

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Firm Settles FINRA Charges for MSRB Reporting Violations Involving SHORT System: Cadwalader**

A firm [settled](#) FINRA charges for reporting violations involving the MSRB's Short-Term Obligation Rate Transparency ("SHORT") System.

In a Letter of Acceptance, Waiver and Consent, FINRA found that the firm failed to report to the SHORT System a minimum denomination for approximately 1,660 submissions, and inaccurately reported the maximum interest rate for approximately 1,300 submissions. With regard to the minimum denomination reporting failures, FINRA stated that the firm's reporting system "did not require the entry of the minimum denomination field." When transmitting data to the MSRB's Electronic Municipal Market Access (or "EMMA") System, FINRA found that the firm's reporting system would (i) populate the minimum denomination field with a zero instead of rejecting the report as incomplete and (ii) use the auction's interest rate instead of the security's maximum interest rate. As a result, FINRA found that the firm violated [MSRB Rule G-34](#) ("CUSIP Numbers, New Issue, and Market Information Requirements").

FINRA also found that the firm failed to:

- keep accurate internal records of the maximum interest rate field in 64 instances, in violation of [MSRB Rule G-8](#) ("Books and Records to Be Made by Brokers, Dealers, and Municipal Securities Dealers and Municipal Advisors"); and
- include in its supervisory system a review of the accuracy of the information it submitted to the SHORT System, in violation of [MSRB Rule G-27](#) ("Supervision").

To settle the charges, the firm agreed to (i) a censure, (ii) a \$35,000 fine (\$20,000 for the reporting and books and records violations, and \$15,000 for the supervisory violations) and (iii) an undertaking to revise its written supervisory procedures to address the described deficiencies.

**Cadwalader Wickersham & Taft LLP**

June 15 2021