

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020065141401**

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

RE: Maxim Group LLC (Respondent)
Member Firm
CRD No. 120708

Pursuant to FINRA Rule 9216, Respondent Maxim Group LLC 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

Maxim has been a FINRA member since September 2002. The firm is a full-service investment banking, securities, and wealth management firm. Maxim is headquartered in New York, New York and has approximately 195 registered persons across six branch offices.¹

OVERVIEW

From January 2020 through April 2021, Maxim published public quarterly reports on its handling of customers' orders in National Market System (NMS) securities that failed to disclose required information and provided incomplete or inaccurate information. Therefore, the firm violated Rule 606(a) of Regulation NMS and FINRA Rule 2010.

During the same period, the firm's supervisory system, including written supervisory procedures, was not reasonably designed to achieve compliance with Rule 606(a). Therefore, the firm violated FINRA Rules 3110 and 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's cycle examinations of Maxim.

Maxim's public report on its handling of customers' orders in NMS securities during the fourth quarter of 2019 violated Rule 606(a) of Regulation NMS.

Rule 606 of Regulation NMS is designed to foster greater transparency in connection with a broker-dealer's best execution responsibilities. To that end, Rule 606 requires every broker-dealer to make publicly available each calendar quarter a report containing information on its routing of non-directed orders² in NMS securities. These disclosures are designed to help customers better understand how their firm routes and handles their orders; assess the quality of order handling services provided by their firm; and ascertain whether the firm is effectively managing potential conflicts of interest that may impact their firm's routing decisions.

For reports addressing a period prior to the first quarter of 2020, Rule 606(a) of Regulation NMS required broker-dealers to provide public quarterly reports on their routing of retail-sized, non-directed orders in NMS stocks and NMS securities that are options contracts, submitted on both a "held" and "not-held" basis.³ As relevant here, Rule 606(a) required each report to include a discussion of the material aspects of the broker-dealer's relationship with each execution venue, as defined in Rule 606(a)(1)(ii), to which the firm routed customer orders, including a description of any payment for order flow or profit-sharing relationship. Such material aspects included amounts per share or per order that a broker-dealer received from each venue.

FINRA Rule 2010 states that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade." A violation of Rule 606(a) also constitutes a violation of FINRA Rule 2010.

In January 2020, Maxim published its Rule 606(a) report for the fourth quarter of 2019, which did not describe, as required, the rebates it received from certain equities execution venues to which the firm routed customer orders. Additionally, with respect to each equities and options execution venue to which it routed customer orders, Maxim failed to provide the amount per share or per order received.

Therefore, Maxim violated Rule 606(a) and FINRA Rule 2010.

² A "non-directed order" means any customer order other than a directed order. A "directed order" means a customer order that the customer specifically instructed the broker-dealer to route to a particular venue for execution.

³ "Not-held" orders provide the broker-dealer with price and time discretion in handling the order, whereas a broker-dealer must attempt to execute a "held" order immediately.

Maxim's public reports on its handling of customers' orders in NMS securities for each quarter in 2020 and the first quarter of 2021 violated Rule 606(a) of Regulation NMS.

In November 2018, the SEC adopted amendments to Rule 606. The amendments went into effect beginning with the first quarter of 2020.

Under the amended rule, each report must continue to include a discussion of the material aspects of the broker-dealer's relationship with each execution venue to which it routed customer orders, including a description of any payment for order flow or profit-sharing relationship. Each report must include additional information on the percentage of certain order types routed by the broker-dealer, the identity of significant venues to which orders were routed for execution, and the percentage of certain order types routed to each of those execution venues.

The amendments to Rule 606(a) also require more detailed disclosures regarding broker-dealers' relationships with the execution venues to which it routed customer orders, including the net aggregate amount of any payment for order flow received, payment from any profit-sharing relationship received, transaction fees paid, and transaction rebates received (including a total amount and on a per share basis) for certain order types.

For Maxim's quarterly reports published for the first three quarters of 2020, the firm did not disclose that it received rebates from certain equities execution venues to which the firm routed customer orders. For the firm's quarterly reports for all four quarters of 2020 and the first quarter of 2021, Maxim did not include the more detailed disclosures required by Rule 606(a) with respect to each equities and options execution venue to which it routed customer orders, including the net aggregate amount of any payment for order flow received, payment from any profit-sharing relationship received, transaction fees paid, and transaction rebates received (including a total amount and on a per share basis) for certain order types. Additionally, in Maxim's first quarter 2021 report, published in April 2021, Maxim inaccurately listed several entities as execution venues that did not serve as execution venues for the firm during that period. Although FINRA alerted Maxim to the deficiencies in its Rule 606(a) reports for the fourth quarter of 2019 and the first quarter of 2020 during the firm's 2020 cycle examination, the firm did not timely remediate the deficiencies.

Therefore, Maxim violated Rule 606(a) and FINRA Rule 2010.

Maxim did not reasonably supervise its Rule 606 quarterly reports.

FINRA Rule 3110(a) requires a 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. A violation of Rule 3110 also constitutes a violation of FINRA Rule 2010.

From January 2020 through April 2021, Maxim failed to establish and maintain a system, including written procedures, reasonably designed to achieve compliance with Rule 606(a). Maxim's written procedures did not specify who would review the firm's published quarterly reports for compliance with the disclosures required by Rule 606(a), or provide guidance as to how such a review would be conducted, when it would occur, and how it would be documented. In practice, the firm did not analyze its Rule 606(a) reports to determine whether the information disclosed comported with the requirements in the rule. After the relevant period, the firm completed certain enhancements to its supervisory system for reviewing Rule 606 reports. The remediation that the firm ultimately made included supplementing the firm's Rule 606 policies and procedures, republishing certain Rule 606 reports with updated information, and requiring certain enhancements from the firm's third-party Rule 606 reporting vendor.

Therefore, Maxim violated FINRA Rules 3110 and 2010.

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

- a censure; and
- a \$75,000 fine.

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.

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.

9/26/2024
Date

Tipton
Maxim Group LLC
Respondent

Print Name: Tipton Evans

Title: CCO

Accepted by FINRA:

October 18, 2024

Date

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

Marisa Calleja
Marisa Calleja
Counsel
FINRA
Department of Enforcement
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