

BrokerCheck Report

LEK SECURITIES CORPORATION

CRD# 33135

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About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**
- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.
- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.
- **Where did this information come from?**
- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
 - o information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
 - o information that regulators report regarding disciplinary actions or allegations against firms or brokers.
- **How current is this information?**
- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.
- **What if I want to check the background of an investment adviser firm or investment adviser representative?**
- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.
- **Are there other resources I can use to check the background of investment professionals?**
- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

Thank you for using FINRA BrokerCheck.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit www.finra.org.



LEK SECURITIES CORPORATION

CRD# 33135

SEC# 8-42152

Main Office Location

4 WORLD TRADE CENTER; 44TH FLOOR
150 GREENWICH STREET; 44TH FLOOR
NEW YORK, NY 10007
Regulated by FINRA New York Office

Mailing Address

4 WORLD TRADE CENTER; 44TH FLOOR
150 GREENWICH STREET; 44TH FLOOR
NEW YORK, NY 10007

Business Telephone Number

212-509-2300

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 01/05/1990.

Its fiscal year ends in December.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This firm is registered with:

- the SEC
- 19 Self-Regulatory Organizations
- 46 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 10 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm does not have referral or financial arrangements with other brokers or dealers.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

Type	Count
Regulatory Event	39
Civil Event	1
Arbitration	1



Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 01/05/1990.

Its fiscal year ends in December.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

LEK SECURITIES CORPORATION

Doing business as LEK SECURITIES CORPORATION

CRD# 33135

SEC# 8-42152

Main Office Location

4 WORLD TRADE CENTER; 44TH FLOOR
150 GREENWICH STREET; 44TH FLOOR
NEW YORK, NY 10007

Regulated by FINRA New York Office

Mailing Address

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150 GREENWICH STREET; 44TH FLOOR
NEW YORK, NY 10007

Business Telephone Number

212-509-2300



Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any): LEK HOLDINGS LIMITED

Is this a domestic or foreign entity or an individual? Domestic Entity

Position SHAREHOLDER

Position Start Date 07/2009

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): JONES, SHANQUA M
5877092

Is this a domestic or foreign entity or an individual? Individual

Position PRINCIPAL FINANCIAL OFFICER; FINOP

Position Start Date 09/2018

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): LEK, CHARLES FREDERIK
4672129

Is this a domestic or foreign entity or an individual? Individual

Position CHIEF EXECUTIVE OFFICER

Position Start Date 10/2019



Firm Profile

Direct Owners and Executive Officers (continued)

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): MAINWALD, MICHAEL DAVID

Is this a domestic or foreign entity or an individual? Individual

Position PRINCIPAL OPERATING OFFICER

Position Start Date 09/2003

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): TABAK, JEFFREY STEVEN MR.
856416

Is this a domestic or foreign entity or an individual? Individual

Position CHIEF COMPLIANCE OFFICER

Position Start Date 10/2019

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No



Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners

Legal Name & CRD# (if any):	LEK, CHARLES FREDERIK 4672129
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	LEK HOLDINGS LTD
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	04/2015
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any):	GREGG, WHITFIELD 3198695
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	LEK HOLDINGS LTD
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	05/1999
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any):	MAINWALD, MICHAEL DAVID
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Firm Profile



Indirect Owners (continued)

Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	LEK HOLDINGS LTD
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	09/2003
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any):	PIANELLI, PETER ANTHONY 4456288
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Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is established	LEK HOLDINGS
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	04/2015
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Legal Name & CRD# (if any):	SOLANO, PETER L
Is this a domestic or foreign entity or an individual?	Individual
Company through which indirect ownership is	LEK HOLDINGS

Firm Profile



Indirect Owners (continued) established

Relationship to Direct Owner	SHAREHOLDER
Relationship Established	04/2015
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	No
Is this a public reporting company?	No

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is currently registered with the SEC, 19 SROs and 46 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	03/02/1990

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	04/01/1996
BOX Exchange LLC	Approved	05/07/2012
Cboe BYX Exchange, Inc.	Approved	10/01/2010
Cboe BZX Exchange, Inc.	Approved	08/18/2008
Cboe C2 Exchange, Inc.	Approved	09/24/2010
Cboe EDGA Exchange, Inc.	Approved	05/26/2010
Cboe EDGX Exchange, Inc.	Approved	05/27/2010
Cboe Exchange, Inc.	Approved	01/09/2001
Investors' Exchange LLC	Approved	08/12/2016
NYSE American LLC	Approved	10/04/1995
NYSE Arca, Inc.	Approved	12/05/2000
NYSE National, Inc.	Approved	05/18/2018
Nasdaq BX, Inc.	Approved	01/12/2009
Nasdaq GEMX, LLC	Approved	09/26/2013
Nasdaq ISE, LLC	Approved	07/14/2000
Nasdaq MRX, LLC	Approved	02/26/2016

