

THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2019.07.0056

TO: The Nasdaq Stock Market LLC
Nasdaq Enforcement Department

RE: INTL FCStone Financial Inc., Respondent
Member Firm
CRD No. 45993

Pursuant to Rule 9216 of The Nasdaq Stock Market LLC (“Nasdaq” or the “Exchange”) Code of Procedure, INTL FCStone Financial Inc. (the “Firm,” “FCStone Financial,” 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. The Firm 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 AND RELEVANT DISCIPLINARY HISTORY

GMP Securities, LLC (“GMP”) first became a registered Nasdaq member on July 12, 2006 (CRD No. 41025). On December 18, 2018, INTL FCStone Inc. entered into a Stock Purchase Agreement with GMP International Holdings Corp. (“GMP International”) by which the former acquired ownership of GMP International’s right, title, and interest in all of GMP’s issued and outstanding stock. Pursuant to the Stock Purchase Agreement, FCStone Financial acceded to GMP’s liabilities. Following the acquisition, which was completed on January 15, 2019, GMP changed its name to INTL FCStone Credit Trading, LLC (“FCStone Credit Trading”). On May 1, 2019, FCStone Credit Trading merged into FCStone Financial, which led to the termination of FCStone Credit Trading’s registration as a Nasdaq member on May 17, 2019.¹ FCStone Financial became a Nasdaq member on July 12, 2006 and its registration remains in effect. Neither the Firm nor its predecessors have relevant disciplinary history.

SUMMARY

During the period of July 1, 2017 through September 30, 2017 (“3Q17”); July 1, 2018 through September 30, 2018 (“3Q18”); October 1, 2018 through December 31, 2018 (“4Q18”); January 1, 2019 through March 31, 2019 (“1Q19”); and April 1, 2019 through

¹ GMP’s registration as a Nasdaq member was terminated on May 17, 2019.

June 30, 2019 (collectively, the “Review Period”), the Firm and its predecessors violated Nasdaq Rules 4613(a), 3010 and 2010A, as set forth below.

FACTS AND VIOLATIVE CONDUCT

Market Making Quoting Obligation

1. Pursuant to Nasdaq Rule 4613(a), for each National Market System (“NMS”) security in which a Nasdaq member is registered as a market maker, the member is required to maintain a continuous two-sided trading interest, during regular market hours, at prices within certain parameters expressed as a percentage referenced from the National Best Bid or Offer (“NBBO”).
2. During the Review Period, the Firm and its predecessors, in 473 instances,² failed to maintain a continuous two-sided trading interest during regular market hours at prices within certain percentages away from the NBBO. Further, in 451 of the 473 instances (95%), the Firm and its predecessors failed to maintain a quote for the entire market hours. The violations occurred for a variety of reasons. With respect to 3Q17, the violations occurred because of GMP’s misunderstanding of how its order management system, Bloomberg Sell-Side Execution & Order Management Solutions (“SSEOMS”), worked, and because of an incorrect configuration in the software. For 3Q18, 4Q18, and 1Q19, GMP’s and FCStone Credit Trading’s violations occurred due to a lack of proper training on how to use the SSEOMS system following a software update, which caused each entity to incorrectly enter quotes, as well as an apparent failure of the compliance department to perform the supervisory reviews required by applicable WSPs. Finally, with respect to 2Q19, the violations occurred because of a software glitch that led to the Firm’s system failing to post a majority of its market making orders on June 24, 2019. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4613(a).

Supervision

3. Nasdaq Rule 3010(a) provides, “Each 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.”
4. Nasdaq Rule 2010A provides, “A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”
5. During the Review Period, the Firm’s and its predecessors’ supervisory system was not reasonably designed to achieve compliance with Nasdaq quoting obligations. Specifically, during 3Q17, GMP’s WSPs did not address how it should monitor for compliance with Rule 4613(a). While the WSPs were subsequently revised, they were not effective in maintaining compliance with Rule 4613(a) during 3Q18, 4Q18, and 1Q19 because the individuals responsible for ensuring compliance with Rule 4613(a) were not properly trained and thus did not perform the required supervisory reviews. Finally, during 2Q19, the Firm’s WSPs were not reasonably designed because there was no

² This is the number of violations based on samples of exception alerts reviewed during the Review Periods: 100 out of 100 during 3Q17; 92 out of 92 during 3Q18; 100 out of 100 during 4Q18; 93 out of 93 during 1Q19; and 88 out of 88 during 2Q19.

procedure in place to ensure that the Firm's market making orders were submitted as intended. The conduct described in this paragraph constitutes a violation of Nasdaq Rules 2010A and 3010.

- B. The Firm also consents to the imposition of the following sanctions:
1. A censure; and
 2. A fine in the amount of \$25,000 (comprised of \$12,500 for the violations of Nasdaq Rule 4613(a) and \$12,500 for the violations of Nasdaq Rules 2010A and 3010).

Respondent agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

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

INTL FCStone Financial Inc.
Respondent

By: 
Name: Emily R. Norris
Title: Counsel

June 30, 2010
Date

Accepted by Nasdaq:

July 2, 2020
Date


Erik Wittman
Senior Enforcement Counsel
Nasdaq Enforcement Department

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 directed to your firm's chief compliance officer. ***Please DO NOT submit payment at this time.*** If you need to arrange for an alternative method of payment, please contact Nasdaq at (301) 978-8310.

Respectfully submitted,

Respondent

INTL FCStone Financial Inc.

Date: July, 1 2020

By: 

Name: Emily R. Peris

Title: Counsel