THE PERSON(S) RESPONSIBLE FOR SUPERVISION WITH RESPECT TO THE ADVERTISED TRADE VOLUME ON SUBSCRIBER SERVICES AND APPLICABLE RULES. THE FIRM DID NOT SUPERVISE THE TRADE VOLUME THAT IT ADVERTISED IN THESE SYSTEMS.

**Initiated By:** FINRA

**Date Initiated:** 12/18/2007

**Docket/Case Number:** [2006006756601](#)

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/18/2007

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$150,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED



TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS;  
 THEREFORE, THE FIRM IS CENSURED, FINED \$150,000 AND REQUIRED TO  
 REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO  
 COMPLIANCE WITH NASD RULE 3310 WITHIN 30 BUSINESS DAYS OF  
 ACCEPTANCE OF THIS AWC BY THE NAC.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 2110,3010-BMO CAPITAL MARKETS CORP.'S AGGREGATE TRADE VOLUME (BUY AND SELL) FOR TWO EQUITY SECURITIES ADVERTISED IN PRIVATE SERVICE PROVIDERS FOR ONE MONTH SUBSTANTIALLY EXCEEDED THE FIRM'S EXECUTED TRADE VOLUME FOR THE SAME SECURITIES. THE FIRM FAILED TO DETERMINE WHETHER THE TRADE VOLUME THAT IT ADVERTISED IN THIS SERVICES ACCURATELY REFLECTED ITS EXECUTED TRADE VOLUME. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING NASD RULE 3310.

**Initiated By:** FINRA

**Date Initiated:** 12/18/2007

**Docket/Case Number:** 20060067566-01

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/18/2007

**Sanctions Ordered:** Censure  
Monetary/Fine \$150,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$150,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO



## COMPLIANCE WITH NASD RULE 3310.

**Firm Statement**

THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$150,000. THE FIRM REVISED ITS PROCEDURES WITH RESPECT TO COMPLIANCE WITH NASD RULE 3310.

**Disclosure 29 of 43****Reporting Source:**

Regulator

**Current Status:**

Final

**Allegations:**

SEC RULE 604 OF REGULATION NMS, NASD RULES 2110, 5430(A), 6620(A) AND 6620(A)(3): THE FIRM FAILED TO DISPLAY IMMEDIATELY 94 CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION, WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY; OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER FOR EACH SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED WITH THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY.

THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH THE NASDAQ MARKET CENTER OR TRACS, 649 LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ SECURITIES.

THE FIRM INCORRECTLY DESIGNATED AS ".SLD" THROUGH THE NASDAQ MARKET CENTER OR TRACS, 71 LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ SECURITIES REPORTED TO THE NASDAQ MARKET CENTER WITHIN 90 SECONDS OF EXECUTION.

THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH THE NASDAQ MARKET CENTER, 261 LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES;

OF THE 261 LAST SALE REPORTS OF TRANSACTION IN OTC EQUITY SECURITIES, THE FIRM FAILED TO DESIGNATE THROUGH THE NASDAQ MARKET CENTER 235 LAST SALE REPORTS AS LATE;

AND INCORRECTLY DESIGNATED AS ".T" THROUGH THE NASDAQ MARKET CENTER, 10 LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES EXECUTED DURING NORMAL MARKET HOURS.

**Initiated By:**

NASD

**Date Initiated:**

06/15/2007

**Docket/Case Number:**[2005001641302](#)**Principal Product Type:**

Equity - OTC

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 06/15/2007**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00**Other Sanctions Ordered:****Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, RESPONDENT MEMBER FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, FIRM IS CENSURED AND FINED \$10,000.**Reporting Source:** Firm**Current Status:** Final**Allegations:** THE FIRM FAILED TO DISPLAY IMMEDIATELY 94 CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION, WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY; OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER FOR EACH SUCH SECURITY. THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH THE NASDAQ MARKET CENTER OR TRACS, 649 LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ SECURITIES. THE FIRM INCORRECTLY DESIGNATED AS ".SLD" THROUGH THE NASDAQ MARKET CENTER OR TRACS, 71 LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ SECURITIES REPORTED TO THE NASDAQ MARKET CENTER WITHIN 90 SECONDS OF EXECUTION THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH THE NASDAQ MARKET CENTER, 261 LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES; OF THE 261 LAST SALE REPORTS OF TRANSACTION IN OTC EQUITY SECURITIES, THE FIRM FAILED TO DESIGNATE THROUGH THE NASDAQ MARKET CENTER 235 LAST



SALE REPORTS AS LATE; AND INCORRECTLY DESIGNATED AS ".T" THROUGH THE NASDAQ MARKET CENTER, 10 LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES EXECUTED DURING NORMAL MARKET HOURS.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS

**Date Initiated:** 06/15/2007

**Docket/Case Number:** [2005001641302](#)

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/15/2007

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00

**Other Sanctions Ordered:** NONE  
NONE

**Sanction Details:** RESPONDENT MEMBER FIRM WAS CENSURED AND FINED \$10,000.

**Firm Statement** RESPONDENT MEMBER FIRM CONSENTED TO A CENSURE AND FINE OF \$10,000.

#### Disclosure 30 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC RULES 10B-10, 605, NASD RULES 4632(D), 6130(D), 6420 - HARRIS NESBITT CORP. FAILED TO PROPERLY REPORT "RISKLESS" PRINCIPAL TRANSACTIONS TO ACT; FAILED TO REPORT TO NASDAQ MARKET CENTER THE CORRECT SYMBOL INDICATING WHETHER THE FIRM EXECUTED TRANSACTIONS IN ELIGIBLE SECURITIES IN A PRINCIPAL OR AGENCY CAPACITY; FAILED TO REPORT TO NASDAQ MARKET CENTER THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTION WAS A BUY, SELL, SELL SHORT, SELL SHORT EXEMPT OR CROSS FOR TRANSACTIONS IN ELIGIBLE SECURITIES; INCORRECTLY DESIGNATED AS ".SLD" THROUGH NASDAQ MARKET CENTER A LAST SALE REPORT OF A TRANSACTION IN AN



ELIGIBLE SECURITY REPORTED TO NASDAQ MARKET CENTER WITHIN 90 SECONDS OF EXECUTION; THE FIRM, ON OCCASIONS WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT IT WAS A MARKET MAKER IN EACH SUCH SECURITY; FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN A TRANSACTION; FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE; AND THE FIRM MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES THAT IT RECEIVED FOR EXECUTION FROM ANY PERSON BUT THE REPORT CONTAINED INCORRECT INFORMATION.

