

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018060986401**

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

RE: SpeedTrader, Inc. (formerly known as Mint Global Markets, Inc.) (Respondent)
Member Firm
CRD No. 107403

Pursuant to FINRA Rule 9216, Respondent SpeedTrader, Inc. 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

SpeedTrader, formerly known as Mint Global Markets, Inc. from September 2017 to June 2022, and as Stock USA Execution Services, Inc. from December 2009 to September 2017, has been a FINRA member since April 2001. The firm employs six registered representatives at its headquarters in Katonah, New York. SpeedTrader primarily provides self-directed online-brokerage services to two institutional customers and approximately 850 retail customers.

In April 2015, FINRA, NYSE Arca Inc., Cboe EDGX Exchange Inc. Cboe EDGA Exchange, Inc., Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., The Nasdaq Stock Market LLC, and Nasdaq OMX BX, Inc. censured and fined SpeedTrader \$595,000 for, among other things, failing to supervise for potentially manipulative trading by its market access customers and failing to have reasonable market access controls and procedures.¹

OVERVIEW

From November 2017 through January 2020, SpeedTrader failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

designed to achieve compliance with applicable federal securities laws and FINRA rules prohibiting potentially manipulative trading in violation of FINRA Rules 3110 and 2010.

Also, from November 2017 through January 2020, SpeedTrader's market access controls and procedures were also unreasonable. SpeedTrader failed to maintain direct and exclusive control over its credit controls and failed to ensure the credit controls were reasonably designed. SpeedTrader also failed to comply with certain annual certification requirements. Therefore, SpeedTrader violated Section 15(c)3-5 of Securities Exchange Act of 1934, Exchange Act Rule 15c3-5, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from surveillance conducted by FINRA and a referral from a Self-Regulatory Organization.

SpeedTrader's Market Access Business and Surveillance Model

At all relevant times, SpeedTrader provided direct market access to approximately 570 customers, consisting mostly of day traders, including numerous China-based day traders, and at least one foreign broker-dealer. Together, these customers traded billions of shares through the firm involving tens of billions of dollars.

SpeedTrader used an automated third-party system to surveil for potentially manipulative trading by its customers. The firm's customers' trading activity was automatically fed through the third-party surveillance system and, if certain parameters were met, the system would generate an exception alert.

SpeedTrader failed to reasonably supervise for potentially manipulative trading.

FINRA Rule 3110(a) requires each member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. The duty to supervise imposed by these rules requires member organizations to reasonably investigate red flags that suggest misconduct may be occurring and to act upon the results of such investigation.

A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

From November 2017 through January 2020, SpeedTrader's supervisory system for potentially manipulative trading was not reasonable in several respects.

First, SpeedTrader implemented its third-party surveillance system's default parameters without assessing whether those parameters were reasonably tailored to the firm's business model, including the type and nature of the firm's customers' order flow. In addition, SpeedTrader did not conduct any annual or periodic assessments of the system's parameters, or the exceptions generated by those parameters, to determine whether they functioned as intended.

Second, SpeedTrader assigned only one trader identification number for each customer account at the firm, even when the account had more than one authorized trader. Therefore, SpeedTrader could not identify the specific traders responsible for exception alerts, which limited the firm's ability to effectively review for and supervise potentially manipulative trading. For example, in June 2018, a foreign broker-dealer with numerous authorized traders entered 11 orders within a matter of minutes to purchase and sell the same security. The resulting executions generated 42 automated exception alerts for potential wash trading, which SpeedTrader could not reasonably review without knowing the identity of the specific traders responsible for each order.

Third, the firm closed alerts without reasonable follow up and investigation of the underlying trading, including multiple alerts indicating patterns of suspicious trading by the same customer. For example, the firm reached out several times to one customer whose trading activity generated alerts for potentially manipulative trading but the customer failed to respond for months, and the firm did not place any restrictions on the customer. Further, SpeedTrader's closing comments for alerts were often repetitive and sometimes suggested an apparent misunderstanding of the nature of the trading. For example, the firm's closing comments for layering and spoofing alerts often stated that the exceptions were due to the particular security's underlying trading as "low float"² and "volatile." The volatility and float of a particular security, however, does not rule out the possibility of layering or spoofing.

Finally, SpeedTrader's written supervisory procedures failed to provide reasonable guidance as to how the firm should review exception alerts to determine whether they were indicative of potential manipulative trading that should be escalated. The firm's written supervisory procedures only directed that each exception alert should be reviewed "independently," without explaining what "independently" meant or providing any additional guidance beyond that directive.

