

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2015047855901**

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

RE: SG Americas Securities, LLC, Respondent  
Member Firm  
CRD No. 128351

Newedge USA, LLC, (n/k/a SG Americas Securities, LLC)  
Former Member Firm  
CRD No. 36118

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent SG Americas Securities, LLC ("SGAS" 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**

*SG Americas Securities, LLC* has been a member of FINRA since April 2004. It is an indirect subsidiary of Société Générale S.A. SGAS is a broker-dealer based in New York. Respondent conducts a general securities business, maintains five branch offices and has approximately 830 registered persons.

*Newedge USA, LLC* ("Newedge") was a member of FINRA from March 1996 to January 2015. Newedge was a broker-dealer and futures commission merchant. In January 2015, SGAS and Newedge merged, and Newedge terminated its FINRA membership and withdrew its broker-dealer registration.

**RELEVANT DISCIPLINARY HISTORY**

Neither SGAS nor Newedge has any relevant disciplinary history with the Securities and Exchange Commission, any state securities regulators, FINRA, or any other self-regulatory organization.

## **OVERVIEW**

This AWC relates to violations by both SGAS and Newedge. From 2012 to 2019, Newedge and SGAS submitted approximately 8,400 inaccurate blue sheets to FINRA, misreporting information on approximately 4.2 million transactions. Therefore, SGAS violated FINRA Rules 8211, 8213, and 2010.

Further, Newedge did not maintain written procedures for validating blue sheet requests during the period January 2012 through January 2015. SGAS therefore violated FINRA Rules 3110(b) and 2010 and NASD Rule 3010(b).<sup>1</sup>

## **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 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. It is therefore an essential and fundamental obligation of each member firm to provide complete, accurate, and timely blue sheet submissions.

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.

### **Submission of Inaccurate Blue Sheets to FINRA**

FINRA Rules 8211 and 8213 require that member firms submit trade data, as prescribed in FINRA Rule 8211, to FINRA upon request. Both rules require that member firms submit blue sheet data in an automated format prescribed by FINRA.

During the period 2012 through 2019, Newedge and SGAS submitted approximately 8,400 inaccurate blue sheets to FINRA, misreporting information on approximately 4.2 million transactions. These inaccurate blue sheet submissions resulted from a combination of (1) errors with two of Newedge’s systems; and (2) errors occurring with blue sheets processed at SGAS’s third-party vendor (“Vendor”).

***Newedge Errors:*** In mid-2015, FINRA discovered that certain blue sheet submissions by SGAS incorrectly reported whether customers bought or sold options and misreported the strike price of options trades. These deficiencies were caused by programming issues with a system SGAS inherited when it merged with Newedge. These issues affected

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<sup>1</sup> FINRA Rule 3110 replaced NASD Rule 3010 effective December 1, 2014.

reporting for certain options trades reported by Newedge, and later SGAS, beginning in November 2013. Issues caused by a second legacy Newedge system caused other deficiencies in blue sheet reports submitted by Newedge, and later SGAS, beginning in December 2012.

Altogether, these issues with the two legacy Newedge systems caused Newedge and SGAS to submit blue sheet submissions that incorrectly reported thirteen different data fields, including: (1) whether certain options and equities transactions were a Buy, Sell or short sell; (2) the Strike Prices of options; (3) the Order Execution Times; (4) the Large Trader Identification Numbers - LTIDs; (5) the Net Amounts of the transactions; and (6) the Tax ID numbers of the customers.

As a result of these issues with the two legacy Newedge systems, from December 2012 to September 2017, SGAS and Newedge submitted approximately 2,197 inaccurate blue sheets to FINRA, misreporting information on approximately 611 thousand transactions.

**Vendor Errors:** From 2014 through 2019, SGAS also submitted blue sheets that were processed by an outside Vendor. Those blue sheets contained errors in 13 fields, such that, for example: (1) Respondent's LTID rather than its clients' LTIDs were identified for certain transactions in average price accounts; (2) trades in certain average price accounts were identified as proprietary when they were done on an agency basis; (3) transactions for certain accounts held by SGAS's parent company used incorrect LTIDs; (4) transactions were reported as occurring on the wrong exchange; (5) certain submissions failed to identify the clearing broker-dealer on the other side of a trade; and (6) the customer Tax Identification Number was wrong for certain trades.

As a result of the errors in blue sheets processed by SGAS's Vendor, from March 2014 through 2019, SGAS submitted approximately 6,264 inaccurate blue sheet responses to FINRA, misreporting information on approximately 3.6 million transactions.

SGAS is liable for its own and Newedge's violations. Accordingly, SGAS violated FINRA Rules 8211, 8213, and 2010.<sup>2</sup>

### **Written Supervisory Procedures**

Since December 1, 2014, FINRA Rule 3110(b) has required each member firm to:

establish, maintain, and enforce written procedures to supervise the types of business in which it engages ... that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

FINRA Rule 3110(b) superseded NASD Rule 3010(b), which imposed a near-identical requirement on member firms.

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<sup>2</sup> The same issues impacted the blue sheets submitted to the SEC. Blue sheet submissions to the SEC are the subject of an SEC Order Instituting Proceedings.

Newedge did not maintain written procedures for validating blue sheet requests before its merger with SGAS. It therefore failed to establish written supervisory procedures reasonably designed to achieve compliance with FINRA Rules 8211 and 8213, and with Exchange Act Section 17(a) and Rules 17a-4(j) and 17a-25, thereunder (governing submission of responses to SEC blue sheet requests) from January 2012 to January 2015. SGAS is liable for Newedge's violation. Accordingly, SGAS violated NASD Rule 3010(b) (for conduct prior to December 1, 2014) and FINRA Rule 3110(b) (for conduct on or after December 1, 2014) and consequently, FINRA Rule 2010.

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

(1) A censure; and

(2) A fine of \$3.1 million, of which half (\$1.55 million) shall be paid to FINRA pursuant to this AWC and half (\$1.55 million) shall be paid to the SEC pursuant to its separate Order Instituting Proceedings against SGAS for blue sheet violations.

Respondent 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 Respondent shall certify in writing to James E. Day, Vice President and Chief Counsel, FINRA Department of Enforcement, that (i) Respondent has revised its policies and procedures and modified and enhanced its systems as described to Staff in the January 24, 2020 letter from counsel to the Staff, and (ii) as of the date of the certification, Respondent has in place policies, procedures, and systems 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.

Respondent agrees to pay the monetary sanction to FINRA upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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 an inability 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**

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 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, Respondent 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.

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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
  - 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 Respondent'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. Respondent 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 Respondent, 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 it to submit it.

June 3, 2020

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Date

Respondent  
SG Americas Securities, LLC  
*Hatem Mustapha*

By: \_\_\_\_\_  
Hatem Mustapha  
Managing Director  
SG Americas Securities, LLC

Reviewed by:

*Corin Swift*

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Corin R. Swift, Esq.  
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New York, NY 10019  
(212) 839-5381 (phone)  
Counsel for Respondent

Accepted by FINRA:

June 24, 2020

\_\_\_\_\_  
Date

Signed on behalf of the  
Director of ODA, by delegated authority  
*Philip J. Berkowitz*  
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Philip J. Berkowitz  
Senior Counsel  
FINRA Department of Enforcement  
15200 Omega Drive, Third Floor  
Rockville, MD 20850