

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the  
Continued Membership  
of  
Nomura Securities International, Inc.  
(CRD No. 4297)

Notice Pursuant to  
Rule 19h-1  
Securities Exchange Act  
of 1934<sup>1</sup>

SD-2347

**December 12, 2023**

**I. Introduction**

On October 14, 2022, Nomura Securities International, Inc., (“Nomura” or the “Firm”) submitted a Membership Continuance Application (“Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure Department (“CRED”).<sup>2</sup> The Application seeks to permit the Firm to continue its membership with FINRA notwithstanding its statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

**II. The Statutorily Disqualifying Event**

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(D) and (E), as a result of a September 2022 Order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding that Nomura willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) and failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder (“SEC Order”).<sup>3</sup>

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<sup>1</sup> This SEA Rule 19h-1 Notice, along with supporting Exhibits, addresses several technical issues and replaces the SEA Rule 19h-1 Notice filed by FINRA on October 27, 2023.

<sup>2</sup> See MC-400A Application and related attachments compiled by CRED, with a cover memorandum dated October 28, 2022, collectively attached as Exhibit 1.

<sup>3</sup> See SEC Order, *In re Nomura Securities Int’l, Inc.*, Exchange Act Release No. 95925 (Sept. 27, 2022), attached as Exhibit 2.

The SEC Order also triggered disqualification under Rules 262(a)(4), 506(d)(1)(iv), and 602(c)(3) of the Securities Act of 1933 and Rule 503(a)(4)(ii) of Regulation Crowdfunding. On September 27, 2022, the SEC granted a waiver from the application of the disqualification provisions of these Rules. See *In re*

According to the SEC Order, from at least January 2018 to September 2021, employees of the Firm sent and received off-channel communications that related to the Firm's business, and a majority of these written communications were not maintained or preserved by the Firm.<sup>4</sup> Further, supervisors who were responsible for preventing this misconduct among junior employees routinely communicated off-channel using their personal devices, and, in so doing, failed to comply with Firm policies by communicating using non-Firm approved methods on their personal devices about the Firm's broker-dealer business.<sup>5</sup>

The Firm was ordered to cease and desist from committing or causing any future violations, censured, ordered to pay a civil money penalty of \$50,000,000,<sup>6</sup> and ordered to comply with undertakings.<sup>7</sup>

### **III. Remedial Measures**

In its Application, the Firm represented that it has undertaken significant remedial measures in response to the SEC's findings, including supplementing its existing framework for surveillance of electronic communications, rolling out new technology which permits SMS texting for personnel that is captured by the Firm's retention system and is subject to its oversight, expanding and enhancing its training programs regarding business communications, and updating annual compliance affirmations regarding knowledge of and compliance with policies relating to personal communication devices.<sup>8</sup> According to the SEC Order, the SEC considered the Firm's prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement.<sup>9</sup>

### **IV. Firm Background**

Nomura has been a FINRA member since October 1969.<sup>10</sup> Nomura is headquartered in New York, New York,<sup>11</sup> with seven branches, six of which are listed as offices of

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*Certain Broker-Dealer Practices*, Securities Act Release No. 11109 (Sept. 27, 2022), attached as Exhibit 3.

<sup>4</sup> See Exhibit 2 at p. 2.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at p. 10. Nomura submitted evidence showing that the civil penalty was paid on October 6, 2022. See Correspondence from Tracey Russell to FINRA dated April 25, 2023, attached as Exhibit 4 at FINRA p. 1, Response 1 and FINRA pp. 3-5, internal exhibit A.

<sup>7</sup> See Exhibit 2 at pp. 5-10.

Nomura represented that it is in compliance with the undertakings ordered by the SEC and has retained an Independent Consultant ("IC"). See Exhibit 4 at FINRA pp. 1-2, Response 1. The Firm also represented that it submitted the first IC report to the SEC on May 11, 2023 and that on May 16, 2023 it notified the SEC of certain disciplinary consequences imposed on the Firm employees who violated the Firm's policies and procedures concerning the preservation of electronic communication. See Correspondence from Tracey Russell to FINRA dated June 23, 2023, attached as Exhibit 5 at p. 4.

<sup>8</sup> See Exhibit 1 at FINRA00026.

<sup>9</sup> See Exhibit 2 at p. 5.

<sup>10</sup> See Central Registration Depository ("CRD") Firm Snapshot, attached as Exhibit 6 at p. 3.

