

THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017054051802

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

RE: Seaport Global Securities LLC, Respondent
Broker-Dealer
CRD No. 116270

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC (“Nasdaq”) Code of Procedure, Seaport Global Securities LLC (the “firm”) submits this Letter of Acceptance, Waiver and Consent (“AWC”) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, 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. 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

The firm is a full-service, mid-sized independent investment bank that offers capital markets advisory, sales, trading, and research services. The firm, which employs approximately 182 registered individuals, maintains headquarters in New York and has 24 branch offices. The firm became a member of FINRA on January 11, 2002 and a member of Nasdaq on May 30, 2014 and its registrations remain in effect. The firm has no prior relevant disciplinary history.

SUMMARY

On April 20, 2017, the firm received an 85,000 share order in AT&T, Inc. (security symbol “T”) from an institutional customer. To facilitate the order, the firm created a representative proprietary order in its Bloomberg SSEOMS order management system (“Bloomberg”) to send to the street for execution. When entering the order, the trader

entered the symbol “T” and hit the Tab button to move to the next field. When the Tab button was hit, Bloomberg auto-populated the symbol field with the last security that started with the letter T that SPGS had been trading, which was TESO. The trader, not realizing that the incorrect symbol had been auto-populated by Bloomberg, entered a price of \$40.35 and sent the order to IEX for execution. At that time, the National Best Offer (“NBO”) in TESO was \$6.75. Immediately after entering the order, the trader realized that the order was erroneously priced nearly 500% above the NBO. He then immediately tried to cancel the entire order, and when he could not do so, he cancelled the remaining outstanding shares. The firm then promptly submitted a clearly erroneous filing with IEX. Based on the clearly erroneous filing and Seaport’s notification, IEX, along with other exchanges, subsequently cancelled all trades (15,647 shares in total) in TESO that were executed between 15:36:00 and 15:37:00 at prices at or above \$7.40.

As a result of the erroneous order, the Market Analysis Section of FINRA’s Department of Market Regulation, on behalf of Nasdaq, reviewed the firm’s compliance with Rule 15c3-5 of Securities Exchange Act of 1934 (the “Exchange Act”). Based on that review, and as set forth below, the Department of Enforcement determined that: (i) the firm failed to maintain order price controls and (ii) the firm’s order size controls were not reasonably designed to prevent the entry of erroneous orders, in violation of Section 15c3-5(c)(3) of the Exchange Act and Rule 15c3-5(c)(1)(ii) thereunder and Nasdaq Rules 2010A and 3010.

FACTS AND VIOLATIVE CONDUCT

1. SEC Rule 15c3-5(c)(1)(ii) of the Exchange Act requires broker-dealers with market access to establish written supervisory procedures and financial risk management controls that are reasonably designed to “[p]revent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders.”
2. In pertinent part, Nasdaq Rule 3010 requires members to “establish and maintain a system to supervise the activities of each...associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules.”

Price Controls

3. On the review date, the firm did not maintain any limit price controls for orders that it routed to the market. Instead, the firm relied on the limit price controls that were in place at the destination to which orders were routed. As a result of the firm’s failure to implement a limit price control, the erroneous TESO order, which was priced nearly 500% above the security’s NBO, was sent to the market for execution.

Size Controls

4. On the review date, the firm maintained a Single Order Size (“SOQ”) threshold of 5,000,000 shares and a Single Order Market Value (“SOV”) threshold of \$750,000,000. Any orders that exceeded these thresholds were automatically rejected. A review of the firm’s order flow for a four-month period, however, revealed that the firm’s SOQ threshold was 67% higher than the largest order the firm received and the firm’s SOV threshold was more than 31 times higher than the highest valued order the firm received. The use of SOQ and SOV controls, at the levels set by the firm, although not involved in the clearly erroneous order giving rise to this review, could not reasonably be expected to prevent erroneous-sized orders, as the parameters did not reasonably take into account the nature of the firm’s client base or order flow.
5. As a result of the firm’s failure to establish and maintain risk management controls reasonably designed to prevent the entry of erroneous orders by rejecting orders that exceed appropriate price or size parameters, the firm violated Exchange Act Section 15(c)(3) and Rule 15c3-5(c)(1)(ii) thereunder, and Nasdaq Rules 2010A and 3010.

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

A censure, a fine of \$10,000, and an undertaking to revise the firm’s written supervisory procedures and/or risk management controls with respect to the areas described in paragraph I.A., above.

Within 30 days of acceptance of this AWC, a registered principal of the firm shall submit to the **COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 15200 OMEGA DRIVE, SUITE 300, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures and/or risk management controls to address the deficiency described in paragraph I.A; and (3) the date the revised procedures and/or controls were implemented.

The firm 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 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(s) 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.

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:

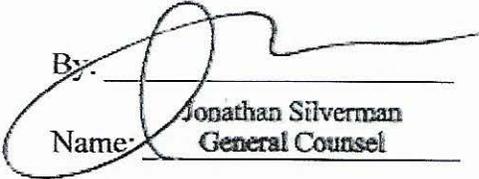
1. This AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the firm;
2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance 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.

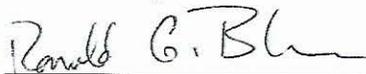
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, 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.

April 23, 2020
Date

Seaport Global Securities LLC
Respondent

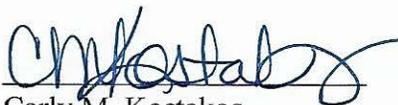
By: 
Name: Jonathan Silverman
General Counsel
Title: _____

Reviewed by:


Ronald G. Blum
Counsel for Respondent
Manatt, Phelps & Phillips, LLP
7 Times Square
New York, NY 10036
(212) 830-7186

Accepted by Nasdaq:

5/12/20
Date


Carly M. Kostakos
Senior 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
Seaport Global Securities LLC

April 23, 2020

Date

By: 
Name: Jonathan Silverman
General Counsel
Title: _____