NEW YORK STOCK EXCHANGE LLC
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020-03-00021

TO: New York Stock Exchange LLC

RE: Quattro M Securities Inc.
CRD No. 39289

During the period of January 1, 2019 to the present (the "Relevant Period"), Quattro M Securities Inc. ("QMS" or the "Firm") violated: (1) Rule 15c3-5 of the Securities Exchange Act of 1934 by failing to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial and regulatory risks of its business activity, including in connection with setting and adjusting credit limits and establishing erroneous order controls; (2) NYSE Rule 407A (Disclosure of All Member Accounts) by failing to accurately disclose member accounts; (3) NYSE Rule 36 (Communications Between Exchange and Members' Offices) by failing to reasonably supervise the use of cell phones by its floor brokers on the NYSE floor; and (4) NYSE Rule 3110 (Supervision) by not establishing and maintaining written supervisory procedures and a supervisory system reasonably designed to achieve compliance with NYSE Rules 407A and 36.21, as well as with Rule 15c3-5 (in connection with credit limits and erroneous order controls) and to monitor trading for potentially manipulative or otherwise violative activity. Consent to a censure, a $45,000 fine, and an undertaking.

* * *

Pursuant to Rule 9216 of the New York Stock Exchange LLC (the "NYSE" or the "Exchange") Code of Procedure, QMS 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, the NYSE will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

A. QMS hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of the NYSE, or to which the NYSE is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by the NYSE:

BACKGROUND AND JURISDICTION

1. QMS is a corporation formed in 1994 in the state of New York, with its main offices in New York, New York. Since 1995, the Firm has acted as an agent and an executing broker of equities on the NYSE floor on behalf of broker-dealer customers.

PROCEDURAL HISTORY

2. This matter arose from a referral to NYSE Regulation by the Market Regulation Department of the Financial Industry Regulatory Authority, Inc. ("FINRA"). FINRA's investigation began as a result of FINRA's Trading and Financial Compliance Examination 2019 cycle examination of the Firm. FINRA's examination reviewed, among other things, the Firm's compliance with Rule 15c3-5 of the Securities Exchange Act of 1934 ("Rule 15c3-5" or the "Market Access Rule") and NYSE Rules 36.21, 407A, and 3110.

VIOLATIONS

Violations of the Market Access Rule

3. The Market Access Rule requires that a broker or dealer with market access, or that provides a customer with market access, "shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity." Rule 15c3-5(b).

4. The Market Access Rule, in conjunction with the Rule's Adopting Release, specifies certain financial and regulatory risks and corresponding requirements, including the requirement to design reasonable controls and supervisory procedures to prevent the entry of orders that exceed pre-set aggregate credit thresholds for customers, and to monitor trading for potentially violative activity. *See id.*; Risk Management Controls for Brokers or Dealers with Market Access, Exchange Act Release No. 34-63241, 75 Fed. Reg. 69791 (Nov. 3, 2010) (hereinafter "Adopting Release") at 1-2.

5. In addition, the Market Access Rule requires broker-dealers providing market access to maintain controls and supervisory procedures reasonably designed to "[p]revent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters . . . ." Rule 15c3-5(c)(1)(ii). The Rule further requires broker-dealers to establish, document, and maintain a system for regularly reviewing the effectiveness of the above-mentioned controls. Rule 15c3-5(e).

6. QMS violated the Market Access Rule's requirements in connection with its setting and adjusting of customer credit limits and erroneous order controls.

Customer Credit Limits

7. Rule 15c3-5(c)(1) requires that broker-dealers' risk management controls and supervisory procedures be reasonably designed to "prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer."

8. The SEC's Adopting Release for Rule 15c3-5 explains that these thresholds should be determined "based on appropriate due diligence as to the customer's business, financial condition, trading patterns, and other matters," and that a broker-dealer must

"document that decision." Adopting Release at 39.

9. The SEC reiterated these criteria and documentation obligations in its Response to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access (April 15, 2014) (hereinafter "FAQs"), noting that "the broker-dealer should be prepared to show why it selected a particular threshold . . . [and] how that threshold meaningfully limits the financial exposure potentially generated by the customer or its own trading activity." FAQ No. 8.

10. The Market Access Rule further requires broker-dealers to regularly review their customer credit limits, and document any changes to those limits (and the reasons for the changes). *See* NYSE Information Memo 18-04, *Member Obligations Regarding Credit Limits Under the Market Access Rule* at p. 4; FAQ No. 18.