<sup>11</sup> *Id.*

supervisory jurisdiction.<sup>12</sup> The Firm employs approximately 2,241 individuals, which includes 976 registered representatives (244 of whom are registered principals), 1,141 non-registered fingerprint employees, and 124 operations professionals.<sup>13</sup> Nomura does not employ any statutorily disqualified individuals.<sup>14</sup>

Nomura is approved to engage in the following lines of business: exchange member engaged in exchange commission business other than floor activities; broker or dealer making inter-dealer markets in corporate 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; trading securities for own account; private placements of securities; broker or dealer selling interests in mortgages or other receivables; engages in other securities business such as acting as a block positioner whereby the Firm acquires positions to facilitate the handling of customers' block orders and conducting prime brokerage, repo and futures business; and, effects transactions in commodity futures, commodities, commodity options as broker for others or dealer for its own account.<sup>15</sup>

Nomura is a member of the following self-regulatory organizations ("SROs"): The Depository Trust Company ("DTC"), National Securities Clearing Corporation ("NSCC"), Fixed Income Clearing Corporation - Government Securities Division ("FICC-GOV") and Fixed Income Clearing Corporation - Mortgage-Backed Securities Division ("FICC-MBS"),<sup>16</sup> the BOX Exchange LLC ("BOX"), Cboe BYX Exchange, Inc. ("BYX"), Cboe BZX Exchange, Inc. ("BZX"), Cboe C2 Exchange, Inc. ("C2"), Cboe EDGA Exchange, Inc. ("EDGA"), Cboe EDGX Exchange, Inc. ("EDGX"), Cboe Exchange, Inc. ("Cboe"), NYSE American LLC ("NYSE American"), NYSE Arca, Inc. ("NYSE Arca"), NYSE Chicago, Inc. ("NYSE Chicago"), New York Stock Exchange LLC ("NYSE"), Nasdaq ISE, LLC ("ISE"), Nasdaq PHLX, LLC ("PHLX"), and The Nasdaq Stock Market LLC ("Nasdaq").<sup>17</sup>

### **Recent Examinations**

In approximately the past two years, FINRA completed four routine examinations, one of which was conducted on behalf of other SROs including Cboe, BZX, C2, Nasdaq Options Market LLC ("NOM"), PHLX, NYSE Arca, NYSE American, and NYSE Chicago pursuant to Regulatory Service Agreements ("RSAs"), and two non-routine examinations

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<sup>12</sup> FINRA confirmed this through analysis of Nomura's CRD information, last performed on September 26, 2023.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> See Nomura CRD Excerpts: Types of Business and Other Business Descriptions, attached as Exhibit 7.

<sup>16</sup> Membership in these organizations was verified by FINRA staff through a search of public member directories, last performed on September 26, 2023.

<sup>17</sup> See Exhibit 6 at pp. 3-5.

of Nomura that resulted in Cautionary Action Letters (“CAL”). The SEC also completed one examination that highlighted deficiencies at the Firm.

#### A. FINRA Routine Examinations

The examination completed in July 2023 resulted in a Cautionary Action for three exceptions and a referral to FINRA’s Department of Enforcement (“Enforcement”) for further review of one exception.<sup>18</sup> The Cautionary Action exceptions pertained to the Firm’s failures to maintain an adequate supervisory system surrounding certain usage of the Non-Member Affiliate Principal Transaction indicator, maintain an adequate supervisory system (including written supervisory procedures, or WSPs) regarding compliance with SEA Rule 15c2-11, and demonstrate that it maintained all relevant records with regard to foreign equity securities to evidence that those securities could be treated as margin eligible.<sup>19</sup> The Firm responded in writing that it implemented a systemic fix to the Non-Member Affiliate Principal Transaction indicator issue on April 21, 2023, developed WSPs regarding SEA Rule 15c2-11, and has ceased the cash prime brokerage business but will ensure to retain relevant records if it resumes that business in the future.<sup>20</sup> The one exception referred to Enforcement pertains to the Firm’s failure to maintain an adequate process to perform due diligence and approval of OBAs.<sup>21</sup> The Firm responded in writing that it took several steps to improve its procedures related to OBA disclosure and review, and it circulated a compliance alert to all Firm employees reminding them of the Firm’s policies regarding OBAs.<sup>22</sup>