**Initiated By:** NASD

**Date Initiated:** 07/11/2006

**Docket/Case Number:** [2004200020801](#)

**Principal Product Type:** Other

**Other Product Type(s):** ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/11/2006

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$22,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$22,500.

**Reporting Source:** Firm



**Current Status:** Final

**Allegations:** SEC RULES 10B-10, 605, NASD RULES 4632(D), 6130(D), 6420-BMO CAPITAL MARKETS CORP. ("BMOCM") FAILED TO PROPERLY REPORT "RISKLESS" PRINCIPAL TRANSACTIONS TO ACT; FAILED TO REPORT TO NASDAQ MARKET CENTER THE CORRECT SYMBOL INDICATING WHETHER BMOCM EXECUTED TRANSACTIONS IN ELIGIBLE SECURITIES IN A PRINCIPAL OR AGENCY CAPACITY; FAILED TO REPORT TO NASDAQ MARKET CENTER THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTION WAS A BUY, SELL, SELL SHORT, SELL SHORT EXEMPT OR CROSS FOR TRANSACTIONS IN ELIGIBLE SECURITIES; INCORRECTLY DESIGNATED AS ".SLD" THROUGH NASDAQ MARKET CENTER A LAST SALE REPORT OF A TRANSACTION IN AN ELIGIBLE SECURITY REPORTED TO NASDAQ MARKET CENTER WITHIN 90 SECONDS OF EXECUTION; BMOCM, ON OCCASIONS WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT IT WAS A MARKET MAKER IN EACH SUCH SECURITY; FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN A TRANSACTION; FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE; AND BMOCM MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES THAT IT RECEIVED FOR EXECUTION FROM ANY PERSON BUT THE REPORT CONTAINED INCORRECT INFORMATION. BMOCM WAS FINED ON 7/11/2006 IN THE AMOUNT OF \$22,500 AND GIVEN A CENSURE.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 07/11/2006

**Docket/Case Number:** 20042000208-1

**Principal Product Type:** Other

**Other Product Type(s):** ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** RECEIVED A CENSURE.

**Resolution:** Settled

**Resolution Date:** 07/11/2006

**Sanctions Ordered:** Censure  
Monetary/Fine \$22,500.00

**Other Sanctions Ordered:**



<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, BMO CAPITAL MARKETS CORP. ("BMOCM") CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, BMOCM IS CENSURED AND FINED \$22,500.
<b>Firm Statement</b>	SEC RULES 10B-10, 605, NASD RULES 4632(D), 6130(D), 6420-BMO CAPITAL MARKETS CORP. ("BMOCM") FAILED TO PROPERLY REPORT "RISKLESS" PRINCIPAL TRANSACTIONS TO ACT; FAILED TO REPORT TO NASDAQ MARKET CENTER THE CORRECT SYMBOL INDICATING WHETHER BMOCM EXECUTED TRANSACTIONS IN ELIGIBLE SECURITIES IN A PRINCIPAL OR AGENCY CAPACITY; FAILED TO REPORT TO NASDAQ MARKET CENTER THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTION WAS A BUY, SELL, SELL SHORT, SELL SHORT EXEMPT OR CROSS FOR TRANSACTIONS IN ELIGIBLE SECURITIES; INCORRECTLY DESIGNATED AS ".SLD" THROUGH NASDAQ MARKET CENTER A LAST SALE REPORT OF A TRANSACTION IN AN ELIGIBLE SECURITY REPORTED TO NASDAQ MARKET CENTER WITHIN 90 SECONDS OF EXECUTION; BMOCM, ON OCCASIONS WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT IT WAS A MARKET MAKER IN EACH SUCH SECURITY; FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN A TRANSACTION; FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE; AND BMOCM MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES THAT IT RECEIVED FOR EXECUTION FROM ANY PERSON BUT THE REPORT CONTAINED INCORRECT INFORMATION. BMOCM WAS FINED ON 7/11/2006 IN THE AMOUNT OF \$22,500 AND GIVEN A CENSURE.

### Disclosure 31 of 43

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULE 3010 - HARRIS NESBIT ALLOWED A PROCEDURE TO BE INSTITUTED UNDER WHICH INVESTMENT BANKERS REVIEWED DRAFT RESEARCH REPORTS BUT, WITH THAT PROCEDURE IN PLACE, FAILED TO ESTABLISH AND MAINTAIN ADEQUATE SYSTEMS AND SAFEGUARDS TO PREVENT INVESTMENT BANKERS FROM MAKING INAPPROPRIATE COMMENTS REGARDING RESEARCH REPORTS.
<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	10/04/2004
<b>Docket/Case Number:</b>	CAF040074





**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 10/04/2004  
**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$125,000.00  
**Other Sanctions Ordered:**  
**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HARRIS NESBITT CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$125,000.

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** NASD CONDUCT RULE 3010 -- HARRIS NESBITT CORP. ALLOWED A PROCEDURE TO BE INSTITUTED UNDER WHICH INVESTMENT BANKERS REVIEWED DRAFT RESEARCH REPORTS, BUT, WITH THAT PROCEDURE IN PLACE, FAILED TO ESTABLISH AND MAINTAIN ADEQUATE SYSTEMS AND SAFEGUARDS TO PREVENT INVESTMENT BANKERS FROM MAKING INAPPROPRIATE COMMENTS REGARDING RESEARCH REPORTS.  
**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.  
**Date Initiated:** 10/04/2004  
**Docket/Case Number:** CAF040074  
**Principal Product Type:** Other  
**Other Product Type(s):** HIGH YIELD RESEARCH



<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Settled
<b>Resolution Date:</b>	10/04/2004
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$125,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	NASD CONDUCT RULE 3010 -- HARRIS NESBITT CORP. CONSENTED TO BEING FINED \$125,000 BY THE NASD. PAYMENT TO BE MADE BY OCTOBER 20, 2004.
<b>Firm Statement</b>	NASD CONDUCT RULE 3010 -- BY LETTER OF ACCEPTANCE, WAIVER AND CONSENT, HARRIS NESBITT CORP. CONSENTED TO THE IMPOSITION OF THE FOLLOWING SACTIONS: 1) CENSURE, AND 2) A FINE OF \$125,000. SUCH AWC WAS ACCEPTED BY THE NASD ON OCTOBER 4, 2004.