Nasdaq PHLX LLC	Approved	11/13/1995
Nasdaq Stock Market	Approved	07/12/2006
New York Stock Exchange	Approved	12/03/1993



Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective
Alabama	Approved	09/02/2005
Alaska	Approved	01/20/2005
Arizona	Approved	05/05/2004
Arkansas	Approved	04/28/2008
California	Approved	05/14/1996
Colorado	Approved	01/21/2000
Connecticut	Approved	06/03/1996
Delaware	Approved	05/24/2007
District of Columbia	Approved	10/03/2005
Florida	Approved	09/03/2004
Georgia	Approved	04/12/2000
Hawaii	Approved	07/16/2008
Idaho	Approved	01/07/2005
Illinois	Approved	04/19/1996
Indiana	Approved	02/23/2005
Iowa	Approved	08/08/2005
Kansas	Approved	05/10/2002
Kentucky	Approved	01/18/2005
Louisiana	Approved	09/22/2005
Maine	Approved	02/08/2005
Maryland	Approved	01/11/2005
Massachusetts	Approved	04/16/1996
Michigan	Approved	05/14/1996
Minnesota	Approved	06/26/2001
Mississippi	Approved	01/11/2005
Missouri	Approved	04/26/2005
Nebraska	Approved	06/09/2005
Nevada	Approved	04/23/2004
New Jersey	Approved	06/02/2005
New Mexico	Approved	04/02/2009
New York	Approved	09/29/1995
North Carolina	Approved	11/25/1998
North Dakota	Approved	03/18/2008

U.S. States & Territories	Status	Date Effective
Oklahoma	Approved	01/11/2005
Pennsylvania	Approved	02/02/1996
Puerto Rico	Approved	08/30/2006
South Carolina	Approved	02/15/2005
South Dakota	Approved	01/10/2005
Tennessee	Approved	02/17/2005
Texas	Approved	11/21/2001
Utah	Approved	01/07/2005
Vermont	Approved	02/01/2008
Virginia	Approved	01/10/2005
Washington	Approved	04/06/2004
West Virginia	Approved	01/10/2005
Wisconsin	Approved	10/06/2004



Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 10 types of businesses.

Types of Business

Exchange member engaged in exchange commission business other than floor activities

Exchange member engaged in floor activities

Broker or dealer retailing corporate equity securities over-the-counter

Broker or dealer selling corporate debt securities

U S. government securities dealer

U S. government securities broker

Municipal securities dealer

Municipal securities broker

Put and call broker or dealer or option writer

Other - 10Y LEK, SCHOENAU CO. INC. AS OF 2/12/99 HAS BEEN APPROVED BY THE NASD, ITS DESIGNATED EXAMINING AUTHORITY TO COMMERCE BUSINESS OPERATIONS AS A SELF CLEARING FIRM. OUR NET CAPITAL REQUIREMENT HAS BEEN RAISED TO \$250,000 AS A RESULT OF BECOMING SELF CLEARING

Other Types of Business

This firm does effect transactions in commodities, commodity futures, or commodity options.

This firm does not engage in other non-securities business.

Non-Securities Business Description:

Firm Operations



Clearing Arrangements

This firm does hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does not refer or introduce customers to other brokers and dealers.

Firm Operations

Industry Arrangements



This firm does not have books or records maintained by a third party.

This firm does have accounts, funds, or securities maintained by a third party.

Name: CASA DE BOLSA INTERACCIONES

Business Address: REFORMA 383
14TH FLOOR
MEXICO DF, MEXICO 06500

Effective Date: 07/11/2008

Description: CASA DE BOLSA INTERACCIONES IS A CUSTODIAN FOR LSC
LSC MAINTAINS A FREE CREDIT BALANCE AT CASA DE BOLSA
INTERACCIONES

This firm does not have customer accounts, funds, or securities maintained by a third party.

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- in control of
 - controlled by
 - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.**

LEK SECURITIES UK LTD is under common control with the firm.

Business Address:	288 BISHOPSGATE LONDON, UNITED KINGDOM EC2M 4QP
Effective Date:	01/01/2011
Foreign Entity:	Yes
Country:	UNITED KINGDOM
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	LEK SECURITIES UK LTD IS A FOREIGN BROKER-DEALER AFFILIATE AND AN OMNIBUS CUSTOMER OF LEK SECURITIES CORP. CHARLES F LEK IS THE MAJOR SHAREHOLDER OF LEK HOLDINGS LIMITED WHICH IS THE DIRECT OWNER OF LEK SECURITIES CORP AND LEK SECURITIES UK LTD.

