FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100225932-01

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: StockCross Financial Services, Inc., Respondent
Broker-Dealer
CRD No. 6670

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, StockCross Financial Services, Inc. (the "firm" 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, FINRA will not bring any future actions against 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

The firm became a member of FINRA on May 5, 1972, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

SUMMARY

In Matter No. 20100225932, the Short Sales Group of FINRA's Department of Market Regulation (the "staff") conducted a review of the firm's compliance with Regulation SHO and related FINRA supervision rules during the period of November 4, 2009 through May 31, 2013 (the "review period"). The staff found that, during the review period, the firm had in place a system to monitor and track the firm's "close out" obligations under SEC Rule 204(a) of Regulation SHO which was fundamentally flawed. The firm's flawed Rule 204(a) system also caused the firm to violate SEC Rule 204(b) of Regulation SHO on numerous occasions. Lastly, the staff found that the firm failed to

put in place a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Rule 204 of Regulation SHO.

FACTS AND VIOLATIVE CONDUCT

1. Effective July 31, 2009, the SEC adopted amendments to Rule 204 of Regulation SHO under the Securities Exchange Act of 1934. Rule 204(a) requires, among other things, a participant to deliver securities to a registered clearing agency for clearance and settlement on a long or short sale in any equity security by settlement date.

2. A participant that has a "fail to deliver" for a long or short sale transaction in such equity security shall, by no later than the beginning of regular trading hours following the settlement date (*i.e.*, T+4 or T+6), immediately close out the fail by borrowing or purchasing securities of like kind and quantity.

3. The SEC, in its adopting notice, states that a participant closing out any open fail take affirmative action to close out such fail by purchasing or borrowing securities and may not offset the amount of its fail with shares the participant receives or will receive during the applicable close-out date.

4. The participant must be able to demonstrate on its books and records that it purchased or borrowed shares in the full quantity of its fail on the applicable close-out date, and, therefore, that the participant had a net flat or long position on the applicable close-out date.

5. Rule 204(b) of Regulation SHO provides, in pertinent part, that, if a participant has a fail that the participant does not close out in compliance with Rule 204(a), the participant may not accept a short sale order in such equity security from another person, or effect a short sale order in such equity security for its own account, without first borrowing or arranging to borrow the security, until the participant closes out the fail by purchasing securities of like kind and quantity and such purchase has been cleared and settled at a registered clearing agency.

6. During the review period, the firm had in place a system to monitor and track its obligations under Rule 204(a) where a designated individual reviewed all of the firm's short positions as reflected on its books and records as of the close of business the prior day in order to determine which position was subject to be closed out on that day. The reviewer identified each account with a short position that had aged to at least T+3 and compared it to the activity that occurred in the account. The reviewer determined whether a short position was subject to a T+4 or T+6 close-out.

7. The firm looked at activity in the account which the firm determined was causing the fail and did not consider any offsetting buying or selling activity in any other accounts (whether proprietary or customer) which potentially could affect the firm's net flat or net long position at the end of the day. The firm also did not consider the actual fail to deliver quantity on days where a close-out obligation existed.

8. In determining its buy-in obligations, the firm did not execute affirmative buy-in transactions. The firm looked at the buy activity in the specific account and attributed the buy activity towards the firm's close-out obligation.

9. After the cover transaction had been executed, the firm did not put any limit or restrictions on the rest of the day's trading activity in that security. The firm did not believe it was required to be either net flat or long in that security at the end of the day if it had previously closed out any open fails. If a fail position existed due to additional sale activity on the day of the buy-in, the firm considered that fail as a new fail.

10. The firm also believed that SEC Rule 204 did not apply to odd lot transactions. Thus, the firm did not track, and did not close out, any fails which were attributable to odd lot transactions.

11. During the review period, the staff found that the firm's monitoring and tracking system caused the firm to have a fail position in a security for seven or more consecutive settlement days in approximately 1,826 instances. Of the 1,826 instances, 886 were in unique securities and 71 involved a security on the threshold list.

12. The conduct described in the above paragraphs constitutes separate and distinct violations of SEC Rule 204(a) of Regulation SHO and FINRA Rule 2010.

13. Given the firm's flawed Rule 204(a) close-out and tracking process, the staff found that the firm did not adequately close-out its fails pursuant to Rule 204(a)(3). Thus, prior to effecting any short sales for its market making accounts, the firm was obligated to "pre-borrow" the relevant security in accordance with Rule 204(b).

14. The staff sampled 12 securities during the review period and found that the firm had a total of 4,132 pre-borrow violations of Rule 204(b) in those 12 securities.

15. The conduct described in paragraphs 13 and 14 constitutes separate and distinct violations of SEC Rule 204(b) of Regulation SHO and FINRA Rule 2010.

16. The staff found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, concerning SEC Rule 204 of Regulation SHO.

17. The staff also found that the firm did not have in place written supervisory procedures with respect to SEC Rule 204 of Regulation SHO during the review period. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of

the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph and paragraph 16 constitutes a violation NASD Rule 3010 and FINRA Rule 2010.

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

1. A censure, a fine of $800,000, and an undertaking to revise the firm's supervisory system, including, but not limited to, its written supervisory procedures, with respect to the areas described in section I.A. Within 90 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, 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 supervisory system, including, but not limited to, its written supervisory procedures, to address the deficiencies described in section I.A; and (3) the date the revised system and procedures were implemented.

2. An undertaking to provide a report, written and oral, to FINRA six months after the date of the Notice of Acceptance of this AWC, regarding the implementation and effectiveness of the firm's policies and procedures regarding the firm's compliance with Regulation SHO and supervision of such procedures. The written reports shall be certified by an officer of the firm and shall address, at a minimum, the implementation and performance of the firm's new policies and procedures; the steps taken by supervisory personnel to review for Regulation SHO compliance and the results of supervisory reviews; training; and modifications or recommendations for improvements to the system.

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 an Election of Payment 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 FINRA's Code of Procedure:

A. To have a Complaint issued specifying the allegations against the firm;

B. To be notified of the 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 National Adjudicatory Council ("NAC") 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 Legal Officer, the NAC, or any member of the NAC, 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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 NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; 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 FINRA or any other regulator against the firm;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and

4. 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 FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA 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. 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 FINRA, nor does it reflect the views of FINRA 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.

6/3/2015
Date

Respondent
StockCross Financial Services, Inc.

By: _____

Name: EDMOND DANTES

Title: CCO, Exec V.P.

Reviewed by:

_____

Attorney Name: MARK KAHN
Counsel for Respondent:
Firm Name: GUSRAE KAPLAN NUSBAUM PLLC
Address: 120 WALL ST
City/State/Zip: NY NY 10005
Phone Number: 212-269-1400

Accepted by FINRA:

8/12/15
Date

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

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Robert A. Marchman
Executive Vice President & Counsel
FINRA Department of Market Regulation