FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016051105201

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

RE: BNP Paribas Securities Corp., Respondent
Member Firm
BD No. 15794

BNP Paribas Prime Brokerage, Inc., Respondent
Member Firm
BD No. 24962

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents BNP Paribas Securities Corp. and BNP Paribas Prime Brokerage, Inc. submit 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 Respondents alleging violations based on the same factual findings described herein.

I.
ACCEPTANCE AND CONSENT

A. Respondents hereby accept and consent, 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

BNP Paribas Securities Corp. ("BNP-SC") has been a FINRA member since December 1984. BNP-SC is a clearing and carrying broker-dealer for institutional and certain high net worth retail customers. BNP-SC has nine branch offices, including its headquarters in New York City, and employs more than 3,400 associated persons. For the fiscal year ending December 31, 2018, BNP-SC reported gross annual revenue of approximately $1.7 billion.

BNP Paribas Prime Brokerage, Inc. ("Prime") was an affiliate of BNP-SC, and a FINRA member from July 1987 to July 2018. Prime was a carrying and clearing broker-dealer that provided clearing services to retail and institutional customers of its introducing brokers, and headquartered in New York City. On July 9, 2018, Prime merged into BNP-SC, with BNP-SC assuming Prime's remaining assets, liabilities and operations.[1]

[1] The conduct described herein, and forming the basis for the alleged violations of NASD Rule 3010 and FINRA Rules 3310, 3110 and 2010, occurred at both BNP-SC and Prime.

The anti-money laundering program ("AML Program") that is the subject of this matter was an enterprise-wide system implemented at BNP-SC and Prime and used across certain affiliates in North America.

RELEVANT DISCIPLINARY HISTORY

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

OVERVIEW

During two-and-a-half years within the period of February 25, 2013 to March 31, 2017 (the "Relevant Period"), BNP-SC and Prime (collectively, "BNP" or the "Firms") accepted the deposit of nearly 31 billion shares of micro-cap and low-priced securities ("penny stocks"), with a notional value of approximately $338 million. BNP processed more than 70,000 wires with a total value of $233 billion, and at least 834 customer accounts associated with high-risk jurisdictions or foreign currency-denominated wire transfer activity purchased and sold penny stocks. These transactions by BNP's customers, which included introducing brokers and "toxic debt financiers" known for depositing and reselling penny stocks, presented certain risks including, among other things, money laundering, fraud and lack of SEC registration.

FINRA Rule 3310 requires member firms to develop and implement a risk-based, written AML Program, including policies and procedures, reasonably designed to monitor for potentially suspicious activity presented by the firm's business. To be effective, an AML Program must consider the firm's business model and types of transactions in which its customers engage, and include systems enabling the firm to monitor and investigate account activity that is suggestive of money laundering or other illegal activity.

Despite the penny stock activity conducted through the Firms, BNP failed to develop and implement a written AML Program, including policies and procedures, that could reasonably be expected to detect and cause the reporting of potentially suspicious activity. Until 2016, BNP's AML Program did not conduct any surveillance targeting transactions in penny stocks or securities trading outside of the traditional exchanges, and focused solely on wire transfers conducted in U.S. dollars. BNP did not review wires conducted in foreign currency, or any wires to determine whether they involved high-risk entities or jurisdictions, and its AML Program was not reasonably designed to identify wire transfers (or a pattern of wire transfers) conducted in amounts that would avoid attention or review.

The AML Program was also understaffed, and its personnel lacked access to information critical to determining whether the wire activity they reviewed was suspicious, such as the customer's background and historical account activity, or receipt of proceeds derived from the deposit or liquidation of penny stocks.

BNP's AML Program did not include procedures describing how the Firms' investigators or supervisors were to conduct and document their review of alerts generated by BNP's wire surveillance system, a deficiency identified by BNP's affiliated auditor in 2014. Until 2016, BNP also did not have any procedures to transmit information concerning red flags identified in AML surveillance to the Firms' personnel tasked with trade surveillance or

receiving customer securities. As a result, they were not informed of subsequent account activity or negative news that would have allowed them to identify potentially suspicious penny stock trading or deposits. BNP's AML Program also did not include procedures by which its personnel could refer potentially suspicious conduct for AML review.