The examination completed in October 2022 on behalf of Cboe, BZX, C2, NOM, PHLX, NYSE Arca, NYSE American, and NYSE Chicago resulted in a Cautionary Action for two exceptions and a referral to FINRA’s Trading and Execution Department for five exceptions.<sup>23</sup> The Cautionary Action exceptions pertained to incorrect customer labeling in the Firm’s order records for five orders.<sup>24</sup> The Firm responded in writing that it implemented additional training and a change to its supervisory procedures regarding reminding personnel about their obligations pertaining to customer labeling.<sup>25</sup> The five exceptions referred to Trading and Execution pertained to inadequate supervision of recordkeeping and various books and records issues related to 45 orders executed on

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<sup>18</sup> See Disposition Letter for Examination No. 20220734163 dated July 7, 2023, Examination Report dated May 24, 2023, and the Firm’s Response dated June 8, 2023, collectively attached as Exhibit 8.

<sup>19</sup> *Id.* at FINRA pp. 1, 6-7.

<sup>20</sup> *Id.* at FINRA pp. 11-13.

<sup>21</sup> *Id.* at FINRA pp. 1, 5.

<sup>22</sup> *Id.* at FINRA pp. 10-11. This exception remains under review by Enforcement.

<sup>23</sup> See Disposition Letter for Examination No. 20210693431 dated October 24, 2022, Examination Report dated June 30, 2022, the Firm’s Response dated July 21, 2022, Disposition Letter for Spin-Off Examination No. 20220766175 dated August 4, 2023, and Examination Report dated August 4, 2023, collectively attached as Exhibit 9.

<sup>24</sup> *Id.* at FINRA pp. 2, 10-11.

<sup>25</sup> *Id.* at FINRA pp. 19-20.

various exchanges.<sup>26</sup> The Firm responded in writing that it updated its supervisory procedures to require monthly reminders to sales and trading personnel regarding their various record-keeping obligations, that it will undertake a sampling review of orders to detect further issues, and that it implemented various technological solutions to resolve issues created by prior manual order flow.<sup>27</sup>

The examination completed in September 2022 resulted in a Cautionary Action for two exceptions and a referral to FINRA's Market Regulation Department for three exceptions.<sup>28</sup> The Cautionary Action exceptions pertained to the Firm's incorrect reporting of several pieces of information (and one item that the Firm failed to disclose) in its 2021 Q3 SEC Regulation NMS Rule 606(a)(1) report and the Firm's inadequate supervision related to Regulation NMS Rule 606.<sup>29</sup> The Firm responded in writing that it corrected many of the issues identified with its Rule 606(a)(1) report, implemented changes to report data in accordance with Rule 606, and formed a working group to evaluate additional remediation steps, including additional changes to its procedures regarding Rule 606.<sup>30</sup> The three exceptions referred to Market Regulation pertained to the Firm's submission of inaccurate information to Consolidated Audit Trail ("CAT"), the Firm's failure to have a written agreement in place regarding CAT reporting with its third-party reporter, and the Firm's inadequate supervision for compliance with CAT.<sup>31</sup> The Firm responded in writing that it took various actions to correct the issues that led to the inaccurately reported information, it reverted back to CAT reporting orders itself rather than through a third-party, and it planned to conduct a monthly review of its CAT data reporting systems to escalate any potential issues for further review.<sup>32</sup>

The examination completed in October 2021 resulted in a Cautionary Action for five exceptions and a referral to Enforcement for further review of one exception.<sup>33</sup> The Cautionary Action exceptions pertained to failures to: establish credit limits for some of its affiliated entities and demonstrate the reasonableness of a \$32 billion credit limit established with an affiliate; comply with foreign depository requirements as the custody agreement for depository accounts contained termination language that could potentially leave the Firm's customers' securities not protected if the agreement was terminated;

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<sup>26</sup> *Id.* at FINRA pp. 1, 6-10.

<sup>27</sup> *Id.* at FINRA pp. 22-30. The exceptions were later referred to Enforcement under Matter No. 20220766175 and are currently pending. *Id.* at FINRA pp. 33, 35.

<sup>28</sup> *See* Disposition Letter for Examination No. 20210693429 dated September 22, 2022, Examination Report dated June 30, 2022, and the Firm's Response dated July 29, 2022, collectively attached as Exhibit 10.

<sup>29</sup> *Id.* at FINRA pp. 1, 8-10.

<sup>30</sup> *Id.* at FINRA pp. 22-26.

<sup>31</sup> *Id.* at FINRA pp. 1, 5-8.