This firm is not directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank



Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	36	3
Civil Event	0	1	0
Arbitration	N/A	1	N/A



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - § A "pending" event involves allegations that have not been proven or formally adjudicated.
 - § An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - § A "final" event has been concluded and its resolution is not subject to change.
 - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - § An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - § A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - § A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 36

Reporting Source: Firm

Current Status: Final



Allegations:	THE OPTIONS CLEARING CORP ALLEGED THAT LSC DID NOT SUCCESSFULLY COMPLETE ALL THE REQUIRED TEST CRITERIA IN ORDER TO FULLY PARTICIPATE IN MANDATORY BUSINESS CONTINUITY AND DISASTER RECOVERY TESTING AS SPECIFIED IN OCC RULE 218(B).
Initiated By:	THE OPTIONS CLEARING CORPORATION
Date Initiated:	05/13/2020
Docket/Case Number:	2019-23
Principal Product Type:	Other
Other Product Type(s):	N/A
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	05/13/2019
Sanctions Ordered:	Monetary/Fine \$10,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS CONTAINED IN THE CHARGES, LSC CONSENTED TO THE ENTRY OF A FINAL DECISION PROVIDING FOR THE IMPOSITION OF A SANCTION IN THE AMOUNT OF TEN THOUSAND DOLLARS (\$10,000.00)

Disclosure 2 of 36

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM AND ITS OWNER, SAMUEL FREDERIK LEK ("LEK"), (TOGETHER "THE RESPONDENTS"), AIDED AND ABETTED MANIPULATIVE TRADING ("LAYERING") BY A CUSTOMER OF THE FIRM THROUGH THE CUSTOMER'S MASTER-SUB ACCOUNT AT THE FIRM. LSCI ALSO AIDED AND ABETTED THE CUSTOMER IN THE OPERATION OF AN UNREGISTERED BROKER-DEALER THROUGH THE CUSTOMER'S ACCOUNT. IN ADDITION, LSCI - COMMITTED, AND LEK CAUSED, MARKET ACCESS RULE VIOLATIONS; LSCI AND LEK COMMITTED SUPERVISORY VIOLATIONS; AND LSCI COMMITTED NUMEROUS ANCILLARY VIOLATIONS



CONCERNING RETENTION OF ELECTRONIC COMMUNICATIONS, AND OTHER SUPERVISORY VIOLATIONS PERTAINING TO THE FAILURE TO CONDUCT PERIODIC EXAMINATIONS OF CUSTOMER ACCOUNTS, REVIEW OF ELECTRONIC COMMUNICATIONS, CENTRAL REGISTRATION DEPOSITORY ("CRD") INFORMATION, AND OUTSIDE BUSINESS ACTIVITIES. THE VIOLATIONS OCCURRED ON NUMEROUS EXCHANGES, INCLUDING PHLX. BETWEEN AUGUST 1, 2012, AND JUNE 30, 2015, (THE "OPTIONS MARKET REVIEW PERIOD"), LSCI AND LEK PROVIDED DIRECT MARKET ACCESS TO NON-REGISTERED OPTIONS MARKET PARTICIPANTS TO MULTIPLE MARKET CENTERS, INCLUDING PHLX. WHILE PROVIDING SUCH ACCESS, LSCI AND LEK AIDED AND ABETTED MANIPULATIVE OPTIONS TRADING IN THE CUSTOMER'S ACCOUNT. TAKEN TOGETHER, THE VARIOUS VIOLATIONS DEMONSTRATE THAT LSCI AND LEK KNOWINGLY OR WITH EXTREME RECKLESSNESS AIDED AND ABETTED THE MISCONDUCT OCCURRING IN THE CUSTOMER'S ACCOUNT THROUGHOUT THE RELEVANT PERIODS SIMPLY BECAUSE THE CUSTOMER'S ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), PHLX AND OTHER EXCHANGES.

Initiated By:	NASDAQ PHLX LLC
Date Initiated:	12/17/2019
Docket/Case Number:	2011029713014
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/17/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77



Other Sanctions Ordered: EQUITABLE RELIEF AND UNDERTAKINGS;

THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO ARTICLE 1(KK) OF PHLX'S BY-LAWS, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.

Sanction Details:

THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO PERFORM ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS DESCRIBED IN THE OFFER.

THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS.

