

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130364720-01**

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

RE: Barclays Capital Inc., Respondent
Broker-Dealer
CRD No. 19714

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Barclays Capital Inc. ("BCAP" or 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, 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

BCAP became a member of FINRA on October 19, 1987, and its registration remains in effect. The Firm does not have a relevant disciplinary history.

SUMMARY

In connection with Matter Nos. 20130364720 and 20150472919, the Options Regulation Staff of FINRA's Department of Market Regulation commenced a review to determine the accuracy of the Firm's reporting of over-the-counter ("OTC") options positions to the Large Options Positions Reporting ("LOPR") system and the rules related to position limits between at least January 19, 2010 and December 31, 2015 (the "Relevant Period").¹

LOPR data is used extensively by self-regulatory organizations to identify holders of large options positions who may be attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for analysis of potential violations related to, among other things, insider trading, position limits, exercise

¹ The Options Regulation Staff also conducted a review of the accuracy of the Firm's reporting of options positions to the LOPR under Matter No. 20140423662 on behalf of Cboe BZX Exchange, Inc., and under Matter No. 20150444593 on behalf of the Miami International Securities Exchange, LLC, during various periods collectively between February 16, 2010 and December 31, 2014.

limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.

As a result of its reviews of Matter Nos. 20130364720 and 20150472919, FINRA determined that during the Relevant Period, the Firm failed to report and inaccurately reported OTC options positions to the LOPR in millions of instances,² and for certain customer accounts, exceeded position limits in several different securities. In addition, the Firm failed to establish and maintain adequate supervisory procedures, including written supervisory procedures, by failing to implement an adequate system of follow-up and review reasonably designed to ensure compliance with applicable position limits and LOPR reporting obligations.

FACTS AND VIOLATIVE CONDUCT

1. Between June 13, 2014 and December 3, 2014, the Firm effected opening transactions for the accounts of customers that exceeded the applicable position limits for 24 OTC positions in several securities, the majority of which pertained to one customer, for between one and four days. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(3).
2. Between April 1, 2013 and June 30, 2013, the Firm effected opening transactions for the accounts of customers that exceeded the applicable position limits for eight positions in four OTC securities, and on May 18, 2015, the Firm effected an opening transaction for the account of a customer that exceeded the applicable position limit in one OTC security. While the Firm submitted to FINRA a written request to increase the position limits for the above-referenced positions pursuant to FINRA Rule 2360(b)(3)(A)(iii), it failed to do so within the required time period (*i.e.*, no later than the close of business day on the next business day following the day on which the transaction or transactions requiring such limits occurred). The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(3).
3. During the Relevant Period, the Firm reported positions to the LOPR with truncated street addresses or truncated street addresses and missing Tax Identification Numbers, in approximately 2.4 million instances. Because BCAP reported all of these positions to the LOPR and these inaccuracies did not alter the position data, the accounts were able to be identified for surveillance purposes. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
4. Between at least January 19, 2010 and April 11, 2014, the Firm under-reported OTC options positions in 310,278 instances. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
5. During the Relevant Period, the Firm failed to report and failed to accurately report options positions to the LOPR in approximately 257,312 instances due to a failure to

² An "instance" is a single failure to report, or inaccurate report, for a given options position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position had been reported inaccurately.

aggregate positions for acting in concert purposes in certain non-U.S. and hedge fund accounts. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

6. Between November 27, 2013 and December 11, 2013, the Firm failed to report OTC options positions to the LOPR for 13 positions in 184 instances involving rejected records that were not resubmitted to the LOPR. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
7. Between May 23, 2011 and November 21, 2014, the Firm failed to report to the LOPR a customer's long position for 684 positions in 164,414 instances. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
8. On June 11, 2014, the Firm over-reported intraday positions to the LOPR in two symbols in an unknown number of instances involving three customer accounts due to an internal system error at the Firm, which mistakenly multiplied certain positions by 100. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
9. Between October 1, 2015 and December 31, 2015, the Firm over-reported positions to the LOPR in 24 symbols for an unknown number of instances. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
10. During the Relevant Period, the Firm failed to establish and maintain an adequate supervisory system, including a system of follow-up and review, that was reasonably designed to achieve compliance with the rules governing the reporting of options positions to the LOPR system. In addition, the Firm's supervisory system did not include sufficient written supervisory procedures ("WSPs") to ensure the proper reporting of positions to the LOPR during the Relevant Period and continuing through at least November 2017. Prior to November 2014, the Firm's procedures, including its WSPs, failed to adequately establish a review to ensure that accounts acting in concert would be accurately reported. While the Firm's review verified that accounts already identified as acting in concert were being reported as such, there was no initial review to ensure that in-concert accounts were properly identified. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (prior to 12/1/14), FINRA Rule 3110 (on and after 12/1/14) and FINRA Rule 2010.

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

1. A censure;
2. A total fine in the amount of \$400,000, of which \$250,000 is payable to FINRA³ for the violations of FINRA Rules 2360(b)(3) and 2360(b)(5) and the related supervisory violations; and

³ The balance of the sanction will be paid to the self-regulatory organizations listed in Paragraph B.4.

3. An undertaking requiring the Firm to address the LOPR deficiencies described in this AWC and to ensure that it has implemented controls and procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein.
 - a. Within 60 days of the date of the issuance of the Notice of Acceptance of this AWC, BCAP shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a written representation from a senior management Firm executive, to MarketRegulationComp@finra.org that provides the following information:
 - i. A reference to this matter;
 - ii. A representation that the Firm (a) has revised its written supervisory procedures as indicated above, and (b) for those deficiencies requiring technology and/or system changes, has implemented such changes; and
 - iii. The date(s) this was completed.
 - b. The Department of Enforcement may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.
4. Acceptance of this AWC is conditioned upon acceptance of parallel settlement agreements in related matters between the Firm and each of the following self-regulatory organizations: Cboe BZX Exchange, Inc., and Miami International Securities Exchange, LLC.

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: (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.

4/10/18
Date

Respondent
Barclays Capital Inc.

By: Magela Jimenez Train

Name: Magela Jimenez Train

Title: Director, Legal

Reviewed by:

Michael J. Diver
MICHAEL J. DIVER

Partner

Katten Muchin Rosenman LLP
525 W. Monroe Street
Chicago, IL 60661-3693
(312) 902-5671

Accepted by FINRA:

Date

5/9/18

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



Robert A. Marchman
Executive Vice President FINRA Fellow
FINRA Department of Enforcement