<sup>32</sup> *Id.* at FINRA pp. 11-22. The exceptions are still under review by Market Regulation in Matter No. 20220771414.

<sup>33</sup> *See* Disposition Letter for Examination No. 20200651049 dated October 4, 2021, Examination Report dated August 16, 2021, and the Firm's Response dated September 7, 2021, collectively attached as Exhibit 11.

accurately state its NSCC clearing deposit on its FOCUS report; include certain personnel in the Firm's daily review and screening of electronic communications despite the Firm's written supervisory procedures not describing circumstances or conditions for excluding any individuals or groups from the electronic communication review and not having alternative supervisory controls for the review of the excluded personnel's electronic communications; and make timely Form U4 filings for registered representatives' reported outside business activities.<sup>34</sup> The Firm responded in writing that it adjusted credit limits for affiliates and removed the \$32 billion limit for one affiliate, engaged in discussions to revise its custody agreement to include a thirty day notice for termination of the agreement, corrected the clearing deposit mistake, updated its procedures surrounding NSCC clearing deposit reconciliations, provided further detail regarding oversight of excluded personnel's electronic communications, and enhanced its procedures regarding Form U4 filings.<sup>35</sup> The exception referred to Enforcement pertained to the Firm's non-allowable treatment of an asset that resulted in an incorrect excess net capital calculation and an adverse impact on the Firm's customer reserve formula computation.<sup>36</sup> The referral ultimately resulted in a Letter of Acceptance, Waiver, and Consent ("AWC").<sup>37</sup>

#### B. FINRA Non-Routine Examinations

In August 2022, FINRA issued a Cautionary Action to the Firm for violation of various exchanges' rules when it left open an options position for nine consecutive business days without being executed on an options exchange which impacted the open interest at the OCC, and for failing to enforce its written procedures by not checking that it had a listed options position to transfer and not checking the impact it had on the open interest of the option at the OCC.<sup>38</sup>

In August 2021, FINRA issued a Cautionary Action to the Firm because the Firm's supervisory procedures were not reasonably designed to comply with applicable securities laws and regulations concerning the prevention of erroneous orders and transactions.<sup>39</sup> The Firm responded in writing that it reviewed and updated its supervisory procedures to require trading desk supervisors to review specific types of activity.<sup>40</sup>

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<sup>34</sup> *Id.* at FINRA pp. 1, 6-8.

<sup>35</sup> *Id.* at FINRA pp. 11-15.

<sup>36</sup> *Id.* at FINRA pp. 1, 5.

<sup>37</sup> *See* FINRA AWC No. 2021071932301 dated January 13, 2023 and CRD Disclosure for Occurrence 2251380, collectively attached as Exhibit 12. For further discussion of this AWC, see the Regulatory Actions section below.

<sup>38</sup> *See* CAL for Examination No. 20210695150 dated August 8, 2022, attached as Exhibit 13. A Firm response was not required by the CAL.

<sup>39</sup> *See* CAL for Examination No. 20200654723 dated August 3, 2021 and Firm Response dated September 23, 2021, collectively attached as Exhibit 14.

<sup>40</sup> *Id.* at FINRA pp. 4-5.

### C. SEC Examination

An SEC Examination concluded in August 2021 identified deficiencies related to the Firm's failures to establish adequate procedures to review: limits and types of credit extended to customers; the need for higher margin requirements, mark-to-markets, and collateral deposits for certain customers; and the creditworthiness of counterparties.<sup>41</sup> The Firm responded in writing that it implemented several remedial measures, including but not limited to, designing a stress test regime, creating a Credit Portfolio Committee, and enhancing several of its procedures related to margin and credit.<sup>42</sup>

### **Regulatory Actions**

In approximately the past two years, Nomura has been the subject of four disciplinary matters, besides the SEC Order at issue in this Notice. The Firm was subject to disciplinary matters brought by FINRA, the Commodity Futures Trading Commission ("CFTC"), the Chicago Mercantile Exchange ("CME"), and the Chicago Board of Trade ("CBOT").