### Disclosure 32 of 43

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC RULES 10B-10, 11AC1-6(B) - HARRIS NESBITT CORP. FAILED ON SEVEN OCCASIONS TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS THAT TRANSACTIONS WERE EXECUTED AT AN AVERAGE PRICE; AND FAILED TO MAKE PUBLICLY AVAILABLE FOR THE FOURTH CALENDAR QUARTER OF 2002 A REPORT ON ITS ROUTING OF NON-DIRECTED ORDERS IN COVERED SECURITIES DURING THAT QUARTER.
<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	06/24/2004
<b>Docket/Case Number:</b>	CMS040091
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	UNKNOWN TYPE OF SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	



**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/24/2004

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$4,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HARRIS NESBITT CORP. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$4,500.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** SEC RULES 10B-10, 11AC1-6(B) - HARRIS NESBITT CORP. FAILED ON SEVEN OCCASIONS TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE. HARRIS NESBITT CORP. FAILED TO MAKE PUBLICLY AVAILABLE FOR THE FOURTH CALENDAR QUARTER OF 2002 A REPORT ON ITS ROUTING OF NON-DIRECTED ORDERS IN COVERED SECURITIES DURING THAT QUARTER. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HARRIS NESBITT CORP. CONSENTED TO BEING CENSURED AND FINED \$4,500 BY THE NASD.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 06/24/2004

**Docket/Case Number:** CMS040091

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE



**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/24/2004

**Sanctions Ordered:** Censure  
Monetary/Fine \$4,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HARRIS NESBITT CORP. CONSENTED TO BEING CENSURED AND FINED \$4,500 BY THE NASD.

**Firm Statement** SEC RULES 10B-10, 11AC1-6(B) - HARRIS NESBITT CORP. FAILED ON SEVEN OCCASIONS TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT THE TRANSACTION WAS EXECUTED AT AN AVERAGE PRICE. HARRIS NESBITT CORP. FAILED TO MAKE PUBLICLY AVAILABLE FOR THE FOURTH CALENDAR QUARTER OF 2002 A REPORT ON ITS ROUTING OF NON-DIRECTED ORDERS IN COVERED SECURITIES DURING THAT QUARTER. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HARRIS NESBITT CORP. CONSENTED TO BEING CENSURED AND FINED \$4,500 BY THE NASD.

### Disclosure 33 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 6130(D)(6), 6130(D)(7) - HARRIS NESBITT CORP. EXECUTED PROPRIETARY SHORT SALE TRANSACTIONS AND FAILED TO REPORT EACH OF THE TRANSACTIONS TO ACT WITH THE CORRECT SHORT SALE MODIFIER; EXECUTED RETAIL TRANSACTIONS TO ACT AS SHORT SALES WHEN THE FIRM'S RECORDS INDICATE THE TRANSACTIONS WERE LONG SALES; AND FAILED TO REPORT TO ACT THE CORRECT SYMBOL INDICATING WHETHER THE FIRM EXECUTED TRANSACTIONS IN ELIGIBLE SECURITIES IN A PRINCIPAL, RISKLESS, OR AGENCY CAPACITY.

**Initiated By:** NASD

**Date Initiated:** 06/24/2004

**Docket/Case Number:** CMS040090

**Principal Product Type:** Other

**Other Product Type(s):** UNKNOWN TYPE OF SECURITIES

**Principal Sanction(s)/Relief Sought:**


**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/24/2004

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HARRIS NESBITT CORP. CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS FINED \$5,000.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 6130 (D)(6), 6130 (D)(7)- HARRIS NESBITT CORP. EXECUTED PROPRIETARY SHORT SALE TRANSACTIONS AND FAILED TO REPORT EACH OF THE TRANSACTIONS TO ACT WITH THE CORRECT SHORT SALE MODIFIER; EXECUTED RETAIL TRANSACTIONS TO ACT AS SHORT SALES WHEN THE FIRM'S RECORDS INDICATE THE TRANSACTIONS WERE LONG SALES AND FAILED TO REPORT TO ACT THE CORRECT SYMBOL INDICATING WHETHER THE FIRM EXECUTED TRANSACTIONS IN ELIGIBLE SECURITIES IN A PRINCIPAL, RISKLESS, OR AGENCY CAPACITY. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HARRIS NESBITT CORP. CONSENTED TO BEING FINED \$5,000 BY THE NASD.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 06/24/2004

**Docket/Case Number:** CMS040090

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)



### Other Sanction(s)/Relief Sought:

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/24/2004

**Sanctions Ordered:** Monetary/Fine \$5,000.00

### Other Sanctions Ordered:

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HARRIS NESBITT CORP. CONSENTED TO BEING FINED \$5,000.00

**Firm Statement** NASD RULES 6130 (D)(6), 6130 (D)(7)- HARRIS NESBITT CORP. EXECUTED PROPRIETARY SHORT SALE TRANSACTIONS AND FAILED TO REPORT EACH OF THE TRANSACTIONS TO ACT WITH THE CORRECT SHORT SALE MODIFIER; EXECUTED RETAIL TRANSACTIONS TO ACT AS SHORT SALES WHEN THE FIRM'S RECORDS INDICATE THE TRANSACTIONS WERE LONG SALES AND FAILED TO REPORT TO ACT THE CORRECT SYMBOL INDICATING WHETHER THE FIRM EXECUTED TRANSACTIONS IN ELIGIBLE SECURITIES IN A PRINCIPAL, RISKLESS, OR AGENCY CAPACITY. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, HARRIS NESBITT CORP. CONSENTED TO BEING FINED \$5,000 BY THE NASD.

### Disclosure 34 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** \*\*03/07/2003\*\* STIPULATION AND CONSENT TO PENALTY FILED BY NYSE DIVISION OF ENFORCEMENT AND PENDING CONSENTED TO FINDINGS: WITHOUT ADMITTING OR DENYING GUILT, THE FIRM CONSENTS TO FINDINGS BY THE HEARING PANEL THAT IT VIOLATED:

1. SEC RULE 15C3-1 PROMULGATED UNDER THE SEA, AND EXCHANGE RULE 325, BY CONDUCTING ITS SECURITIES BUSINESS WHILE FAILING TO MAINTAIN ITS NET CAPITAL AT THE REQUIRED LEVEL.
2. EXCHANGE RULE 342 IN THAT IT FAILED TO ADEQUATELY SUPERVISE ITS COMPLIANCE WITH MOMENT-TO-MOMENT NET CAPITAL REQUIREMENTS.
3. SEC RULES 17A-3 AND 17A-4 AND EXCHANGE RULE 440, IN THAT IT DID NOT ACCURATELY RECORD THE TERMS OF AN ORDER ON ITS BOOKS AND RECORDS. THE FIRM CONSENTED TO THE IMPOSITION BY THE EXCHANGE OF THE PENALTY OF A CENSURE AND A FINE IN THE AMOUNT OF \$75,000.

