

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2013036917401**

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

RE: Barclays Capital Inc., Respondent  
Member Firm  
CRD No. 19714

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Barclays Capital Inc. ("Barclays" 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 Barclays alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Barclays 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**

Barclays is the United States-based investment banking arm of Barclays PLC, a global financial services company that operates in more than 50 countries with approximately 140,000 employees worldwide. Barclays provides financing, risk management, trade solutions, and mergers and acquisitions advisory services for corporate, institutional, and government clients. Barclays has 31 branch offices in the United States and employs approximately 4,500 registered individuals.

**RELEVANT DISCIPLINARY HISTORY**

In October 2007, FINRA censured Barclays and fined it \$125,000 for violating NASD Rules 8211 and 8213 by failing to report accurate trading information through the submission of electronic blue sheets in response to requests for such information from FINRA and violating NASD Rules 2110 and 3010 by failing to have in place a supervisory system reasonably designed to achieve compliance with respect to applicable securities laws and regulations and FINRA rules relating to the submission of electronic blue sheet data.

## OVERVIEW

Between August 2012 and April 2013, Barclays submitted 229 inaccurate blue sheets to the SEC and 253 inaccurate blue sheets to FINRA. Specifically, Barclays submitted blue sheets that associated trade data with the wrong customer name and address. In addition, between August 2012 and April 2013, Barclays failed to have in place an adequate audit system providing for accountability regarding the inputting of records required to be maintained and preserved. As a result of the foregoing conduct, Barclays violated Section 17(a) of the Exchange Act and Rules 17a-4(j), 17a-4(f)(3)(v), and 17a-25, thereunder; and FINRA Rules 8211, 8213, and 2010.

## FACTS AND VIOLATIVE CONDUCT

Federal securities laws and FINRA rules require that member firms submit trade data in an automated format when requested by the SEC or FINRA. These trade data are commonly known as “blue sheets.”

The SEC, FINRA, and other regulators request blue sheets to assist them in investigations focused on equity trading, including suspicious and insider trading. Blue sheets provide regulators with critical information about suspicious transactions, including the name of the account owner, the nature of the transaction (whether it was a buy, sale, or short sale), and the price at which the transaction occurred. This information is essential to regulators’ ability to discharge their enforcement and regulatory mandates.

The failure of a member firm to provide complete and accurate blue sheet information in response to a regulatory request can impact a regulator’s ability to discharge its obligations, undermine the integrity of its investigations and examinations, and ultimately interfere with its ability to protect investors. It is therefore an essential and fundamental obligation of each member firm to provide complete, accurate, and timely blue sheet submissions.

**Submission of Inaccurate Blue Sheets.** Section 17(a) of the Exchange Act and Rules 17a-4(j) and 17a-25, thereunder, require broker-dealers to submit “legible, true, complete, and current” blue sheet data to the SEC upon request. FINRA Rules 8211 and 8213 require that member firms submit trade data, as prescribed in FINRA Rule 8211, to FINRA upon request.

Between August 2012 and April 2013, Barclays submitted 229 inaccurate blue sheets to the SEC and 253 inaccurate blue sheets to FINRA.

In 2008, Barclays PLC purchased Lehman Brothers’ North American investment banking and capital markets business. Lehman Brothers had a practice of recycling customer account numbers. After the purchase, Barclays adopted Lehman Brothers’ practice of recycling customer account numbers following an 18 month time period in which no activity occurred in the account.

Until June 2012, Barclays maintained customer account information in its Global Account System (“GAC”), a legacy Lehman Brothers system. On GAC, when an old account was purged, GAC would set the end date for the account to “31-Dec-9999” (i.e., infinity). When a

new account was created and assigned an account number formerly associated with a purged account, the end date on the purged account was changed from infinity to the day before the new account was created. As a result, two accounts with the same account number would not be active in GAC at the same time.

In or around August 2012, Barclays migrated GAC to its Shared Data System (“SDS”). In late 2012, Barclays introduced a new field into the customer account records in SDS. The addition of the new field prevented SDS from updating the end date on a purged account before assigning the purged account’s number to a new account. As a result, the purged account’s end date remained infinity, and two accounts with the same account number – the purged account and the new account – could be active on SDS at the same time.