#### A. FINRA Action

On January 13, 2023, the Firm entered into an AWC with FINRA in connection with the Firm's failure to accurately calculate its net capital due to its misclassification of certain assets in violation of Exchange Act Section 15(c), Exchange Act Rules 15c3-1 and 15c3-3, and FINRA Rule 2010.<sup>43</sup> The Firm's inaccurate net capital calculations also caused the Firm to file multiple inaccurate FOCUS reports and maintain inaccurate books and records in violation of Exchange Act Section 17(a), Exchange Act Rules 17a-3 and 17a-5, and FINRA Rules 4511 and 2010.<sup>44</sup> Finally, the Firm failed to establish and maintain a supervisory system and procedures, including WSPs, reasonably designed to ensure the accuracy of its net capital calculations.<sup>45</sup> The Firm consented to a censure and a \$125,000 fine.<sup>46</sup>

#### B. CFTC Action

On September 27, 2022, the CFTC issued an order finding that the Firm violated Section 4g of the Commodity Exchange Act (7 U.S.C. § 6g) and Commission Regulations 1.31, 1.35, and 166.3 (17 C.F.R. §§ 1.31, 1.35, 166.3 (2021)).<sup>47</sup> These violations were based on the same misconduct underlying the SEC Order that is the subject of the Firm's

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<sup>41</sup> See SEC Examination Letter, SEC File No. 8-15255 dated August 27, 2021 and Firm Response dated October 4, 2021, collectively attached as Exhibit 15.

<sup>42</sup> *Id.* at FINRA pp. 6-18.

<sup>43</sup> See Exhibit 12 at FINRA pp. 2-4.

<sup>44</sup> *Id.* at FINRA pp. 4-5.

<sup>45</sup> *Id.* at FINRA p. 5.

<sup>46</sup> *Id.* at FINRA p. 6. The fine was paid on January 27, 2023. *Id.* at FINRA p. 11.

<sup>47</sup> See CFTC Order, *In re Nomura Securities Int'l, Inc. et. al.*, CFTC Docket No. 22-41 (Sept. 27, 2022), attached as Exhibit 16. FINRA has determined that this is not a disqualifying event.

Application. The Firm was ordered to cease and desist from violating the cited sections of the Commodity Exchange Act and Commission Regulations, to pay (jointly and severally) a \$50,000,000 civil penalty, and to comply with various undertakings related to the Firm's preservation of records related to electronic communications.<sup>48</sup>

### C. CME and CBOT Actions

On October 21, 2021, CBOT<sup>49</sup> issued a notice of disciplinary action in connection with the Firm's execution of a transaction that consisted of a simultaneous exchange of futures positions without a bona fide transfer of ownership of the underlying assets thereby constituting a non-bona fide Exchange of Futures for Risk because the transfer occurred between accounts with common beneficial ownership.<sup>50</sup> The Firm was fined \$50,000.<sup>51</sup>

On August 20, 2021, CME issued a notice of disciplinary action in connection with the Firm's failure to maintain an adequate accounting system, internal accounting controls, and procedures for safeguarding customer and Firm assets.<sup>52</sup> The Firm was fined \$50,000.<sup>53</sup>

### D. Other Statutory Disqualifying Orders

In the last five years, the Firm was subject to one disqualifying SEC order which did not result in a SEA Rule 19h-1 notice filing.

On July 15, 2019, the SEC issued an order finding that the Firm failed to reasonably supervise two registered representatives so as to prevent and detect their violations of antifraud provisions of the federal securities laws in connection with the Firm's purchases and sales of mortgage-backed securities.<sup>54</sup> As a result, the Firm was censured, ordered to pay disgorgement and prejudgment interest totaling \$1,376,109.67, ordered to pay a civil monetary penalty of \$500,000, and agreed to comply with undertakings.<sup>55</sup>

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<sup>48</sup> *Id.* at pp. 10-16. The Firm represented that it paid the civil penalty on October 6, 2022. *See* Exhibit 5 at p. 4, Response 1(b). Further, the Firm represented that it remains in compliance with the ordered undertakings. *See* Exhibit 5.

<sup>49</sup> CBOT is a member of CME Group.

<sup>50</sup> *See* Notice of Disciplinary Action, Case No. CBOT 21-1473-BC, dated October 21, 2021, attached as Exhibit 17.

<sup>51</sup> *Id.* The Firm represented that it paid the fine on November 1, 2021. *See* Exhibit 4 at FINRA p. 2, Response 2 and internal exhibit C at FINRA pp. 15-25.

<sup>52</sup> *See* Notice of Disciplinary Action, Case No. 21-CH-2112, dated August 20, 2021, attached as Exhibit 18.

<sup>53</sup> *Id.* The Firm represented that it paid the fine on September 29, 2021. *See* Exhibit 4 at FINRA p. 2, Response 3 and internal exhibit C at FINRA pp. 15-25.