**Initiated By:** NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

**Date Initiated:** 03/07/2003



**Docket/Case Number:** HPD# 03-61

**Principal Product Type:** Other

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision

**Resolution Date:** 05/30/2003

**Sanctions Ordered:** Censure  
Monetary/Fine \$75,000.00

**Other Sanctions Ordered:****Sanction Details:**

**\*\*04/28/2003\*\*** DECISION 03-61 ISSUED BY NYSE HEARING PANEL  
DECISION: VIOLATED SEC RULE 15C3-1 AND EXCHANGE RULE 325 BY  
CONDUCTING ITS SECURITIES BUSINESS WHILE FAILING TO MAINTAIN ITS  
NET CAPITAL AT THE REQUIRED LEVEL; VIOLATED EXCHANGE RULE 342  
BY FAILING TO ADEQUATELY SUPERVISE ITS COMPLIANCE WITH MOMENT-  
TO-MOMENT NET CAPITAL REQUIREMENTS; AND VIOLATED SEC RULES  
17A-3 AND 17A-4 AND EXCHANGE RULE 440 BY NOT ACCURATELY  
RECORDING THE TERMS OF AN ORDER ON ITS BOOKS AND RECORDS.  
CONSENT TO CENSURE AND \$75,000 FINE.

**Regulator Statement**

**\*\*05/30/2003\*\*** THE DECISION IS NOW FINAL AND IS EFFECTIVE  
IMMEDIATELY. CONTACT: PEGGY GERMINO (212) 656-8450.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

VIOLATED: SEC RULE 15C3-1 PROMULGATED UNDER THE SEA, AND  
EXCHANGE RULE 325, BY CONDUCTING ITS SECURITIES BUSINESS WHILE  
FAILING TO MAINTAIN ITS NET CAPITAL AT THE REQUIRED LEVEL;  
VIOLATED EXCHANGE RULE 324 BY FAILING TO ADEQUATELY SUPERVISE  
ITS COMPLIANCE WITH MOMENT-TO-MOMENT NET CAPITAL  
REQUIREMENTS; AND VIOLATED SEC RULE 17A-3 AND 17A-4 AND  
EXCHANGE RULE 440 BY NOT ACCURATELY RECORDING THE TERMS OF  
AN ORDER ON ITS BOOKS AND RECORDS. CONSENTS TO CENSURE AND  
\$75,000 FINE.



**Initiated By:** NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT.

**Date Initiated:** 03/07/2003

**Docket/Case Number:** HPD# 03-61

**Principal Product Type:** Other

**Other Product Type(s):** EQUITY OTC & LISTED

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** CENSURE AND \$75,000.00 FINE.

**Resolution:** Decision

**Resolution Date:** 05/30/2003

**Sanctions Ordered:** Censure  
Monetary/Fine \$75,000.00

**Other Sanctions Ordered:**

**Sanction Details:** 04/28/2003 DECISION 3-61 ISSUED BY NYSE HEARING PANEL  
DECISION:VIOLATED: SEC RULE 15C3-1 PROMULGATED UNDER THE SEC  
AND EXCHANGE RULE 325, BY CONDUCTING ITS SECURITIES BUSINESS  
WHILE FAILING TO MAINTAIN ITS NET CAPITAL AT THE REQUIRED LEVEL;  
VIOLATED EXCHANGE RULE 342 BY FAILING TO ADEQUATELY SUPERVISE  
ITS COMPLIANCE WITH MOMENT-TO-MOMENT NET CAPITAL  
REQUIREMENTS; AND VIOLATED SEC RULE 17A-3 AND 17A-4 AND  
EXCHANGE RULE 440 BY NOT ACCURATLEY RECORDING THE TERMS OF  
AN ORDER ON ITS BOOKS AND RECORDS. CONSENTS TO CENSURE AND  
\$75,000 FINE.

**Firm Statement** GKMC IS COMMITTED TO HIGHEST STANDARDS OF INTEGRITY AND  
COMPLIANCE IN ALL ITS OPERATIONS. GKMC HAS TAKEN STEPS WHICH IT  
BELIEVES WILL PREVENT ANY REOCURRENCE

#### Disclosure 35 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULE 4613(E)(1)(C) - WITH OUT ADMITTING OR DENYING THE  
ALLEGATIONS THE MEMBER FIRM CONSENTED TO THE ENTRY OF THE  
FINDINGS THAT IT WITHIN 30 SECONDS OF RECEIVING TRADE-OR-MOVE  
MESSAGES THROUGH SELECTNET, FAILED TO FILL THE INCOMING TRADE-  
OR-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS





BID DOWN (OFFER UP) BY A QUOTATION INCREMENT THAT WOULD HAVE UNLOCKED/UNCROSSED THE MARKET.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 11/12/2002

**Docket/Case Number:** CMS020205

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/12/2002

**Sanctions Ordered:** Censure  
Monetary/Fine \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:** FINED \$15,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** IN 97 INSTANCES FROM OCTOBER 1, 2001 TO DECEMBER 31, 2001, THE FIRM, A MARKET MAKER IN THE SECURITIES REFLECTED IN EXHIBIT A, WAS A PARTY TO A LOCKED OR CROSSED MARKET CONDITION PRIOR TO THE MARKET OPENING DURING THE PERIOD BETWEEN 9:20 AND 9:29:59A.M. EASTERN STANDARD TIME AND RECEIVED A TRADE-OR-MOVE MESSAGE IN EACH INSTANCE THROUGH SELECTNET. THE FIRM, WITHIN 30 SECONDS OF RECEIVING SUCH MESSAGE, FAILED TO FILL THE INCOMING TRADE-TO-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS BID DOWN (OFFER UP) BY A QUOTATION INCREMENT THAT WOULD HAVE UNLOCKED/CROSSED THE MARKET. THE CONDUCT DESCRIBED IN PARAGRAPH ONE CONSTITUTES SEPERATE AND DISTINCT VIOLATIONS OF NASD MARKETPLACE RULE 4613(E)(1)(C).

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS.

**Date Initiated:** 03/01/2002



**Docket/Case Number:** CMS020205AWC

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/30/2002

**Sanctions Ordered:** Monetary/Fine \$15,000.00

**Other Sanctions Ordered:** NONE

**Sanction Details:** MONETARY FINE IN THE AMOUNT OF \$15,000.00

**Firm Statement**  
 GKMC IS COMMITTED TO THE HIGHEST STANDARDS OF INTEGRITY AND COMPLIANCE IN ALL OF ITS OPERATIONS. THE ISSUES IN THE AWC WERE INADVERTANT IN NATURE, DID NOT AFFECT ANY CUSTOMER ACCOUNTS OR THE ECXUTION OF ANY CUSTOMER ORDERS, AND WERE PROMPTLY CORRECTED. GKMC HAS TAKEN STEPS WHICH IT BELIEVES WILL PREVENT ANY REOCURRENCE.

