

# **Bond Case Briefs**

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## **Broker-Dealer Settles Charges of MSRB Trade Reporting Failures.**

A broker-dealer [settled](#) FINRA charges of failing to accurately report trades to the MSRB.

In a Letter of Acceptance, Waiver and Consent, FINRA determined that the broker-dealer did not report its trades in increments of seconds, as required under MSRB Rule G-14 (“Reports of Sales or Purchases”). According to the Letter, for an approximately three-year period, the firm reported all trades as being done at “00” seconds, rather than the exact number of seconds. This resulted in 147,000 trade reporting violations. Further, FINRA found that the firm had 167 manual trade reporting failures also involving failure to report the correct time of trade. These reporting failures also resulted in violations of MSRB Rule G-8 (“Books and Records to be Made by Brokers, Dealers, and Municipal Securities Dealers and Municipal Advisors”).

FINRA also determined that the broker-dealer violated MSRB Rule G-27 (“Supervision”) by failing to follow the requirements under its written supervisory procedures to (i) execute a comparison between the firm’s records and corresponding contra party trade reports to ensure the accuracy of the times of trade it reported and (ii) specify the frequency of its review of its trade reports, and designate a supervisor for such review.

To settle the charges, the broker-dealer agreed to a (i) censure and (ii) \$25,000 fine (\$15,000 for the MSRB Rule G-14 and G-8 violations and the balance for the MSRB Rule G-27 violations).

### **Commentary**

When technology is not working, that failure creates the capacity for a remarkable number of violations; e.g., in this instance, 147,000 violations due to the technology failure vs. 167 errors due to the manual process failure. Of course, the technology is indispensable, but the numeric difference in the number of failures really illustrates the importance of having compliance procedures that review the end results of technology processes.

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