<sup>54</sup> *See* SEC Order, *In re Nomura Securities Int'l, Inc.*, Exchange Act Release No. 86373 (July 15, 2019), attached as Exhibit 19 at p. 2. This order subjects the Firm to a statutory disqualification as defined in Exchange Act Section 3(a)(39)(F), incorporating by reference Section 15(b)(4)(E).

<sup>55</sup> *Id.* at pp. 9-11. On August 13, 2019 the Firm submitted an affirmation to FINRA that the sanctions were no longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership is no longer required under FINRA rules. As such, a 19h-1 Notice was not filed in connection with this matter. *See also* FINRA Regulatory Notice 09-19 (June 15, 2009).



## V. Prior SEA Rule 19h-1 Notices

Nomura has not been the subject of any prior SEA Rule 19h-1 Notices.

## VI. The Firm's Proposed Continued Membership with FINRA Plan of Heightened Supervision

The Firm seeks to continue its membership with FINRA notwithstanding its status as a disqualified member. The Firm has agreed to the following Plan of Heightened Supervision ("Supervision Plan" or "Plan") as a condition of its continued membership with FINRA.<sup>56</sup>

Nomura Securities International, Inc. (the "Firm") is subject to statutory disqualification pursuant to 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission dated September 27, 2022, which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder. The Order also found that the Firm failed to reasonably supervise its employees within the meaning of Section 15(b)(4)(E).

For the purpose of this Supervision Plan, the term "Digital Communication Channels" means all written electronic methods of communication used to conduct Firm business, including but not limited to, text message platforms, whether via SMS messaging, iMessage, or other messaging services such as WhatsApp; direct messaging platforms including Twitter, Instagram, LinkedIn, Slack, or Bloomberg Messaging; non-firm domain email accounts; and any other written electronic business-related correspondence. "Digital Communication Channels" encompass platforms used to exchange messages with internal or external stakeholders using either a personal or Firm-provided device.

For the purpose of this Supervision Plan, the term "Off-Channel Communications" means all business-related written electronic messages sent on Digital Communication Channels that are not captured by Firm surveillance and record-keeping systems.

In consenting to this Supervision Plan, the Firm agrees to the following:

1. The Firm shall comply with all of the undertakings outlined in the Securities and Exchange Commission ("SEC" or "Commission") Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 15(b) and 21(C) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, *In re Nomura Securities International, Inc.*, Admin. Proc. No. 3-21170 (September 27, 2022) ("SEC Order").
2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when

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<sup>56</sup> See Executed Consent to Plan of Heightened Supervision dated September 25, 2023, attached as Exhibit 20.

Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.

3. The Firm shall provide FINRA's Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified in the SEC Order. The Firm shall maintain copies of all certifications in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
5. Within six months of the SEC's Letter of Acknowledgement in this matter ("LOA"), to the extent that it has not already done so within the past six months, and on at least an annual basis thereafter, for a term of six years from the date of the LOA, the Firm shall conduct training for all associated persons regarding the Digital Communication Channels that the Firm has approved for business communication, along with the Firm's current policies regarding retention of business-related electronic communications. The Firm shall maintain a record of individual completion of said training and a copy of said training materials in a readily accessible place for ease of review by FINRA staff.
6. The Firm shall conduct the training described in item number 5 above for all new hires, within sixty-five days from the date of commencement of new hire training, for a term of six years from the date of the LOA. The Firm shall retain a record of all new hire training, including a copy of all written training materials, and keep said record(s) in a readily accessible place for ease of review by FINRA staff.
7. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, establish and maintain a written list(s) of all Digital Communication Channels that its associated persons are permitted to use to communicate about Firm business. The list(s) shall be circulated to all of the Firm's associated persons at least on a semi-annual basis, for a term of six years from the date of the LOA. The Firm shall require that all associated persons obtain written approval for use of any Digital Communication Channels to communicate about Firm business that are not already on the approved list(s) maintained by the Firm. The Firm shall maintain a record of all requests and approvals or rejections of each request, including the date of the requests and the Firm's decision. The Firm shall maintain copies of such requests and decisions in a readily accessible place for ease of review by FINRA staff.
8. The Firm shall require all associated persons to disclose on at least a semi-annual basis, for a term of six years from the date of the LOA, any unapproved Digital Communication Channels he/she is using to communicate about Firm business. The

Firm shall retain records of such disclosures in a readily accessible place for ease of review by FINRA staff.