### Disclosure 36 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010, 3320, AND 4613(B), AND SEC RULE 11AC1-1 - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT CONSENTED TO THE ENTRY OF FINDINGS THAT IT WAS A REGISTERED MARKET MAKER IN CERTAIN SECURITIES LISTED ON NASDAQ AND IN OTHER SECURITIES TRADED IN THE OVER-THE-COUNTER MARKET. IN SPECIFIC INSTANCES, AN ORDER FOR A SECURITY IN WHICH RESPONDENT MADE A MARKET WAS PRESENTED TO FIRM AT FIRM'S PUBLISHED BID OR PUBLISHED OFFER FOR THAT SECURITY. RESPONDENT FAILED TO EXECUTE THE ORDERS IN AN AMOUNT UP TO ITS PUBLISHED QUOTATION SIZE UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE FIRM QUOTE RULES. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM DID NOT



INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR: (1) A STATEMENT OF THE SUPERVISORY STEP(S) TO BE TAKEN TO MONITOR FOR COMPLIANCE WITH THE FIRM QUOTE RULES; OR (2) A STATEMENT AS TO HOW THE SUPERVISORY REVIEWS SHOULD BE DOCUMENTED.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 07/24/2002

**Docket/Case Number:** CMS020128

**Principal Product Type:** Other

**Other Product Type(s):** UNKNOWN TYPE OF SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/24/2002

**Sanctions Ordered:** Censure  
Monetary/Fine \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:** A CENSURE AND A FINE OF \$15,000 (CONSISTING OF \$10,000 FOR THE FIRM QUOTE RULES VIOLATIONS AND \$5,000 FOR THE SUPERVISORY VIOLATIONS).

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** 1.DURING THE THIRD QUARTER OF THE YEAR 2000, GKMC WAS A REGISTERED MARKET MAKER IN CERTAIN SECURITIES LISTED OF NASDAQ AND IN OTHER SECURITIES TRADED IN THE OVER-THE-COUNTER MARKET. IN 26 SPECIFIC INSTANCES, AN ORDER FOR A SECURITY IN WHICH GKMC MADE A MARKET WAS PRESENTED TO GKMC AT GKM'S PUBLISHED BID OR PUBLISHED OFFER FOR THAT SEURITY. GKMC FAILED TO EXECUTE THE 26 ORDERS IN AN AMOUNT UP TO ITS PUBLISHED QUOTATION SIZE UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION. 2. DURING THE SECOND QUARTER OF THE YEAR 2001, GKMC WAS A REGISTERED MARKET MAKER IN CERTAIN SECURITIES LISTED OF NASDAQ AND IN OTHER SECURITIES TRADED IN THE OVER-THE-COUNTER MARKET.IN 30 SPECIFIC INSTANCES, AN ORDER



FOR A SECURITY IN WHICH GKMC MADE A MARKET WAS PRESENTED TO GKMC AT GKMC'S PUBLISHED BID OR PUBLISHED OFFER FOR THAT SECURITY. GKMC FAILED TO EXECUTE THE 30 ORDERS IN AN AMOUNT UP TO ITS PUBLISHED QUOTATION SIZE UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION. 3. BY REASON OF CONDUCT DESCRIBED IN PARAGRAPHS 1&2, GKMC VIOLATED SEC RULE 11AC1-1, NASD CONDUCT RULE 3320 AND NASD MARKETPLACE RULE 4613(B), WITH RESPECT TO THOSE 56 ORDERS, WITH EACH ORDER CONSTITUTING A SEPARATE AND DISTINCT VIOLATION. 4. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE FIRM QUOTE RULES. SPECIFICALLY, THE FIRMS SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR (1) A STATEMENT OF SUPERVISORY STEPS TO BE TAKEN TO MONITOR FOR COMPLIANCE WITH THE FIRMS QUOTE RULES: OR (2) A STATEMENT AS TO HOW THE SUPERVISORY REVIEW SHOULD BE DOCUMENTED.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS

**Date Initiated:** 05/28/2002

**Docket/Case Number:** CMS020128 AWC

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/06/2002

**Sanctions Ordered:** Monetary/Fine \$15,000.00

**Other Sanctions Ordered:** NONE

**Sanction Details:** MONETARY FINE IN THE AMOUNT OF \$15,000.00.

**Firm Statement** GKMC IS COMMITTED TO THE HIGHEST STANDARDS OF INTEGRITY AND COMPLIANCE IN ALL OF ITS OPERATIONS. THE ISSUES IN THE AWC WERE INADVERTANT IN NATURE, DID NOT AFFECT ANY CUSTOMER ACCOUNTS OR THE EXECUTION OF ANY CUSTOMER ORDERS, AND WERE PROMPTLY CORRECTED. GKMC HAS TAKEN STEPS WHICH IT BELIEVES WILL PREVENT ANY REOCURRENCE.



### Disclosure 37 of 43

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULE NO. 4613(3)(1)(C) - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM, AS A MARKET MAKER IN SECURITIES, WAS A PARTY TO A LOCKED OR CROSSED MARKET CONDITION PRIOR TO THE MARKET OPENING AND RECEIVED A TRADE-OR-MOVE MESSAGE IN EACH INSTANCE THROUGH SELECTNET AND WITHIN 30 SECONDS OF RECEIVING SUCH MESSAGES, FAILED TO FILL THE INCOMING TRADE-OR-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS BID DOWN (OFFER UP) BY A QUOTATION INCREMENT THAT WOULD HAVE UNLOCKED/UNCROSSED THE MARKET.
<b>Initiated By:</b>	NATIONAL ASSOCIATION OF SECURITIES DEALERS
<b>Date Initiated:</b>	10/02/2001
<b>Docket/Case Number:</b>	CMS010153
<b>Principal Product Type:</b>	Equity - OTC
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	10/02/2001
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	N/A

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	IN 11 INSTANCES ON JUNE 15, 20000, GKMC, A MARKET MAKER IN THE SECURITIES INVOLVED IN THE 11 INSTANCES, WAS A PARTY TO A LOCKED



OR CROSSED MARKET CONDITION PRIOR TO THE MARKET OPENING DURING THE PERIOD BETWEEN 9:20 AND 9:29:59 A.M. EASTERN TIME AND RECEIVED A TRADE-OR-MOVE MESSAGE IN EACH INSTANCE THROUGH SELECTNET. GKMC, WITHIN 30 SECONDS OF RECEIVING SUCH MESSAGES, FAILED TO FILL THE INCOMING TRADE-OR-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS BID DOWN (OFFER UP) BY A QUOTATION INCREMENT THAT WOULD HAVE UNLOCKED/UNCROSSED THE MARKET. THE CONDUCT DESCRIBED CONSTITUTES SEPARATE AND DISTRINCT VIOLATIONS OF NASD MARKETPLACE RULE 4613(E)(1)(C).