11. While QMS did have customer credit limits in place during the Relevant Period, the Firm did not reasonably comply with these requirements in several ways:

    a. First, QMS' written supervisory procedures ("WSPs") did not reasonably describe its process for determining credit limits for its customers;

    b. Second, QMS did not demonstrate that the credit limits it assigned to its customers were reasonable based on its customers' financial conditions, trading patterns, or any other considerations; and

    c. Third, the Firm's WSPs did not address how it would make intra-day changes to its credit limits, or how those changes would be documented. And in practice, the Firm did not reasonably document such changes and the justifications therefor.

12. Based on the foregoing, the Firm violated Exchange Act Rule 15c3-5(c)(1)(i) and 15c3-5(b).

Erroneous Order Controls

13. Rule 15c3-5(c)(1)(ii) requires broker-dealers providing market access to maintain controls and supervisory procedures reasonably designed to "[p]revent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders."

14. As with pre-set credit thresholds, the Firm's WSPs failed to adequately describe its process for setting erroneous order controls, or how those controls would be monitored.

15. The Firm has also been unable to provide information demonstrating that the erroneous order controls in place during the Relevant Period, including controls as to order size, order value, and price, were reasonable given its customers' trading activity.

16. Additionally, the Firm's WSPs failed to address how it would make intra-day changes to its erroneous order controls or when it was permissible for Firm traders to send orders that exceeded those controls to the market.

17. Based on the foregoing, the Firm violated Rule 15c3-5(c)(1)(ii) and 15c3-5(b).

Violations Concerning the Reporting of Member Accounts

18. NYSE Rule 407A(a) requires that "[e]ach member must promptly report to the Exchange any securities account, including an error account, in which the member has, directly or indirectly, any financial interest or the power to make investment decisions, which is at a member or non-member broker-dealer, investment advisor, bank or other financial institution."

19. During the Relevant Period, the Firm failed to timely and/or accurately disclose five accounts belonging to certain of its employees.

20. Based on the foregoing, the Firm violated NYSE Rule 407A.

Violations Concerning the Use of Cellular Phones on the NYSE Floor

21. NYSE Rule 36.21 permits brokers to utilize cell phones to conduct business on the NYSE floor if they register the phones with the exchange and otherwise comply with the requirements set out in that rule, including applicable books and records and supervision requirements.

22. NYSE Rule 36.21(c) requires that brokers "must implement procedures designed to deter anyone calling their cellular or wireless phone from using caller ID block or other means to conceal the phone number from which a call is being made. Members and member organizations are required to make and retain records demonstrating compliance with such procedures."

23. During the period of March 2018 to August 2019, the Firm allowed two of its brokers to utilize their personal smart phones to conduct business on the NYSE floor. While those phones were properly registered pursuant to Rule 36, the Firm failed to properly supervise the use of those phones to communicate by means other than phone calls (*e.g.*, text messages, emails, social media applications, etc.).

24. Additionally, the Firm failed to take any steps to prevent anyone calling the two phones in question from using caller ID block or other means to conceal the number from which the call was being made.

25. Based on the foregoing, the Firm violated NYSE Rule 36.

Violations Concerning the Failure to Supervise

26. NYSE Rule 3110(b) provides that "[e]ach member organization must establish, maintain, and enforce written procedures to supervise the types of business in which

it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules."

27. With respect to the Market Access Rule, and as described in more detail above, QMS' supervisory deficiencies include: 1) failing to describe and implement a reasonable process for assigning and monitoring credit limits and single order controls; and 2) failing to design and implement a reasonable process for making adjustments to those limits and controls on a temporary or permanent basis.

28. With respect to NYSE Rule 407A, during the Relevant Period, the Firm failed to establish, maintain, and enforce reasonable policies and procedures to monitor the accuracy of its disclosures of member accounts.

29. With respect to NYSE Rule 36, during a portion of the Relevant Period, the Firm failed to establish, maintain, and enforce reasonable policies and procedures to monitor the use of personal smart phones by two of its employees to conduct business on the NYSE floor, including specifically monitoring for the improper use of the phones to communicate other than by making phone calls.