After migrating to SDS and implementing the new field in 2012, when Barclays would request trade information for a new customer with a recycled account number, SDS would retrieve the trade information from the new customer’s account but retrieve the name and address from the old customer’s purged account. As a result, when Barclays submitted blue sheets data to FINRA or the SEC for an account associated with a recycled account number, it provided the new customer’s trading data but the old customer’s name and address.

Barclays identified the problem in April 2013 after receiving follow-up requests from FINRA regarding two blue sheet submissions.

Barclays’s failure to submit accurate blue sheets had a negative impact on regulatory investigations into possible violations of securities laws. Barclays’s submissions of wrong account names and addresses caused FINRA staff to review and investigate individuals who did not, in fact, trade in the securities that were the subject of the investigations.

As a result of the foregoing, Barclays violated Section 17(a) of the Exchange Act; Rules 17a-4(j) and 17a-25, thereunder; and FINRA Rules 8211, 8213, and 2010.

**Inadequate Audit System.** Section 17(a) of the Exchange Act and Rule 17a-4(f)(3)(v), thereunder, require broker-dealers to have “in place an audit system providing for accountability regarding inputting of records required to be maintained and preserved pursuant to Rules 17a-3 and 17a-4 to electronic storage media and inputting of any changes made to every original and duplicate record maintained and preserved thereby.”

Between August 2012 and April 2013, Barclays did not have in place an adequate audit system providing for accountability of its blue sheet submissions.

As a result of the foregoing, Barclays violated Section 17(a) of the Exchange Act and Rule 17a-4(f)(3)(v), thereunder; and FINRA Rule 2010.

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

- (1) a censure; and
- (2) a fine of \$1,000,000.

Barclays further agrees that it has conducted a review of its policies, systems, and procedures (written or otherwise) relating to the deficiencies addressed herein. Within 90 days of the issuance of a Notice of Acceptance of this AWC, an officer of Barclays shall certify in writing to James E. Day, Vice President and Chief Counsel, FINRA Department of Enforcement, that (i) Barclays has conducted the comprehensive review described above, and (ii) as of the date of the certification, Barclays has in place policies, systems, and procedures to address and correct the violations described in this AWC and also reasonably designed to ensure the firm provides accurate and timely blue sheet submissions as requested by regulators. The Department of Enforcement may, upon a showing of good cause and in its sole discretion, extend the time for compliance with this provision.

Barclays agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Barclays has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Barclays specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

Barclays specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- (a) to have a Complaint issued specifying the allegations against it;
- (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, Barclays specifically and voluntarily waives any right to claim bias or prejudice of the General Counsel, 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.

Barclays 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**

Barclays 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 it; and
- (c) if accepted:
  - (1) this AWC will become part of Barclays's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
  - (2) this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Barclays's disciplinary record;
  - (3) FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  - (4) Barclays 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. Barclays 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 Barclays'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) Barclays may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Barclays 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.

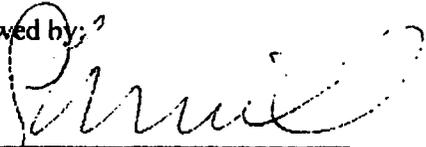
The undersigned, on behalf of Barclays, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Barclays has agreed to its provisions voluntarily; and that no offer, threat,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

5/29/14  
(MM/DD/YY)

Respondent  
Barclays Capital Inc.

By: Michael Crowl  
Michael Crowl  
General Counsel – Americas  
Barclays Capital Inc.

Reviewed by:

  
\_\_\_\_\_  
Susan Merrill  
Counsel for Respondent  
Sidley Austin LLP  
787 Seventh Avenue  
New York, NY  
(212).839-8558

Accepted by FINRA:

6/4/14  
\_\_\_\_\_  
Date

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

  
\_\_\_\_\_  
James E. Day  
Vice President and Chief Counsel  
FINRA Department of Enforcement  
15200 Omega Drive, 3rd Floor  
Rockville, MD 20850-3241  
(301) 258-8520