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS

**Date Initiated:** 10/12/1998

**Docket/Case Number:** CMS010153 AWC

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/01/2001

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000.00

**Other Sanctions Ordered:** NONE

**Sanction Details:** NONE

**Firm Statement** GKMC IS COMMITTED TO THE HIGHEST STANDARDS OF INTEGRITY AND COMPLIANCE IN ALL OF ITS OPERATIONS. THE ISSUES NOTED IN THE AWC WERE INADVERTANT IN NATURE, DID NOT AFFECT ANY CUSTOMER ACCOUNTS OR THE EXECUTION OF ANY CUSTOMER ORDERS, AND WERE PROMPTLY CORRECTED. GKMC HAS TAKEN STEPS WHICH IT BELIEVES WILL PREVENT ANY REOCURRENCE.

### Disclosure 38 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** 01-07-00, SEC RULE 11A11-1, NASD RULES 2110, 3010, 3320,AND



4613(B) - RESPONDENT MEMBER FAILED TO EXECUTE ORDERS UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION; AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE SEC AND NASD FIRM QUOTE RULE.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 11/29/1999

**Docket/Case Number:** CMS990155

**Principal Product Type:** Other

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/29/1999

**Sanctions Ordered:** Censure  
Monetary/Fine \$6,000.00

**Other Sanctions Ordered:**

**Sanction Details:** CAF \$6,000

**Regulator Statement** 05-22-00, \$6,000 PAID ON 1/11/00, INVOICE #99-MS-1042

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** BETWEEN 1/15/1998 AND 3/30/1998 GERARD KLAUER MATTISON & CO., INC. ("GKMC") ORDERS WERE PRESENTED TO GKMC AT GKMC'S PUBLISHED BID OR PUBLISHED OFFER IN AN AMOUNT UP TO ITS PUBLISHED QUOTATION SIZE. GKMC FAILED TO EXECUTE THE ORDERS DESCRIBED UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION. BY REASON OF THE FOREGOING, GKMC VIOLATED SEC AND NASD FIRM QUOTE RULES, WITH RESPECT TO THOSE ORDERS, WITH EACH ORDER CONSTITUTING A SEPARATE AND DISTINCT VIOLATION. GKMC FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE



COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE SEC AND NASD FIRM QUOTE RULES. THE CONDUCT CONSTITUTED A VIOLATION OF NASD CONDUCT RULES 2110 AND 3010.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS

**Date Initiated:** 11/29/1999

**Docket/Case Number:** CMS 990155 AWC

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/29/1999

**Sanctions Ordered:** Censure  
Monetary/Fine \$6,000.00

**Other Sanctions Ordered:** NONE

**Sanction Details:** NONE

**Firm Statement** GKMC IS COMMITTED TO THE HIGHEST STANDARDS OF INTEGRITY AND COMPLIANCE IN ALL OF ITS OPERATIONS. THE ISSUES NOTED IN THE AWC WERE INADVERTANT IN NATURE, DID NOT AFFECT ANY CUSTOMER ACCOUNTS OR THE EXECUTION OF ANY CUSTOMER ORDERS, AND WERE PROMPTLY CORRECTED. GKMC HAS TAKEN STEPS WHICH IT BELIEVES WILL PREVENT ANY REOCCURENCE.

#### Disclosure 39 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** RESPONDENT MEMBER FIRM: ENTERED PRICED ORDERS INTO SELECTNET BROADCAST THAT WERE PRICED BETTER THAN THE FIRM'S PUBLIC QUOTE WITHOUT REFLECTING EACH SUCH ORDER IN THE MEMBER FIRM'S PUBLIC QUOTE. (SEC RULE 11AC-1-1(C)(5).)

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.





**Date Initiated:** 07/26/1999  
**Docket/Case Number:** CMS990074  
**Principal Product Type:** Other  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Other  
**Other Sanction(s)/Relief Sought:** FINE OF \$2000.00  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 07/26/1999  
**Sanctions Ordered:** Monetary/Fine \$2,000.00  
**Other Sanctions Ordered:** NONE.  
**Sanction Details:** \$2000 FINE.  
**Regulator Statement** 02-04-00, \$2,000 PAID ON 9/09/99, INVOICE #99-MS-696

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** GERARD KLAUER MATTISON & CO., INC. ("GKMC") ENTERED PRICED ORDERS INTO SELECTNET BROADCAST THAT WERE PRICED BETTER THAN THE FIRM'S PUBLIC QUOTE WITHOUT REFLECTING EACH SUCH ORDER IN THE MEMBER FIRM'S PUBLIC QUOTE (SEC RULE 11AC-1-1(C)(5).)  
**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS  
**Date Initiated:** 11/25/1998  
**Docket/Case Number:** CMS990074AWC  
**Principal Product Type:** Equity - OTC  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Other  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)



**Resolution Date:** 07/26/1999

**Sanctions Ordered:** Monetary/Fine \$2,000.00

**Other Sanctions Ordered:** NONE

**Sanction Details:** \$2000.00 FINE

**Firm Statement** GKMC IS COMMITTED TO THE HIGHEST STANDARDS OF INTEGRITY AND COMPLIANCE IN ALL OF ITS OPERATIONS. THE ISSUES NOTED IN THE AWC WERE INADVERTANT IN NATURE, DID NOT AFFECT ANY CUSTOMER ACCOUNTS OR THE EXECUTION OF ANY CUSTOMER ORDERS, AND WERE PROMPTLY CORRECTED. GKMC HAS TAKEN STEPS WHICH IT BELIEVES WILL PREVENT ANY REOCURENCE.