30. Additionally, the Firm failed to develop or implement WSPs concerning a reasonable system of post-trade reviews of customer trading to identify potential manipulative activity. QMS' post-trade reviews during the Relevant Period consisted of reviewing data contained in a number of automated reports provided by third-party vendors, as well as conducting a manual review of a sample of the Firm's trading, but the Firm's WSPs did not reasonably describe how the review was performed or documented. Furthermore, in certain instances, the Firm failed to reasonably follow-up on trading activity flagged by its automated reports and/or reasonably document the results of such follow-up.[1]

31. Based on the foregoing, the Firm violated NYSE Rule 3110(b).

RELEVANT DISCIPLINARY HISTORY

32. On October 12, 2018, the Firm entered into an Offer of Settlement with the Exchange in NYSE Regulation Matter Nos. 2016-07-01288 and 2018-06-00079 pursuant to which it consented to a censure, a fine of $95,000, an undertaking to address the market access-related and supervisory violations noted therein, and for the Firm's

[1] Rule 15c3-5(c)(2) provides that a firm's controls and supervisory procedures "shall be reasonably designed to ensure compliance with all regulatory requirements, including being reasonably designed to . . . [a]ssure that appropriate surveillance personnel receive immediate post-trade execution reports that result from market access." The SEC explained in the Adopting Release that the "regulatory requirements" to which it referred in subsection (c)(2) include "post-trade obligations to monitor for manipulation and other illegal activity," Adopting Release at 22-23, and that it "believes that immediate reports of executions will provide surveillance personnel with important information about potential regulatory violations, and better enable them to investigate, report, or halt suspicious or manipulative trading." *Id.* at 48; *see also* NYSE Information Memo 19-02, *Member Post-Trade Review Obligations Under the Market Access Rule & Exchange Supervisory Rules*.

President and Chief Compliance Officer to each complete 40 hours of compliance training. The Offer of Settlement related to, among other things, the Firm's violations of Rule 15c3-5 and NYSE Rule 3110 in connection with its credit limits, erroneous order controls, and post-trade reviews during the period of June 2012 to December 2016.

OTHER FACTORS CONSIDERED

33. In determining to resolve the matter on the basis set forth herein, NYSE Regulation took into consideration the fact that, following the FINRA examination that gave rise to this matter, the Firm began taking steps to improve certain of the deficiencies discussed above.

SANCTIONS

B. The Firm also consents to the imposition of the following sanctions:

1. **Censure and fine in the amount of $45,000**

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. The Firm has submitted a Method of Payment Confirmation form showing the method by which it will pay the fine imposed.

The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The Firm agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts. The Firm further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts.

2. **Undertaking**

Within 90 days of the execution of this AWC (or such other time as may be mutually agreed to with NYSE Regulation staff), the Firm agreed to provide: 1) a certification that the Firm has revised its written supervisory procedures and supervisory systems to address the deficiencies described in the paragraphs above; and 2) the date the revised procedures were implemented.

The sanctions imposed herein shall be effective on a date set by NYSE Regulation staff.

II. WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under the NYSE Code

of Procedure:

A. To have a Formal Complaint issued specifying the allegations against the Firm;

B. To be notified of the Formal 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 Exchange's Board of Directors and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer of the NYSE; the Exchange's Board of Directors, Disciplinary Action Committee ("DAC"), and Committee for Review ("CFR"); any Director, DAC member, or CFR member; Counsel to the Exchange Board of Directors or CFR; any other NYSE employee; or any Regulatory Staff as defined in Rule 9120 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 acceptance or rejection of this AWC.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte communication prohibitions of Rule 9143 or the separation of functions prohibitions of 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

The Firm understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed by NYSE Regulation, and accepted by the Chief Regulatory Officer of the NYSE pursuant to NYSE Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and

C. If accepted:

1. The AWC shall be sent to each Director and each member of the Committee for Review via courier, express delivery, or electronic means, and shall be deemed final and shall constitute the complaint, answer, and decision in the matter, 10 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to NYSE Rule 9310(a)(1)(B);

2. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by the Exchange, or any other regulator against the Firm;

3. The NYSE shall publish a copy of the AWC on its website in accordance with NYSE Rule 8313;

4. The NYSE may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE Rule 8313; and

5. The Firm 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. The Firm may not take any position in any proceeding brought by or on behalf of the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.

D. A signed copy of this AWC and the accompanying Method of Payment Confirmation form delivered by email, facsimile, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.

E. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

The Firm certifies that, in connection with each of the Exchange's requests for information in connection with this matter, the Firm made a diligent inquiry of all persons and systems that reasonably had possession of responsive documents and that all responsive documents have been produced. In agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of the document productions.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its 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 it 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

03/18/2021
Date

Quattro M Securities Inc.,
Respondent

By: _____
Eugene L. Mauro
President

Accepted by NYSE Regulation

3/18/2021
Date

_____
William R. Vanderveer
Regulatory Attorney
NYSE Regulation

Signed on behalf of New York Stock Exchange LLC, by delegated authority from its Chief Regulatory Officer