9. Subject to Paragraph 7 above, the Firm shall prohibit associated persons from using Off-Channel Communications.
10. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop a process whereby, in the event that an associated person sends or receives an Off-Channel Communication, the Off-Channel Communication is submitted to the Firm and retained in compliance with relevant securities laws and regulations. For a term of six years from the date of the LOA, the Firm shall maintain a record of all such Off-Channel Communications, including a record of the Firm's receipt of the communication, in a readily accessible place for ease of review by FINRA staff.
11. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop and maintain written supervisory policies and procedures detailing the Firm's processes for disciplining associated persons who use Off-Channel Communications to communicate about Firm business. When the Firm uses the disciplinary process, the Firm shall document each instance. The Firm shall retain records of such written supervisory policies and procedures and records of the disciplinary processes and each outcome.
12. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at [SDMailbox@FINRA.org](mailto:SDMailbox@FINRA.org).
13. The Firm shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.
14. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at [SDMailbox@FINRA.org](mailto:SDMailbox@FINRA.org).

## **VII. Discussion**

After carefully reviewing the entire record in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating Nomura's Application, FINRA assessed whether the Firm demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See* FINRA By-Laws, Art. III, Sec. 3(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on FINRA's assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firm's regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firm's continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the SEC Order identified serious violations of securities laws, the Firm was not expelled or suspended, nor were any limitations placed on Nomura's securities activities. Although the SEC Order triggered certain disqualifications from exemptions from registration available under the Securities Act of 1933 ("Securities Act"), specifically Regulations A, D and E of the Securities Act and Regulation Crowdfunding, the SEC granted the Firm a waiver from the application of the disqualification provisions of Rules 262(a)(4)(ii), 506(d)(1)(iv)(B), and 602(c)(3) of the Securities Act and Rule 503(a)(4)(ii) of Regulation Crowdfunding. Moreover, the full amount of the civil monetary penalty was promptly paid and the Firm promptly paid the sums owed to the CFTC based on an order with similar findings as the disqualifying one. Additionally, the Firm represented that it is in compliance with the ordered undertakings.

Member Supervision also acknowledges that within the SEC Order the Commission considered the Firm's prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement. Specifically, the Commission acknowledged that Nomura enhanced its policies and procedures, and increased training concerning the use of approved communications methods including on personal devices.

It is well settled that a firm's regulatory history bears upon the assessment of its ability to comply with securities law and regulations. *See In the Matter of the Continued Association of Craig Scott Taddonio with Meyers Associate, L.P.*, SD-2117, slip op. at 24-25 (FINRA NAC Mar. 8, 2017). However, the corrective measures taken by firms to address deficiencies are weighed in determining whether to approve applications. *See In the Matter of the Association of X with the Sponsoring Firm*, SD11007 (FINRA NAC Jan. 1, 2011) (where a firm's corrective actions negated Member Regulation's assertion that the firm failed to appreciate or respect securities rules and regulations). FINRA has also previously approved applications for continued membership where the firms had extensive regulatory history, including disqualifying events. *See In the Matter of the Continued Membership of Deutsche Bank Securities, Inc.*, SD-2190, (FINRA Jan. 14, 2020) and *In the Matter of the Continued Membership of Citigroup Global Markets, Inc.*, SD-2082, (FINRA May 2, 2017) (approving continued membership where the firms had extensive regulatory history, including recent disqualifying events).

In its evaluation of the Firm's Application, FINRA acknowledges the Firm's recent regulatory and disciplinary history, including its additional statutory disqualifying event. Member Supervision also notes that, as of the date of this Notice, the Firm has paid all fines and complied with all undertakings ordered by regulators. None of these matters would prevent the continuance of the Firm as a FINRA member. With respect to the Firm's recent examination exceptions, the Firm took multiple steps to resolve deficiencies, including updating its procedures, implementing training, designing a stress test, and implementing additional committees and working groups.

