

**THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015044557301**

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 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 firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Precision 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 headquartered in Del Mar, California, with approximately 35 registered representatives and three branches. Precision has been a FINRA member since August 2000 and a Nasdaq member since July 2006. Precision has no relevant disciplinary history.

SUMMARY

In September 2014, a group of five registered representatives transferred their association with another member firm to Precision, bringing with them hundreds of retail customer accounts that engaged in active day trading. Prior to this time, Precision's business did not include customers who engaged in day trading. From September 2014 through December 2016, the firm failed to modify its supervisory system to adapt to the risks this business presented, including the risk that these accounts would be used in manipulative trading schemes, such as wash sales and prearranged trading.

Precision failed to establish and maintain a system to supervise the activities of these new representatives and this new business that was reasonably designed to achieve compliance with applicable securities laws and regulations and applicable Nasdaq rules, including rules prohibiting manipulative trading. Therefore, Precision violated Nasdaq Rules 3010 and 2010A.¹

FACTS AND VIOLATIVE CONDUCT

Nasdaq Rule 3010(a) required each member firm to 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 rules of Nasdaq.

Nasdaq Rule 2010A required a member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade. A violation of Nasdaq Rule 3010 also constituted a violation of Nasdaq Rule 2010A.

In September 2014, a group of five registered representatives transferred their association from another broker-dealer to Precision. The representatives brought with them hundreds of retail customer accounts that engaged in day trading. At the time that these new representatives joined, Precision's business consisted of agency and riskless principal transactions on behalf of high net worth and institutional customers; the firm had no experience with customers who engaged in day trading. Nevertheless, Precision failed to modify its supervisory system to account for the risks presented by this new business, including the risk that these accounts would be used in manipulative trading schemes, such as wash sales and prearranged trading. The firm's failure in this regard prevented it from, for example, identifying potentially manipulative trading in a security where the single day trading volume was more than ten times its average daily volume and the trading accompanied a price day-over-day increase of more than 100 percent.

Upon onboarding this new business, Precision designated a supervisor to perform reviews of the trading in the new accounts, including reviews for manipulative trading. To do so, the representative conducted manual reviews of daily trade blotters. This manual blotter review was not reasonably designed to detect potentially manipulative trading. As an initial matter, the blotters did not include important information that would be necessary to detect various manipulation schemes, including the times, sizes, and prices of orders entered. Similarly, the blotters did not include canceled orders, which often are used in manipulative schemes such as layering and spoofing. Also, there was no practical way to use the blotters to detect manipulative trading across multiple customer accounts or to detect patterns of manipulation over time. Finally, the sheer volume of transactions reflected on the blotters—the accounts often traded millions of shares per day—made it difficult to detect potentially manipulative trading.

¹ Effective December 6, 2019, Nasdaq Rule 3010 (now, General 9, Section 20) and Rule 2010A (now, General 9, Section 1(a)) were respectively renumbered and relocated under the General 9 title (Regulation) in the Nasdaq rulebook. *See* Securities Exchange Act Release No. 34-87778 (December 17, 2019), 84 FR 70590 (December 23, 2019) (SR-NASDAQ-2019-098).

As a result, from September 2014 through December 2016, Precision failed to establish and maintain a system reasonably designed to supervise the activities of each registered representative and associated person to achieve compliance with applicable securities laws and regulations, and with applicable Nasdaq rules, in violation of Nasdaq Rules 3010 and 2010A.²

B. The firm also consents to the imposition of the following sanctions:

- A censure; and
- An \$80,000 fine.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted a Payment Information form showing the method by which it proposes to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm 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 firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- 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, the firm 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.

² Precision remediated the supervisory issues in December 2016.

The firm 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

The firm 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 firm; and
- C. If accepted:
 - 1. This AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the firm;
 - 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. The firm 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. The firm 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 firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that 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 firm to submit it.

March 1, 2022

Date

Precision Securities, LLC
Respondent

By: Shawn Turner

Name: Shawn Turner

Title: President

Reviewed by:

R. Craig Zafis

R. Craig Zafis
Counsel for Respondent
500 La Terraza Blvd., Suite 150
Escondido, CA 92025

Accepted by Nasdaq:

March 2, 2022

Date



Manuel Yanez
Senior Counsel
Department of Enforcement

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