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FINRA Fines MarketAxess $90,000 for MSRB Rule Violations.

The Financial Industry Regulatory Authority has fined MarketAxess Corporation $90,000 for Municipal Securities Rulemaking Board rule violations including the inaccurate reporting of trade times for more than 57,000 transactions, most of which were off by just one second.

MarketAxess (MKTX), which operates fixed income electronic trading platforms, submitted a letter to FINRA proposing a settlement of various alleged rule violations. In the letter, the firm accepted and consented to FINRA's findings without either admitting or denying them. MarketAxess' (MKTX) chief compliance officer signed the document on Feb. 18 and FINRA accepted it on Feb. 25.

According to the letter, MarketAxess (MKTX) violated MSRB Rule G-14, which details transaction reporting requirements for municipal securities.

From April 2016, when the firm first started reporting municipal transactions to the MSRB's Real-time Transaction Reporting System, to May 2023, MarketAxess (MKTX) reported 57,340 transactions to the RTRS with an inaccurate time of trade "due to the firm's incorrect interpretation of time of trade," the letter said.

"For a majority of these transactions, the execution time was inaccurate by one second," the letter said.

MarketAxess (MKTX) also violated Rule G-14 by reporting 123 of those transactions to the RTRS more than 15 minutes after the time of trade, the letter said.

"Rule G-14 RTRS Procedures (a)(ii) states that transactions effected during the RTRS business day shall be reported within 15 minutes of the time of trade except in certain enumerated situations," the letter said.

In addition, MarketAxess (MKTX) from April 2016 to January 2022 violated MSRB Rule G-27 by failing to set up and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with MSRB RTRS reporting obligations, the letter said.

Specifically, MarketAxess' (MKTX) supervisory system, including its written supervisory procedures, didn't include reasonable reviews to make sure that accurate execution times were reported to the RTRS, the letter said.

Beginning in January 2022, the firm's written supervisory procedures required that MarketAxess (MKTX) perform automated surveillance of RTRS reporting, including timestamps, and undertake a manual review of any surveillance alerts, the letter said.

The $90,000 penalty pertaining to the violations of MSRB Rules G-14 and G-27 was part of a total monetary sanction of $180,000 consented to by MarketAxess (MKTX), the letter showed. The firm also made inaccurate and untimely reports to FINRA's Trade Reporting and Compliance Engine, and

MarketAxess' (MKTX) supervisory system wasn't reasonably designed to comply with TRACE reporting obligations, the letter said.

An attorney representing the firm declined to comment.

By Kathie O'Donnell

BY SourceMedia | MUNICIPAL | 02/27/25 10:32 AM EST

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