#### Disclosure 40 of 43

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** GERARD KLAUER MATTISON & CO., INC. ("GKMC") IN SIXTEEN (16) INSTANCES INCORRECTLY REFLECTED AVERAGE PRICES AS REPORTED PRICES ON CUSTOMER CONFIRMATIONS. THE CONDUCT CONSTITUTED 16 SEPARATE AND DISTINCT VIOLATIONS OF SEC RULE 10B-10. IN THREE (3) INSTANCES, GKMC FAILED TO DISCLOSE ITS MARKET MAKER STATUS ON CUSTOMER CONFIRMATIONS. THE CONDUCT CONSTITUTED THREE (3) SEPARATE AND DISTINCT VIOLATIONS OF SEC RULE 10B-10. IN THREE (3) INSTANCES, GKMC FAILED TO DISCLOSE THE REPORTED TRADE PRICE ON CUSTOMER CONFIRMATIONS. THE CONDUCT CONSTITUTED THREE (3) SEPARATE AND DISTINCT VIOLATIONS OF SEC RULE 10B-10. IN ONE INSTANCE, GKMC FAILED TO MAINTAIN AN ORDER MEMORANDUM. THE CONDUCT CONSTITUTED A VIOLATION OF SEC RULE 17A-4. IN TWELVE (12) INSTANCES, GKMC FAILED TO RECORD THE TERM AND CONDITION "NOT HELD" ON ORDER MEMORANDA. THE CONDUCT DESCRIBED CONSTITUTED TWELVE (12) SEPARATE AND DISTINCT VIOLATIONS OF SEC RULE 17A-3.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS

**Date Initiated:** 05/12/1999

**Docket/Case Number:** ETR10-980042 AWC

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure



**Other Sanction(s)/Relief Sought:** FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/08/1999

**Sanctions Ordered:** Censure  
Monetary/Fine \$3,000.00

**Other Sanctions Ordered:** NONE

**Sanction Details:** FINE OF \$3000.00 WAS PAID ON 7/8/1999.

**Firm Statement** GKMC IS COMMITTED TO THE HIGHEST STANDARDS OF INTEGRITY AND COMPLIANCE IN ALL OPERATIONS. THE ISSUES NOTED IN THE AWC WERE INADVERTENT IN NATURE. MOREOVER, GKMC HAS TAKEN STEPS WHICH IT BELIEVES WILL PREVENT RECURRENCE.

#### Disclosure 41 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:**

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 10/28/1997

**Docket/Case Number:** CMS970041 AWC

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/28/1997

**Sanctions Ordered:** Monetary/Fine \$700.00

**Other Sanctions Ordered:**

**Sanction Details:**

**Regulator Statement** LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. CMS970041 AWC.

ON OCTOBER 28, 1997, GERAD KAUER MATTISON & CO., INC. (GKMC) WAS NOTIFIED THAT THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) IT SUBMITTED WAS ACCEPTED BY THE MARKET REGULATION AND THE NATIONAL BUSINESS CONDUCT COMMITTEES. THE AWC ALLEGES THAT GKMC VIOLATED NASD MARKETPLACE RULE 6130(d)(6) FOR THE FOLLOWING ACTIVITY:

DURING THE PERIOD MAY THROUGH AUGUST 1996, GKMC EXECUTED SEVEN SHORT SALE TRANSACTIONS WITHOUT IDENTIFYING EACH OF THE TRANSACTIONS AS SHORT SALE IN ITS ACT REPORTING. GKMC WAS FINED \$700.00.

\*\*\*\*\* \$700.00 PAID ON 12/12/97, INVOICE NO. 97-MS-976 \*\*\*\*

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** VIOLATIONS TO MARKETPLACE RULE 6130(D)(6) DURING PERIOD MAY THROUGH AUGUST 1996, GKMC EXECUTED SEVEN SHORT SALES TRANSACTIONS AND FAILED TO REPORT EACH OF THESE TRANSACTIONS TO ACT WITH A SHORT SALE INDICATOR.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS

**Date Initiated:** 06/13/1997

**Docket/Case Number:** CMS 970041 AWC

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINED

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/17/1997

**Sanctions Ordered:** Monetary/Fine \$700.00



**Other Sanctions Ordered:** NONE.

**Sanction Details:** FINE OF \$700.00 WAS PAID ON 10/17/97.

**Firm Statement** GKMC IS COMMITTED TO THE HIGHEST STANDARDS OF INTEGRITY AND COMPLIANCE IN ALL OF ITS OPERATIONS. THE ISSUES NOTED IN THE AWC WERE INADVERTANT IN NATURE, DID NOT AFFECT ANY CUSTOMER ACCOUNTS OR THE EXECUTION OF ANY CUSTOMER ORDERS, AND WERE PROMPTLY CORRECTED. MOREOVER, THE FIRM HAS TAKEN STEPS TO PREVENT REOCURRENCE.

#### Disclosure 42 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:**

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 10/28/1997

**Docket/Case Number:** CMS970049 AWC

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/28/1997

**Sanctions Ordered:** Censure  
Monetary/Fine \$15,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

**Regulator Statement** LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. CMS970049 AWC.

ON OCTOBER 28, 1997, GERARD, KLAUER, MATTISON & CO., INC. (GKMC) WAS NOTIFIED THAT THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) IT SUBMITTED WAS ACCEPTED BY THE MARKET REGULATION AND THE NATIONAL BUSINESS CONDUCT COMMITTEES. THE



AWC ALLEGES THAT GKMC VIOLATED MARKETPLACE RULES 6130(b) AND 6130(d), NASD CONDUCT RULES 2110, 3010 AND 3110, AND SEC RULE 17a-3 FOR THE FOLLOWING ACTIVITY:

GKMC FAILED TO REPORT TO ACT THE CONTRA SIDE EXECUTING BROKER IN 72 TRANSACTIONS IN ELIGIBLE SECURITIES; FAILED TO ACCEPT OR DECLINE ONE TRANSACTION IN AN ELIGIBLE SECURITY WITHIN TWENTY MINUTES OF EXECUTION; AND REPORTED TO ACT THE INCORRECT SYMBOL INDICATING WHETHER ONE TRANSACTION IN AN ELIGIBLE SECURITY WAS AS PRINCIPAL OR AGENT. IN ADDITION, GKMC FAILED TO MAKE, KEEP, AND PRESERVE MEMORANDA OF BROKERAGE ORDERS FOR LIMIT ORDERS. FINALLY, GKMC FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS REGARDING TRADE REPORTING AND RECORD KEEPING. GKMC WAS CENSURED AND FINED \$15,000. \