Although BNP personnel first identified deficiencies with the AML Program and penny stocks in January 2014, and repeatedly escalated concerns regarding staffing and surveillance parameters, BNP did not fully revise and enhance its AML Program to include enhanced surveillance, or additional staff, training and technology, until March 2017.

Because of these deficiencies in its AML Program, BNP did not identify red flags of potentially suspicious activity that may have required the filing of a suspicious activity report ("SAR"). For example, during the Relevant Period, BNP:

- did not identify 14 customer accounts that executed zero buy transactions while selling approximately 1 billion shares of low priced securities for proceeds of approximately $3.5 million;
- did not identify multiple accounts in which known toxic debt financiers engaged in sales of penny stocks representing more than 20% to 80% of the trading volume on the sale dates and involving securities that were the subject of negative news or suspicious promotional campaigns; and
- did not review at least 3,448 foreign currency wires representing a total value of more than $2.5 billion USD to determine whether they involved high-risk entities or jurisdictions, or represented the proceeds of potentially suspicious trading activity.

BNP also did not establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with the registration requirements of Section 5 of the Securities Act of 1933 ("Section 5"), in violation of NASD Rule 3010(a) and (b) (prior to December 1, 2014), FINRA Rule 3110(a) and (b) (on and after December 1, 2014) and FINRA Rule 2010. Specifically, BNP did not implement any systems or written procedures ("WSPs") to determine whether resales of securities complied with Section 5's registration requirements, even though a substantial portion of its business involved liquidating restricted shares of penny stocks deposited in certificated form.

As a result, BNP allowed the deposit of nearly 31 billion shares of penny stocks, with a notional value of approximately $338 million, without any review to determine whether the shares were restricted, qualified for an exemption from registration, held by control persons of the issuer, or otherwise eligible for re-sale. BNP also facilitated the removal of restrictive legends from 33.5 million shares of securities, with a total notional value of approximately $12.5 million, without conducting any review to determine whether the legends were eligible for removal.

During the period of June 1, 2013 through December 31, 2015, Prime also did not timely close-out fail-to-deliver ("FTD") positions in equity securities executed by a foreign affiliate on 304 occasions in violation of Rule 204(a) of Regulation SHO ("SEC Rule 204") and FINRA Rule 2010. During the same period, BNP routed one short sale order without having first borrowed or pre-borrowed shares of the equity security, in violation of SEC Rule 204(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. BNP's Failures Related to its AML Program

FINRA Rule 3310 requires member firms to "develop and implement a written anti-money laundering program reasonably designed to achieve and monitor ... compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*, and the implementing regulations promulgated thereunder by the Department of the Treasury." Under FINRA Rule 3310(a), at a minimum, firms must "establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder...." A violation of FINRA Rule 3310 also constitutes a violation of FINRA Rule 2010, which requires member firms in the conduct of their business to "observe high standards of commercial honor and just and equitable principles of trade."

In April 2002, FINRA issued Notice to Members ("NTM") 02-21, which reminded broker-dealers of these obligations and emphasized that to be effective, AML procedures "must reflect the Firms' business model and customer base." NTM 02-21 also advised that "in developing an appropriate AML program ..., [a broker/dealer] should consider factors such as its size, location, business activities, the types of accounts it maintains, and the types of transactions in which its customers engage.... [and] implement systems ... that would allow firms to monitor trading, wire transfers, and other account activity to allow firms to determine when suspicious activity is occurring...." NTM 02-21 also contained a non-exhaustive list of "red flags" suggestive of money laundering and advised that firms that detect "'red flags' ... should perform additional due diligence before proceeding with the transaction."

In August 2002, FINRA issued NTM 02-47, which set forth the suspicious activity reporting rule promulgated by the Department of the Treasury and reminded firms that "[t]he rule is intended to encourage broker/dealers to evaluate customer activities and relationships and design an appropriate monitoring program...."

