

**THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2018057166402**

TO: The NASDAQ Stock Market LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Precision Securities, LLC, Respondent
Broker-Dealer
CRD No. 103976

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC (“Nasdaq”) Code of Procedure, Precision Securities, LLC (“Precision” or “Respondent”) submits this Letter of Acceptance, Waiver and Consent (“AWC”) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, Nasdaq will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

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

BACKGROUND

Precision is a broker-dealer that has been registered with FINRA since August 2000 and a member of Nasdaq since July 2006. Precision operates from four branch offices, including its headquarters in San Diego, CA. The Firm employs approximately 24 registered individuals and executes agency or riskless principal transactions on behalf of its primarily institutional customer base.

RELEVANT PRIOR DISCIPLINARY HISTORY

Respondent has no relevant disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

SUMMARY

Between the period of March 28, 2014 and February 2, 2019 (the “relevant period”), Precision failed to qualify and register with Nasdaq in the appropriate category of registration one associated person who engaged in securities trading activity. Additionally, Precision failed to establish, maintain, and enforce a supervisory system, including written

procedures, reasonably designed to achieve compliance with applicable qualification and registration requirements. As a result of the foregoing, Precision violated Nasdaq Rule 1032(f) (for conduct prior to October 1, 2018) and Nasdaq Rule 1.1220(b)(4)(a) (for conduct on and after October 1, 2018),¹ and Nasdaq Rules 3010(a) and 2010A.

FACTS AND VIOLATIVE CONDUCT

1. Prior to October 1, 2018, Nasdaq Rule 1031(a) stated, “[a]ll persons engaged or to be engaged in the investment banking or securities business of a member who are to function as representatives shall be registered as such with Nasdaq in the category of registration appropriate to the function to be performed as specified in Rule 1032.” Nasdaq Rule 1031(c) stated, “[n]o Nasdaq member shall permit any person associated with the Nasdaq member to engage in the investment banking or securities business unless the Nasdaq member determines that such person satisfies the qualification requirements established by the Nasdaq Board. . . .” Additionally, Nasdaq Rule 1032(f)(1) required that registered persons engaged in the following securities trading activities register as Securities Traders: “proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities . . .” in equity, preferred, or convertible debt securities.
2. Since October 1, 2018, Nasdaq Rule 1.1210 states, “[e]ach person engaged in the securities business of a member shall be registered with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in General 4, Section 1.1220 . . .” Nasdaq Rule 1.1220(b)(4)(a) specifies that a representative shall be registered as a Securities Trader if, “with respect to transactions in equity, preferred or convertible debt securities, or options such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities other than a person associated with a member whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by, or is under common control with a member.”
3. During the relevant period, “MB” took agency orders from clients and executed them on Precision’s Order Management System (“OMS”) platform. Despite this, Precision failed to qualify or register MB as an Equity Trader (prior to January 4, 2016) or a Securities Trader (since January 4, 2016).² On February 2, 2019, the firm took steps to prevent MB from engaging in any such activity that would require qualification or registration as a Securities Trader.³

¹ On October 1, 2018, NASD Rules 1021, 1022, and 1032 were retired, and FINRA adopted the FINRA Rule 1200 series governing registration and qualification. As of October 1, 2018, Nasdaq also retired its corresponding registration rules (Nasdaq rules 1021, 1022, and 1031) and adopted FINRA’s 1200 series via its regulatory contract with FINRA (see Nasdaq Rule 1001 and Nasdaq General 4: Registration Requirements, Section 1: Registration, Qualification and Continuing Education).

² On January 4, 2016, FINRA’s Regulatory Notice 15-45 eliminated the registration category of “Equity Trader” and its qualification examination, Series 55, and replaced it with the registration category of “Securities Trader” and corresponding Series 57 examination for registered individuals engaged in securities trading activity.

³ MB was qualified and registered with FINRA as a General Securities Representative (Series 7) during the relevant period.

4. By virtue of the foregoing, Precision violated Nasdaq Rule 1032(f)(1) (for conduct prior to October 1, 2018) and Nasdaq Rule 1.1220(b)(4)(a) (for conduct on and after October 1, 2018).
5. Additionally, Nasdaq Rule 3010(a) requires that, “[e]ach member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules. Nasdaq members shall comply with FINRA Rule 3110 as if such Rule were part of Nasdaq's Rules.” Under FINRA Rule 3110(b), “[e]ach member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” Finally, Nasdaq Rule 2010A requires that, “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”⁴
6. During the relevant period, Precision’s WSPs, revised as of November 2017, designated the Chief Compliance Officer (“CCO”) responsible for “ensuring” that associated persons obtained the required “registration and licensing prior to the commencement of work,” and stated a policy that, “[n]o associated person of the [F]irm will act in any registered capacity without the appropriate license(s).” The WSPs further required the CCO to conduct and document internal reviews regarding registration, including to “ensure” that all supervisory personnel and principals were qualified for their duties. However, the WSPs failed to specify the process, method, or frequency for the CCO’s reviews for registration compliance. Accordingly, Precision’s WSPs failed to specify a process or method through which the Firm would reasonably monitor for and effectively review whether its associated persons were appropriately qualified and registered for their activities and duties, in compliance with applicable requirements. By virtue of the foregoing, Precision violated Nasdaq Rules 3010(a) and 2010A.

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

- A censure; and
- A fine to be paid to Nasdaq in the amount of \$10,000⁵ (\$5,000 for Precision’s qualification and registration violations; and \$5,000 for Precision’s supervisory violations).

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted a Payment

⁴ As of December 6, 2019, Nasdaq Rule 3010 is now cited as Nasdaq General 9, Section 20 and Nasdaq Rule 2010A is now cited as Nasdaq General 9, Section 1(a). *See* Securities Exchange Act Release No. 34-87778 (December 17, 2019) (SR-NASDAQ-2019-098).

⁵ A related disciplinary action on behalf of FINRA for violations of its registration and supervision rules is being taken concurrently in conjunction with this matter.

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

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Formal Complaint issued specifying the allegations against the Respondent;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the Nasdaq Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by FINRA's Department of Enforcement and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Respondent; and
- C. If accepted:
 - 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the Respondent;
 - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
 - 3. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by Nasdaq, nor does it reflect the views of Nasdaq or its staff.

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

July 16, 2020

Date

Precision Securities, LLC
Respondent

By: Shawn Turner _____

Print Name: Shawn Turner

Title: Chief Compliance Officer

Accepted by Nasdaq:

July 17, 2020

Date

William Otto _____

William Otto
Counsel
Department of Enforcement

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

PAYMENT INFORMATION

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

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

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

Respectfully submitted,

Respondent

Precision Securities, LLC

July 16, 2020

Date

By: *Shawn Turner* _____

Name: Shawn Turner

Title: Chief Compliance Officer