

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2019063546101**

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

RE: BIDS Trading L.P. (Respondent)  
Member Firm  
CRD No. 141296

Pursuant to FINRA Rule 9216, Respondent BIDS Trading L.P. submits 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 Respondent alleging violations based on the same factual findings described in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

**BACKGROUND**

BIDS has been a FINRA member since January 2007. The firm is headquartered in New York, New York, and has 20 registered representatives. BIDS operates an alternative trading system (ATS) through which it executes trades in equity securities.<sup>1</sup>

**OVERVIEW**

From July 2018 to August 2019, BIDS overstated its advertised trade volume on Bloomberg and Thomson Reuters, private subscription-based providers of market data, in violation of FINRA Rules 5210 and 2010. The firm also failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rule 5210, in violation of FINRA Rules 3110(a) and 2010.

**FACTS AND VIOLATIVE CONDUCT**

***BIDS overstated its advertised trade volume.***

FINRA Rule 5210 states, in relevant part, that “[n]o member shall publish or circulate, or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service, or communication of any kind which purports to report any transactions

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<sup>1</sup> For more information about the firm, including prior regulatory events, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

as a purchase or sale of any security unless such member believes that such transaction was a bona fide purchase or sale of such security.”

FINRA Rule 2010 requires members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade. A violation of FINRA Rule 5210 is also a violation of FINRA Rule 2010.

Broker-dealers may, on a discretionary basis, advertise their trading volume in certain securities through third-party providers that disseminate such information. To the extent that firms choose to advertise their trading volume, such information must be truthful, accurate, and not misleading.

From July 2018 to August 2019, BIDS configured its systems to automatically advertise daily trading volume in numerous securities through two third-party service providers that publish such information, Bloomberg and Thomson Reuters. During this period, two separate but related system changes caused BIDS to overstate the executed trade volume it reported to Bloomberg and Thomson Reuters. The system changes BIDS implemented inadvertently triggered and exacerbated a programming defect in the trade advertising software that the firm used to send trade volume to Bloomberg and Thomson Reuters, and resulted in BIDS submitting multiple end-of-day volume reports in the same symbols. The initial change, which was implemented in July 2018, caused the firm to overstate its advertised trading volume in 151 instances, and it resulted in a total overstatement of 12,298,256 shares for 92 securities. The second change, which followed a reconfiguration of the firm’s servers in May 2019, caused BIDS to overstate its advertised trade volume in 1,890 instances, and it resulted in a total overstatement of 427,620,013 shares for 951 securities.

In sum, BIDS overstated its executed trade volume in 2,041 instances by 439,768,869 shares in 1,043 securities.<sup>2</sup>

Through this conduct, the firm violated FINRA Rules 5210 and 2010.

***BIDS did not have a supervisory system reasonably designed to supervise the accuracy of its trade advertisements.***

FINRA Rule 3110(a) requires members to establish and maintain a supervisory system, including written procedures, that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules. A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010.

During the relevant period, the firm’s supervisory system was not reasonably designed to achieve compliance with Rule 5210. Specifically, the firm had no supervisory process or

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<sup>2</sup> The firm remediated the programming defect in its trade advertising software within a week of learning about the issue, and reviewed data back to 2016 to confirm no other issues existed.

written procedures to verify that the trade-volume information it reported to Bloomberg and Thomson Reuters was accurate.<sup>3</sup>

Through this conduct, the firm violated FINRA Rules 3110(a) and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure
- a \$200,000 fine

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

## II.

### **WAIVER OF PROCEDURAL RIGHTS**

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- 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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such

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<sup>3</sup> The firm implemented a supervisory process within three weeks of discovering the overstatements described above.

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.


Respondent further specifically and voluntarily waives 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**

Respondent understands 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 Respondent; and
- C. If accepted:
  - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
  - 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 its subject matter in accordance with FINRA Rule 8313; and
  - 4. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct.



Respondent understands that it 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

May 20, 2022

Date

*Stephen Berte*

BIDS Trading L.P.

Respondent

Stephen Berte

Print Name:

President

Title:

Reviewed by:

*Susan Schroeder*

Susan Schroeder

Counsel for Respondent

Wilmer Cutler Pickering Hale and Dorr LLP

7 World Trade Center, 250 Greenwich Street

New York, NY 10007

Accepted by FINRA:

Signed on behalf of the

Director of ODA, by delegated authority

May 25, 2022

Date

*Sincere D. Belton*

Sincere D. Belton

Senior Attorney

FINRA

Department of Enforcement

Brookfield Place, 200 Liberty Street

New York, NY 10281