As described below, BNP did not develop and implement a written AML Program, including policies and procedures, that could reasonably be expected to detect and cause the reporting of potentially suspicious activity.

a. BNP Did Not Reasonably Monitor Trading in Penny Stocks

During the Relevant Period, BNP-SC and Prime shared an enterprise-wide AML Program. BNP's AML procedures delegated responsibility for implementing the AML Program to its U.S. Financial Security department ("USFS"). Although BNP's AML Program specifically tasked USFS with "transaction monitoring", BNP had no AML-related procedures designed to monitor its penny stock activities. The AML surveillance conducted by USFS was limited to the review of potentially suspicious wire activity, and USFS relied on BNP's Capital Markets Surveillance ("CMS") team to identify and refer any potentially suspicious trading for AML review. However, CMS's review for potentially suspicious activity focused primarily on customer trades in listed equities and fixed income products for issues involving trade reporting, order marking, and market manipulation. It did not conduct *any* surveillance targeting penny stock transactions, or transactions in securities trading outside of the traditional exchanges, until early 2016.

CMS also did not have access to information that was critical to its ability to identify potentially suspicious transactions, such as: how the customer obtained the shares; whether the sale proceeds were transferred out of the customer account; whether the transaction was consistent with the customer's stated account purpose or transactional history; or if the account was subject to heightened scrutiny. Consequently, prior to 2016, CMS made only three referrals to USFS regarding trading in listed equities and one commodity, and did not identify or refer to USFS any other potentially suspicious trading activity.

BNP's AML Program also did not include any surveillance of customer deliveries of securities by physical certificates and incoming electronic transfers to identify whether customer deposits and resales of securities complied with Section 5's registration requirements. As a result, BNP's AML Program could not reasonably be expected to identify potentially suspicious deposits of penny stocks, or transactions conducted by individuals who owned 10% or more of the outstanding shares of the issuer.

BNP also did not establish procedures by which USFS shared information related to its AML surveillance (such as negative news or subsequent account activity) with BNP's internal departments, or any process by which CMS (or other internal departments) could refer potentially suspicious conduct to USFS for AML review. As a result, Firm personnel lacked information that would have allowed them to identify potentially suspicious penny stock trading or deposits and made no referrals to USFS.

BNP's failure to develop and implement an AML Program reasonably designed to detect and cause the reporting of potentially suspicious activity relating to penny stock transactions allowed numerous red flags to go unchecked. For example, during the Relevant Period, BNP failed to identify numerous sales of penny stocks that should have raised red flags, including:

- A customer account that, during seven months in 2013 and 2014, received more than 11 billion restricted shares of penny stocks through 553 separate deliveries, and then sold those shares for proceeds of more than $10 million dollars, with sales representing more than 40% of the daily trading volume on 26 occasions and leading to a decrease in share price on at least one occasion; and
- A toxic debt financier who, during an eighteen-month period spanning 2013 to 2015, received 3.7 billion restricted shares of penny stocks through 222 separate deliveries, and then sold those shares for more than $7 million in proceeds.

BNP also failed to identify multiple accounts in which known penny stock liquidators engaged in sales of penny stocks that were the subject of negative news or suspicious promotional campaigns, including, for example:

- A customer account that, during the first quarter of 2014, sold 47 million shares of a penny stock in which it owned more than 8% of the company's common shares and whose issuer had recently disclosed that the company's ability to continue was in substantial doubt and dependent on continued toxic-debt financing; and
- A customer account that, from April to September 2014, generated proceeds of more than $500,000 by selling more than 1.3 million shares of a penny stock with a caveat emptor label on its symbol due to extreme promotional activity.

b. BNP Did Not Conduct Reasonable Surveillance of Wire and Foreign Currency Transfers

During the Relevant Period, all incoming and outgoing wires processed by BNP flowed into one of two surveillance systems which created alerts for review based on the parameters BNP created. However, BNP's AML Program was not designed to detect wire transfers that involved high-risk entities or jurisdictions, to detect smaller wire transfers originating from the same account(s), or to identify wire transfers (or a pattern of wire transfers) conducted in amounts that would avoid attention or review.

BNP's surveillance focused solely on wire transfers conducted in U.S. dollars, but did not include any review for wire transfers to or from high-risk jurisdictions or financial institutions. BNP also did not conduct any surveillance or review of foreign currency-denominated wires; as a result, 3,448 foreign currency-denominated wires with a total value of approximately $2.5 billion were not reviewed to determine whether they involved high-risk entities or jurisdictions or represented the proceeds of potentially suspicious trading activity.

