

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015047526601**

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

RE: J.V.B. Financial Group, LLC, Respondent
FINRA Member Firm
BD No. 149758

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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

J.V.B. Financial Group, LLC ("JVB" or the "Firm") has been a FINRA member firm since 2009. The Firm is headquartered in New York, New York, and has 62 registered individuals in six offices. JVB is a fixed income broker-dealer that trades in mortgages, rates, corporate and structured products, and provides financing and advisory services to institutional clients.

RELEVANT DISCIPLINARY HISTORY

JVB has no relevant disciplinary history.

OVERVIEW

From July 2013 through December 2015 (the "Relevant Period"), JVB failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks associated with market access, in violation of Section 15(c)(3) of the Securities and Exchange Act of 1934, Exchange Act Rule 15c3-5 thereunder, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Exchange Act Rule 15c3-5, among other things, requires broker-dealers with market access, or that provide customers or any other persons with access to an exchange or alternative trading system, to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to: systematically limit the financial exposure of the broker or dealer that could arise as a result of market access, and ensure compliance with applicable regulatory requirements in connection with market access.

Exchange Act Rule 15c3-5(c)(1) further requires the risk management controls and supervisory procedures be reasonably designed to prevent the entry of: (1) orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer and the broker or dealer; and (2) erroneous orders, including duplicative orders. In addition, Exchange Act Rule 15c3-5(e)(1) provides that broker-dealers with market access must establish, document, and maintain a system for regularly reviewing the effectiveness of the risk management controls and supervisory procedures required by the rule, and also requires that the broker-dealer review on at least an annual basis the effectiveness of such risk management controls and supervisory procedures and that each firm's CEO certify annually that the broker-dealer conducted the required review. FINRA Rule 2010 requires that a member firm observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business.

During the Relevant Period, the Firm used multiple alternative trading systems to execute fixed income transactions. While JVB had certain controls and procedures in place to satisfy its supervisory obligations under Exchange Act Rule 15c3-5, it failed to establish, document and maintain controls and supervisory procedures reasonably designed to prevent orders that exceeded pre-set capital thresholds. From July 2013 to April 2015, JVB did not have any automated pre-trade controls to prevent the entry of orders that exceeded pre-set

capital limits.¹ As a result, the Firm's capital limits were breached on at least four occasions.²

While the Firm implemented hard blocks for its capital limits in April 2015, it failed to do so across all of its order management systems. From April 2015 through December 2015, the Firm failed to have pre-trade controls to prevent the entry of orders in excess of capital limits for transactions in repurchase/reverse repurchase trades and approved requests for temporary capital limit increases for transactions executed through the Firm's Rates Desk without documenting the reasons for the modifications.

In addition, from July 2013 to April 2015, JVB failed to establish, document, and maintain automated pre-trade controls³ and relied upon traders' manual, non-automated identification of potentially duplicate orders, which was unreasonable. While JVB began relying on automated alerts in April 2015 within its order management system to prevent duplicative orders, JVB failed to have controls reasonably designed to prevent duplicative orders for two asset classes until April 2016.

Finally, JVB failed to: (1) establish, document and maintain a system, including written procedures, to regularly review the effectiveness of its risk management controls and supervisory procedures, resulting in its failure to conduct such a review in 2014; and (2) certify that the Firm's risk management controls and supervisory procedures comply with paragraphs (b) and (c) of Exchange Act Rule 15c3-5 in the 2014 annual CEO certification, as required under Exchange Act Rule 15c3-5(e).

By virtue of the foregoing, JVB violated Exchange Act Rule 15c3-5(b), (c)(1), and (e), and FINRA Rule 2010.

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

- A censure; and
- A fine in the amount of \$50,000.

¹ See 17 C.F.R. 240.15c3-5, *Risk Management Controls for Brokers or Dealers with Market Access*, 75 Fed. Reg. 69792, 69802 (Nov. 15, 2010) (Final Rule Release) ("because controls and procedures must be reasonably designed to prevent the entry of orders that exceed the applicable credit or capital thresholds by rejecting them, the broker-dealer's controls must be applied on an automated, pre-trade basis, before orders are routed to the exchange or ATS").

² These breaches did not cause the Firm to fall below its minimum net capital requirements under Exchange Act Rule 15c3-1.

³ See *Division of Trading and Markets; Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access*, FAQ 6 (April 15, 2014) (noting that pre-trade risk management controls are required to be automated when an electronic system is involved in effecting an execution, and citing the Adopting Release at p. 69802).

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

JVB 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 herein shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

JVB 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, JVB specifically and voluntarily waives any right to claim bias or prejudice 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.

JVB 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

JVB 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 the Firm; and
- C. If accepted:
 - 1. this AWC will become part of JVB'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. 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 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. JVB may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. JVB 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; JVB 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 the Firm to submit it.

10/23/2018
Date (mm/dd/yyyy)

By: Katie Vacca
J.V.B. Financial Group, LLC
Name, Title Katie Vacca, CEO

Reviewed by:

Bob E. Lehman

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Accepted by FINRA:

11/6/18
Date

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

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