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Orrick: FINRA Fines Firm for Bond Markups and Failure to Comply with Fair Pricing Regulations

On July 26, a financial firm accepted a Letter of Acceptance, Waiver, and Consent (AWC) from FINRA for allegedly charging unfair prices in corporate and municipal bond transactions and for allegedly failing to establish a supervisory system to comply with fair pricing rules. According to the AWC, between April 2020 and June 2023, the firm was found to have charged unfair prices on 98 bond transactions, resulting in customers paying over $112,000 in excess costs in violation of FINRA Rules 2121 and 2010 and Municipal Securities Rulemaking Board (MSRB) Rules G-30 and G-17. For example, the AWC alleged that the firm sold 250 bonds with a 1.714 percent mark-up that used an incorrect prevailing market price, which resulted in a customer paying $695 more than if the firm had used the correct prevailing market price. These failures allegedly violated FINRA Rules 3110 and 2010 and MSRB Rule G-27.

Under the AWC, the firm agreed to pay a $125,000 fine, including $110,000 for violations of MSRB rules. The firm will also provide restitution to affected customers of $112,932.02 and must implement a supervisory system that complies with fair pricing regulations.

Orrick, Herrington & Sutcliffe LLP

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