FINRA is further reassured by the controls set in place by the Firm's Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firm and compliance with its remaining undertakings. In accordance with the Supervision Plan, the Firm agreed to conduct annual training for all associated persons,

including new hires, regarding the Firm's approved digital communication methods and record retention policies for electronic communications. Further, the Plan calls for the Firm to maintain a list of approved digital communication methods that associated persons are permitted to use for Firm business and to circulate that list to its associated persons semi-annually. The Plan requires the Firm's associated persons to obtain written approval to use digital communication channels not already approved. The Plan prohibits the use of off-channel communications and requires associated persons to semi-annually disclose any unapproved digital communication methods they are using for Firm business; they must also forward any off-channel communications that may have taken place to the Firm for retention purposes. These provisions will help to ensure that the Firm is aware of the communication methods being used by associated persons so that it can appropriately monitor, capture, and retain those communications. Additionally, the Plan mandates that the Firm develop policies and procedures for disciplining associated persons who use unapproved communication methods for Firm business and segregate all certifications, reports, and supporting documentation submitted to the SEC regarding compliance with the undertakings, for ease of review by FINRA staff to ensure ongoing compliance.

The Department is further reassured by the progress the Firm has made on the undertakings required by the SEC. Specifically, the Firm retained a compliance consultant, and that consultant has completed its comprehensive review of Nomura's policies, procedures, and training related to the use and preservation of electronic communications. In addition, the compliance consultant submitted its detailed report of findings to the SEC Staff, and the Firm is in the process of adopting the recommendations set forth in the report.

Following the approval of the Firm's continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

Thus, FINRA is satisfied, based on the foregoing representations made pursuant to the Supervision Plan, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves Nomura's Application to continue its membership with FINRA.

FINRA certifies that the Firm meets all qualification requirements and represents that Nomura is registered with several other SROs, including DTC, NSCC, FICC-GOV, FICC-MBS, BOX, BYX, BZX, C2, EDGA, EDGX, Cboe, NYSE American, NYSE Arca, NYSE Chicago, NYSE, ISE, PHLX, and Nasdaq. The SROs were provided with the terms and conditions of the Firm's proposed continued membership and concur with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,

A handwritten signature in black ink, appearing to read "Marcia Asquith", with a horizontal line extending to the right from the end of the signature.

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Marcia E. Asquith  
Executive Vice President & Corporate Secretary

EXHIBITS  
SD-2347

1. MC-400A Application and related attachments compiled by CRED, with a cover memorandum dated October 28, 2022.
2. SEC Order, *In re Nomura Securities Int'l, Inc.*, Exchange Act Release No. 95925 (Sept. 27, 2022).
3. *In re Certain Broker-Dealer Practices*, Securities Act Release No. 11109 (Sept. 27, 2022).
4. Correspondence from Tracey Russell to FINRA dated April 25, 2023.
5. Correspondence from Tracey Russell to FINRA dated June 23, 2023.
6. CRD Firm Snapshot.
7. Nomura CRD Excerpts: Types of Business and Other Business Descriptions.
8. Disposition Letter for Examination No. 20220734163 dated July 7, 2023, Examination Report dated May 24, 2023, and the Firm's Response dated June 8, 2023.
9. Disposition Letter for Examination No. 20210693431 dated October 24, 2022, Examination Report dated June 30, 2022, the Firm's Response dated July 21, 2022, Disposition Letter for Spin-Off Examination No. 20220766175 dated August 4, 2023, and Examination Report dated August 4, 2023.
10. Disposition Letter for Examination No. 20210693429 dated September 22, 2022, Examination Report dated June 30, 2022, and the Firm's Response dated July 29, 2022.
11. Disposition Letter for Examination No. 20200651049 dated October 4, 2021, Examination Report dated August 16, 2021, and the Firm's Response dated September 7, 2021.
12. FINRA AWC No. 2021071932301 dated January 13, 2023 and CRD Disclosure for Occurrence 2251380.
13. CAL for Examination No. 20210695150 dated August 8, 2022.

14. CAL for Examination No. 20200654723 dated August 3, 2021 and Firm Response dated September 23, 2021.
15. SEC Examination Letter, SEC File No. 8-15255 dated August 27, 2021 and Firm Response dated October 4, 2021.
16. CFTC Order, *In re Nomura Securities Int'l, Inc. et. al.*, CFTC Docket No. 22-41 (Sept. 27, 2022).
17. Notice of Disciplinary Action, Case No. CBOT 21-1473-BC, dated October 21, 2021.
18. Notice of Disciplinary Action, Case No. 21-CH-2112, dated August 20, 2021.
19. SEC Order, *In re Nomura Securities Int'l, Inc.*, Exchange Act Release No. 86373 (July 15, 2019).
20. Executed Consent to Plan of Heightened Supervision dated September 25, 2023.