Because BNP's surveillance monitored for wires that deviated from the customer's historical account activity or that could not be linked to brokerage activity, BNP's wire surveillance was also not reasonably designed to detect wires related to penny stock activity. BNP also did not confirm wire transfers involving third-parties prior to their execution.

BNP's AML Program also did not include procedures describing how the Firms' personnel were to conduct their review of the alerts generated by BNP's wire surveillance system, or how their review and conclusions should be documented – an issue identified by BNP's affiliated auditor in October 2014. As a result, the Firms' investigators did not consistently document the investigative steps they took to reach their conclusion to close the alert, or whether the transaction at issue had a business or other legal purpose that demonstrated why further investigation was unwarranted.

Although BNP effected more than 70,000 wire transfers during a two-year period, with a total value of $233 billion, as of June 2014, only one investigator was tasked with reviewing alerts relating to wires originating from BNP's brokerage accounts. Approximately 20% of the 3,382 alerts triggered for BNP and its domestic affiliates during a nearly two-year period were not reviewed within the 30 business days required by BNP's AML procedures. By June 2014, BNP had a backlog of more than 2,000 wire alerts awaiting review, despite engaging an outside consultant in April 2014 to assist with these reviews.

As a result, BNP did not detect and review potentially suspicious wire activity in multiple accounts, including, for example:

- 34 customer accounts that, during the period of February 2013 to May 2015, received more than 18 billion restricted shares of penny stocks and incoming wires totaling $40,344, while sending 220 outgoing wires that totaled more than $62 million during a 23-month period; and

- 44 customer accounts that, during the same period, executed zero buy transactions while depositing more than 17.8 billion shares of penny stock and wiring out more than $69 million in sale proceeds.

c. *BNP Did Not Reasonably Respond to Concerns Identified by Firm Personnel or Devote Sufficient Resources to its AML Program*

During the Relevant Period, personnel in BNP's Trading Operations, USFS and CMS departments concluded that BNP's AML Program was not reasonably tailored to its penny stock activities and escalated their concerns to senior management.

In January 2014, the head of BNP's Trading Operations advised senior management that BNP was "an outlier in the industry" in terms of its surveillance of microcap securities and recommended that BNP develop and implement specific policies, procedures and controls for penny stocks. In February 2014, BNP personnel raised additional concerns with BNP's penny stock business and due diligence process after reviewing recent AML regulatory actions.

In September 2014, BNP's affiliated auditor recommended BNP develop a "clear framework" for the review of alerts generated by BNP's wire surveillance system and update its procedures with "detailed requirements" as to how the Firms' personnel should conduct their review and document their conclusions. In October 2014, the auditor reported, among other things, that BNP needed to implement periodic oversight over the logic and alert thresholds employed by the enterprise-wide AML Program. The auditor also noted that BNP had not developed a framework to test whether the surveillance parameters were active and triggering alerts.

The October 2014 audit findings corresponded with BNP personnel's escalation of concerns relating to staffing and surveillance parameters. In October and November of 2014, and again in March 2015, USFS requested approval to hire additional staff to address the backlog of wire alerts.[2] The October 2014 request advised senior management that additional staff was necessary to avoid a "perpetual backlog." The March 2015 request submitted to senior management described BNP as operating under reduced standards that did not conform to industry best practices for investigating potentially suspicious activity.

BNP did not act in a timely manner to address the deficiencies its personnel identified. BNP did not implement procedures relating to penny stocks or enhanced due diligence for physical certificates until March 2015, more than one year after the head of its Trading Operations identified the need. BNP did not fully act on USFS's requests to increase the number of personnel devoted to wire reviews until October 2015. Although BNP introduced a manual review of penny stock sales in November 2015, it did not implement automated surveillance systems specifically directed at penny stocks, or integrate the trade surveillance conducted by CMS into its AML Program, until 2016 – more than two years after its personnel initially identified these deficiencies.