IN DETERMINING THE ABOVE SANCTIONS, THE SRO HAS TAKEN INTO ACCOUNT THE MONETARY SANCTIONS IMPOSED BY THE SEC IN ITS PARALLEL ACTION AGAINST THE RESPONDENT FOR, INTER ALIA, AIDING AND ABETTING FRAUDULENT TRADING OF ITS CUSTOMER AND REGISTERED REPRESENTATIVES, IN VIOLATION OF SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER, AND SECTION 17(A) OF THE SECURITIES ACT OF 1933.

Regulator Statement

THE ASSOCIATED CASE NUMBER IS 2012033667305

Reporting Source:

Firm

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM AND ITS OWNER, SAMUEL FREDERIK LEK ("LEK"), (TOGETHER "THE RESPONDENTS"), AIDED AND ABETTED MANIPULATIVE TRADING ("LAYERING") BY A CUSTOMER OF THE FIRM THROUGH THE CUSTOMER'S MASTER-SUB ACCOUNT AT THE FIRM. LSCI ALSO AIDED AND ABETTED THE CUSTOMER IN THE OPERATION OF AN UNREGISTERED BROKER-DEALER THROUGH THE CUSTOMER'S ACCOUNT. IN ADDITION, LSCI - COMMITTED, AND LEK CAUSED, MARKET ACCESS RULE VIOLATIONS; LSCI AND LEK COMMITTED SUPERVISORY VIOLATIONS; AND LSCI COMMITTED NUMEROUS ANCILLARY VIOLATIONS CONCERNING RETENTION OF ELECTRONIC COMMUNICATIONS, AND OTHER SUPERVISORY VIOLATIONS PERTAINING TO THE FAILURE TO CONDUCT PERIODIC EXAMINATIONS OF CUSTOMER ACCOUNTS, REVIEW OF ELECTRONIC COMMUNICATIONS, CENTRAL REGISTRATION DEPOSITORY ("CRD") INFORMATION, AND OUTSIDE BUSINESS ACTIVITIES. THE VIOLATIONS OCCURRED ON NUMEROUS EXCHANGES, INCLUDING



PHLX.

Initiated By: NASDAQ PHLX LLC**Date Initiated:** 12/17/2019**Docket/Case Number:** 2011029713014**Principal Product Type:** Other**Other Product Type(s):** UNSPECIFIED SECURITIES**Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 12/17/2019**Sanctions Ordered:** Censure
Monetary/Fine \$69,230.77**Other Sanctions Ordered:** EQUITABLE RELIEF AND UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO ARTICLE 1(KK) OF PHLX'S BY-LAWS, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.**Sanction Details:** THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO PERFORM ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS DESCRIBED IN THE OFFER. THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS. IN DETERMINING THE ABOVE SANCTIONS, THE SRO HAS TAKEN INTO ACCOUNT THE MONETARY SANCTIONS IMPOSED BY THE SEC IN ITS PARALLEL ACTION AGAINST THE RESPONDENT FOR, INTER ALIA, AIDING AND ABETTING FRAUDULENT TRADING OF ITS CUSTOMER AND REGISTERED REPRESENTATIVES, IN VIOLATION OF SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER, AND SECTION 17(A) OF THE SECURITIES ACT OF 1933.**Firm Statement** THE ASSOCIATED CASE NUMBER IS 2012033667305**Disclosure 3 of 36****Reporting Source:** Regulator