Therefore, SpeedTrader violated FINRA Rules 3110 and 2010.

SpeedTrader failed to establish, document, and maintain reasonable market access controls and procedures.

Exchange Act § 15(c)(3) prohibits broker-dealers from contravening the rules and regulations prescribed by the Securities and Exchange Commission to "provide safeguards with respect to the financial responsibility and related practices of brokers and dealers." Pursuant to this section, the SEC adopted Rule 15c3-5.

² Float generally refers to the shares a company has issued to the public that are available for investors to trade.

Exchange Act Rule 15c3-5(b) requires a broker dealer that provides market access to “establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks” of its business.

Exchange Act Rule 15c3-5(c)(1)(i) requires a market access broker-dealer to establish, document, and maintain financial risk management controls and supervisory procedures reasonably designed to “[p]revent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer and the broker or dealer and, where appropriate, more finely-tuned by sector, security, or otherwise by rejecting orders if such orders would exceed the applicable credit or capital thresholds[.]” Under this provision, a firm must establish credit thresholds for each customer “based on appropriate due diligence as to the customer's business, financial condition, trading patterns, and other matters” and must “monitor on an ongoing basis whether the credit thresholds remain appropriate, and promptly make adjustments to them, and its controls and procedures, as warranted.”³

Exchange Act Rule 15c3-5(d) requires that all financial and regulatory risk management controls and supervisory procedures must be under the direct and exclusive control of the firm.

Exchange Act Rule 15c3-5(e)(2) requires that a firm’s CEO certify on an annual basis that the firm’s financial risk management controls and supervisory procedures required by Rules 15c3-5(b) and (c) comply with those rules, and that the firm conducted an annual review to assure the overall effectiveness of such risk management controls and supervisory procedures.

A violation of Exchange Act § 15(c)(3) and Exchange Act Rule 15c3-5 also is a violation of FINRA Rule 2010.

From November 2017 through January 2020, SpeedTrader failed to establish, document, and maintain financial risk management controls and procedures reasonably designed to limit the financial and regulatory risks associated with its market access business activity.

SpeedTrader did not implement a system or controls to set the appropriate credit thresholds for each customer to which the firm provided market access. Rather than evaluating, setting, and modifying the buying power for its customers, SpeedTrader instead relied on its clearing firms to do so.

SpeedTrader also failed to provide any documentation evidencing how customers’ credit controls were established or that they were reasonably designed based upon the customer’s business, financial condition, or trading patterns. In addition, the firm did not

³ Securities Exchange Act Release No. 34-63241, *Risk Management Controls for Brokers or Dealers with Market Access*, 75 Fed. Reg. 69791, at 69802 (Nov. 15, 2010).

document that it monitored whether the thresholds remained appropriate, or whether modifications to its credit controls were warranted.

The firm's annual compliance certifications for 2017, 2018, and 2019 failed to state that the firm's risk management controls and supervisory procedures complied with paragraphs (b) and (c) of Rule 15c3-5, as required.

Therefore, SpeedTrader violated Exchange Act § 15c3-5, Exchange Act Rules 15c3-5(b), (c), (d), and (e), and FINRA Rule 2010.

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

- a censure;
- a \$165,000 fine, of which \$13,200⁴ shall be paid to FINRA;⁵ and
- an undertaking that, within 90 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Exchange Act § 15(c)(3), Exchange Act Rules 15c3-5(b), (c), (d), and (e), and FINRA Rules 3110 and 2010 regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Andrew Stavish, Senior Counsel, at Andrew.Stavish@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction 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 after the execution of this AWC, the monetary sanction imposed in this matter.

⁴ Pursuant to the General Principles Applicable to all Sanction Determinations contained in FINRA's *Sanction Guidelines*, FINRA imposed a lower fine in this case after it considered, among other things, Respondent's revenues and financial resources.

⁵ The remainder will be paid to EDGX, Nasdaq, and NYSE Arca.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 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 its acceptance or rejection.

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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

7/8/24

Date



SpeedTrader, Inc.
Respondent

Print Name: Joe Ely

Title: President and CEO

Reviewed by:

Dana S. Gloor

Dana Gloor
Counsel for Respondent
Gloor Law and Arbitration, LLC
1340 Smith Avenue, Suite 200
Baltimore, MD 21209

Accepted by FINRA:

July 31, 2024

Date

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



Andrew Stavish
Senior Counsel
FINRA
Department of Enforcement
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Woodbridge, NJ 07095