BNP's failure to devote sufficient resources to its AML Program resulted in thousands of surveillance alerts that were not reviewed in a timely fashion and surveillance parameters

[2] CMS personnel raised similar concerns to senior management in January 2015 and July 2015, when its staffing and surveillance issues led to a significant backlog of alerts to be reviewed.

that were not reasonably tailored to the potential red flags presented by the Firms' penny stock business. BNP's failure to timely address the deficiencies identified by its personnel also allowed potentially suspicious AML activity and numerous red flags to go unchecked. BNP's retroactive review of penny stock transactions occurring during the period of April 2013 to April 2016 identified more than one hundred instances where BNP did not reasonably detect and investigate potentially suspicious penny stock transactions that may have required the filing of a SAR.

Although BNP took steps to remediate deficiencies in its AML Program – which included the implementation of enhanced penny stock surveillance systems and alert parameters, formal training regarding suspicious activity and BNP's AML obligations, material increases to its permanent staff and technology budgets, and the termination of its correspondent clearing business – it did not complete the full implementation of these efforts until March 2017.

By virtue of the foregoing conduct, BNP violated FINRA Rules 3310(a) and 2010.

2. *BNP's Supervisory Failures Related to Section 5 of the Securities Act of 1933*

NASD Rule 3010(a)[3] and FINRA Rule 3110(a) require member firms to establish and maintain a system, including written procedures, reasonably designed to supervise the activities of their associated persons and to achieve compliance with applicable securities laws and regulations, including applicable NASD and FINRA Rules. NASD Rule 3010(b) and FINRA Rule 3110(b) require member firms to establish, maintain and enforce written procedures to supervise the types of business in which they engage and the activities of their associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and NASD and FINRA Rules. A violation of NASD Rule 3010 and FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

Section 5, in relevant part, prohibits the offer or sale of any security, through interstate commerce or the mails, unless a registration statement is in effect or the offer or sale falls within an available exemption from registration. In January 2009, FINRA issued Regulatory Notice 09-05, which reminded member firms that, "before selling securities in reliance on an exemption, a firm must take reasonable steps to ensure that the transaction qualifies for the exemption.... This includes taking whatever steps necessary to ensure that the sale does not involve an issuer, a person in a control relationship with an issuer, or an underwriter with a view to offer or sell the securities in connection with an unregistered distribution." Regulatory Notice 09-05 also reiterated that "firms may not rely solely on others, such as clearing firms, transfer agents, or issuers' counsel, to fulfill [its] obligations" concerning the customer and the source of the securities.

During the Relevant Period, BNP did not establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with the registration requirements of Section 5.

BNP began accepting deliveries of securities from customers in October 2008, when it acquired prime brokerage and correspondent clearing lines of business from another

[3] FINRA Rule 3110 replaced NASD Rule 3010 effective December 1, 2014.

FINRA member firm. BNP's Trading Operations department was responsible for processing of electronic receipts of securities as well as the receipt, review, and conversion of physical certificates into electronic shares. Although BNP's customers deposited a significant volume of penny stock, BNP did not provide any training regarding Section 5's requirements to its Trading Operations personnel. Its WSPs relating to Section 5 also did not accurately describe restricted or control securities, or the use of various safe harbors, including SEC Rule 144.

BNP also did not implement any supervisory systems or WSPs requiring the Firms' personnel to determine whether customer deposits and resales of securities complied with Section 5's registration requirements. For example, the WSPs did not require BNP personnel to: (i) gather and review information and records so as to determine whether the securities were restricted or control securities; (ii) identify the specific re-sale exemption on which the customer relied; (iii) analyze whether the customer's proposed resale was covered under a registration statement or qualified for a valid exemption from registration and thus eligible for immediate public resale; or (iv) document their determinations.

As a result, BNP did not conduct any review of customer securities received by electronic transfer for compliance with Section 5's registration requirements, and its review of physical certificates was limited to searches meant to ensure that the certificate was not reported lost or stolen or the depositor subject to OFAC sanctions.

Because of these deficiencies, BNP did not review the nearly 31 billion shares of penny stocks its customers deposited to determine whether the shares were restricted, qualified for an exemption from registration, held by control persons of the issuer, or otherwise eligible for re-sale. BNP also facilitated the removal of restrictive legends from 33.5 million shares of penny stocks, with a total notional value of approximately $12.5 million, without conducting any review to determine whether the legends were eligible for removal before they were resold into the OTC market.

Because BNP did not conduct any review of its customers' penny stock deposits, it also made inaccurate statements to DTC regarding the eligibility of the shares for re-sale and its receipt of legal opinions.