\*\*\*\* \$15,000 PAID ON 12/24/97, INVOICE NO. 97-MS-984 \*\*\*\*\*

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

GKMC FAILED TO REPORT TO ACT THE CONTRA SIDE EXECUTING BROKER IN 72 TRANSACTIONS IN ELIGIBLE SECURITIES. THE CONDUCT CONSTITUTED SEPARATE AND DISTINCT VIOLATIONS OF NASD MARKETPLACE RULE 6130(D). GKMC FAILED TO ACCEPT OR DECLINE ONE TRANSACTION IN AN ELIGIBLE SECURITY WITHIN TWENTY MINUTES AFTER EXECUTION. THE CONDUCT CONSTITUTED A VIOLATION OF NASD MARKETPLACE RULE 630(B). GKMC REPORTED TO ACT THE INCORRECT SYMBOL INDICATING WHETHER ONE TRANSACTION IN AN ELIGIBLE SECURITY WAS AS PRINCIPAL OR AGENT. THE CONDUCT CONSTITUTED A VIOLATION OF NASD MARKETPLACE RULE 6130(D). FOR THE TRADE DATE OCTOBER 1, 1996, GKMC FAILED TO SHOW ON MEMORANDA OF BROKER ORDERS THE TERMS AND CONDITIONS OF EACH SUCH ORDER OR INSTRUCTIONS AND OF ANY MODIFICATION OR CANCELLATION THEREOF, THE ACCOUNT FOR WHICH ENTERED, THE TIME OF THE ENTRY, THE PRICE AT WHICH EXECUTED AND, TO THE EXTENT FEASIBLE, TIME OF EXECUTION OR CANCELLATION. THE CONDUCT CONSTITUTED SEPARATE AND DISTINCT VIOLATIONS OF SEC RULE 17A-3(6) AND NASD CONDUCT



RULE 3110. GKMC FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED OR ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS REGARDING TRADE REPORTING AND RECORD KEEPING. THE CONDUCT CONSTITUTED A VIOLATION OF CONDUCT RULES 2110 AND 3010.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS

**Date Initiated:** 07/15/1997

**Docket/Case Number:** CMS970049 AWC

**Principal Product Type:** Equity - OTC

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINED

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/10/1997

**Sanctions Ordered:** Censure  
Monetary/Fine \$15,000.00

**Other Sanctions Ordered:** NONE

**Sanction Details:** MONETARY FINE OF \$15000.00 PAID BY CHECK ON 10/10/97.

**Firm Statement**  
GKMC IS COMMITTED TO THE HIGHEST STANDARDS OF INTEGRITY AND COMPLIANCE IN ALL OF ITS OPERATIONS. THE ISSUES NOTED IN THE AWC WERE INADVERTANT IN NATURE, DID NOT AFFECT ANY CUSTOMER ACCOUNTS OR THE EXECUTION OF ANY CUSTOMER ORDERS, AND WERE PROMPTLY CORRECTED. MOREOVER, THE FIRM AND ITS CLEARING FIRM HAVE TAKEN STEPS, WHICH WE BELIEVE, WILL PREVENT ANY REOCURRENCE.

#### Disclosure 43 of 43

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:**

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.



**Date Initiated:** 04/29/1988

**Docket/Case Number:** NY-5078-AWC

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 04/29/1988

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,000.00

**Other Sanctions Ordered:****Sanction Details:****Regulator Statement**

ON APRIL 29, 1988, THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. NY-5078-AWC (DISTRICT NO. 12) SUBMITTED BY RESPONDENTS BRICK SECURITIES ASSOCIATES AND RICHARD W. BENNETT WAS ACCEPTED; THEREFORE THEY ARE CENSURED AND FINED \$1,000.00, JOINTLY AND SEVERALLY (ARTICLE III, SECTION 1 OF THE RULES OF FAIR PRACTICE - CONDUCTED A PUBLIC OPTIONS BUSINESS WHEN THE FIRM DID NOT HAVE A REGISTERED OPTIONS PRINCIPAL; AND, CONDUCTED A PUBLIC OPTIONS BUSINESS, A BUSINESS ACTIVITY SPECIFICALLY PROHIBITED BY THE FIRM'S RESTRICTION AGREEMENT, WITHOUT FIRST NOTIFYING THE ASSOCIATION AND RECEIVING WRITTEN APPROVAL). \*\*\*\*\* \$1,000 PAID J&S 8-19-88.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ON APRIL 29, 1988, THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. NY-5078-AWC (DISTRICT NO. 12) SUBMITTED BY BRICK SECURITIES ASSOCIATES AND RICHARD W. BENNETT WAS ACCEPTED; THEREFORE, THEY WERE CENSURED AND FINED \$1000, JOINTLY AND SEVERALLY (ARTICLE III, SECTION 1 OF THE RULES OF FAIR PRACTICE - CONDUCTED A PUBLIC OPTIONS BUSINESS WHEN THE FIRM DID NOT HAVE A





REGISTERED OPTIONS PRINCIPAL; AND CONDUCTED A PUBLIC OPTIONS BUSINESS, A BUSINESS ACTIVITY SPECIFICALLY PROHIBITED BY THE FIRM'S RESTRICTION AGREEMENT, WITHOUT FIRST NOTIFYING THE ASSOCIATION AND RECEIVING WRITTEN APPROVAL.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 04/29/1988

**Docket/Case Number:** NY-5078-AWC

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 04/29/1988

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,000.00

**Other Sanctions Ordered:** NONE

**Sanction Details:** FINE WAS PAID ON 4/29/98.

**Firm Statement**

VIOLATION OF ARTICLE 1, SCHEDULE C, II, (2)(E)(1) OF THE ASSOCIATION'S BY-LAWS BY BRICK SECURITIES AND RICHARD W. BENNETT IN THAT THE FIRM, OPERATING THROUGH RICHARD W. BENNETT IN HIS CAPACITY AS GENERAL SECURITIES PRINCIPAL, CONDUCTED A PUBLIC OPTIONS BUSINESS WHEN THE FIRM DID NOT HAVE A REGISTERED OPTIONS PRINCIPAL.

VIOLATION OF ARTICLE 1, SCHEDULE C, 1(1)(E) OF THE ASSOCIATION'S BY-LAWS BY BRICK SECURITIES AND RICHARD W. BENNETT IN THAT THE FIRM, OPERATING THROUGH RICHARD W. BENNETT IN HIS CAPACITY AS A GENERAL SECURITIES PRINCIPAL, CONDUCTED A PUBLIC OPTIONS BUSINESS, A BUSINESS ACTIVITY SPECIFICALLY PROHIBITED BY THE FIRM'S RESTRICTION AGREEMENT, WITHOUT FIRST NOTIFYING THE ASSOCIATION AND RECEIVING ITS WRITTEN APPROVAL.

## End of Report



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