By virtue of the foregoing conduct, BNP violated NASD Rule 3010(a) and (b) (for conduct occurring from January 1, 2013 through November 30, 2014), FINRA Rule 3110(a) and (b) (for conduct occurring on or after December 1, 2014 through present) and FINRA Rule 2010.

3. Prime's Violations of Rule 204(a) and (b) of Regulation SHO

SEC Rule 204(a) requires broker-dealers to take action to close out FTD positions resulting from short sales by either borrowing or purchasing securities of like kind and quantity by the beginning of regular trading hours on the settlement day following the settlement date.[4]

[4] During the Relevant Period, securities generally settled on a T+3 basis; accordingly, broker-dealers were required to close-out FTDs resulting from short sales by T+4, to close-out FTDs resulting from short sales attributed to *bona fide* market making and long sales by T+6, and to close-out FTDs resulting from "deemed to own" securities by T+35.

When a FTD is not closed out as required by SEC Rule 204(a), SEC Rule 204(b) prohibits the broker-dealer (and any broker-dealer from which it receives trades for clearance and settlement) from engaging in short sales in the security without first borrowing or arranging to borrow the security. A violation of SEC Rule 204 also constitutes a violation of FINRA Rule 2010.

During the period of June 1, 2013 through December 31, 2015, Prime failed to timely close out open FTDs on 304 occasions due to an account coding error that resulted in short sales conducted by a foreign affiliate being treated as long sales for the purposes of calculating Prime's delivery and closeout obligations. The coding error occurred when the affiliate began clearing trades through Prime, and caused Prime to execute a single short sale of 19,200 shares in an equity security without having first borrowed or bought in the shares as required by SEC Rule 204(b). The account coding error was corrected in July 2015, when Prime implemented an enhanced Rule 204 tracking report that did not use the coded account type to identify short sales.

As a consequence of Prime's conduct, BNP-SC violated Rules 204(a) and (b) of Regulation SHO and FINRA Rule 2010.

SANCTIONS CONSIDERATIONS

In determining the sanctions imposed, Enforcement considered the period of time over which the misconduct occurred, the Firms' failure to timely address red flags and the volume of the potentially suspicious activity not monitored or reported by BNP. Enforcement also considered BNP's remediation efforts, which commenced during the firm examinations conducted by FINRA's Department of Member Supervision and referred to Enforcement.

B. BNP-SC consents to the imposition of the following sanctions:[5]

1. a censure;
2. a fine in the amount of $15 million; and
3. An undertaking requiring BNP-SC to submit, within ninety (90) days of the issuance of the Notice of Acceptance of this AWC, a certification in writing that, as of the date of the certification, BNP-SC's procedures are reasonably designed to achieve compliance with FINRA Rule 3310.

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

SEC Rule 204 also requires a broker-dealer to be able to demonstrate on its books and records that it purchased or borrowed shares in the full quantity of any unaddressed FTD position, and that it had a net flat or net long position in that security (known as the "net purchaser" requirement), on the applicable close-out date.

[5] The fine and undertaking are assessed against BNP-SC, the surviving entity following its merger with Prime.

BNP-SC 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

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

A. To have a Complaint issued specifying the allegations against them;

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, Respondents specifically and voluntarily waive 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 acceptance or rejection of this AWC.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents; and

C. If accepted:

1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;

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. Respondents 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. Respondents 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 Respondents': (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 Respondents, 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 Respondents have 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 Respondents to submit it.

10/01/2019
Date (mm/dd/yyyy)

Ken Law
BNP Paribas Securities Corp., Respondent

By: HUBERT DE CAMBOURG
(print name)

CEO Sec Corp
(title)

10/01/2019
Date (mm/dd/yyyy)

BNP Paribas Securities Corp. on behalf of
BNP Paribas Prime Brokerage, Inc., Respondent

By: Michael Farrell
(print name)
C.F.O. Sec Corp.
(title)

BNP Paribas Securities Corp. on behalf of
BNP Paribas Prime Brokerage, Inc.. Respondent

By: HUBERT DE LAMBILLY
(print name)
CEO Sec Corp
(title)

Reviewed by:

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Accepted by FINRA:

10/23/2019
Date

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

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