Current Status:	Final
Allegations:	<p>LEK SECURITIES CORPORATION & SAMUEL FREDERIK LEK (I) FAILED TO PROVIDE MARKET ACCESS TO FOREIGN TRADERS WHO ENGAGED IN VARIOUS FORMS OF MANIPULATIVE TRADING ON U.S. EQUITY AND OPTIONS EXCHANGES, INCLUDING LAYERING, SPOOFING, AND CROSS-PRODUCT MANIPULATION. SAMUEL LEK AND LEK SECURITIES SUBSTANTIALLY ASSISTED THIS TRADING THROUGH A MASTER-SUB ACCOUNT HELD AT LEK SECURITIES AND FAILED TO REASONABLY SUPERVISE IT; (II) FAILED TO SUPERVISE THE ACTIVITIES OF THE FIRM'S REGISTERED PERSONS TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH THE FIRM ENGAGED; (III) VIOLATED THE MARKET ACCESS RULE, WHICH REQUIRES BROKER-DEALERS THAT PROVIDE THEIR CUSTOMERS ACCESS TO AN EXCHANGE OR ALTERNATIVE TRADING SYSTEM TO REASONABLY CONTROL THE FINANCIAL AND REGULATORY RISKS OF PROVIDING SUCH ACCESS. DISREGARDING REPEATED ALERTS AND COMMUNICATIONS FROM REGULATORS CONCERNING POTENTIALLY MANIPULATIVE TRADING IN THE MASTER SUB-ACCOUNT, SAMUEL LEK AND LEK SECURITIES CONTINUED TO ALLOW THEIR CUSTOMERS TO ENGAGE IN LAYERING, SPOOFING, AND CROSS-PRODUCT MANIPULATION. IN ADDITION TO LEK SECURITIES' PRIMARY VIOLATION OF THE MARKET ACCESS RULE, FINRA AND THE EXCHANGES ALSO FOUND THAT SAMUEL LEK CAUSED THE FIRM'S VIOLATIONS OF THE MARKET ACCESS RULE.</p> <p>VIOLATION OF CBOE RULES 4.1, 4.2, 4.24; SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND RULE 15C3-5, THEREUNDER.</p> <p>SANCTION: A CENSURE AND A MONETARY FINE IMPOSED ON LEK SECURITIES CORPORATION IN THE AMOUNT OF \$69,230.77 PAYABLE TO CBOE. IN ADDITION, LEK SECURITIES CORPORATION MUST COMPLY WITH THE EQUITABLE RELIEF AND UNDERTAKINGS DETAILED IN THE LETTER OF CONSENT; A PERMANENT BAR IN ALL CAPACITIES AGAINST SAMUEL FREDERIK LEK.</p>
Initiated By:	CBOE EXCHANGE, INC.
Date Initiated:	10/23/2019
Docket/Case Number:	STAR NO. 20120336673-04 / FILE NO. USRI-8671
Principal Product Type:	Options
Other Product Type(s):	



Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	11/13/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	
Sanction Details:	A CENSURE AND A MONETARY FINE IMPOSED ON LEK SECURITIES CORPORATION IN THE AMOUNT OF \$69,230.77 PAYABLE TO CBOE. IN ADDITION, LEK SECURITIES CORPORATION MUST COMPLY WITH THE EQUITABLE RELIEF AND UNDERTAKINGS DETAILED IN THE LETTER OF CONSENT; A PERMANENT BAR IN ALL CAPACITIES AGAINST SAMUEL FREDERIK LEK.
<hr/>	
Reporting Source:	Firm
Current Status:	Final
Allegations:	LEK SECURITIES CORPORATION & SAMUEL FREDERIK LEK (I) FAILED TO PROVIDE MARKET ACCESS TO FOREIGN TRADERS WHO ENGAGED IN VARIOUS FORMS OF MANIPULATIVE TRADING ON U.S. EQUITY AND OPTIONS EXCHANGES, INCLUDING LAYERING, SPOOFING, AND CROSS-PRODUCT MANIPULATION. SAMUEL LEK AND LEK SECURITIES SUBSTANTIALLY ASSISTED THIS TRADING THROUGH A MASTER-SUB ACCOUNT HELD AT LEK SECURITIES AND FAILED TO REASONABLY SUPERVISE IT; (II) FAILED TO SUPERVISE THE ACTIVITIES OF THE FIRM'S REGISTERED PERSONS TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH THE FIRM ENGAGED; (III) VIOLATED THE MARKET ACCESS RULE, WHICH REQUIRES BROKER-DEALERS THAT PROVIDE THEIR CUSTOMERS ACCESS TO AN EXCHANGE OR ALTERNATIVE TRADING SYSTEM TO REASONABLY CONTROL THE



FINANCIAL AND REGULATORY RISKS OF PROVIDING SUCH ACCESS.

Initiated By: CBOE EXCHANGE, INC.

Date Initiated: 10/23/2019

Docket/Case Number: STAR NO. 20120336673-04 / FILE NO. USRI-8671

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 11/13/2019

Sanctions Ordered: Censure
Monetary/Fine \$69,230.77

Other Sanctions Ordered:

Sanction Details: A CENSURE AND A MONETARY FINE IMPOSED ON LEK SECURITIES CORPORATION IN THE AMOUNT OF \$69,230.77 PAYABLE TO CBOE. IN ADDITION, LEK SECURITIES CORPORATION MUST COMPLY WITH THE EQUITABLE RELIEF AND UNDERTAKINGS DETAILED IN THE LETTER OF CONSENT; A PERMANENT BAR IN ALL CAPACITIES AGAINST SAMUEL FREDERIK LEK.

Disclosure 4 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: LEK SECURITIES CORPORATION & SAMUEL FREDERIK LEK (I) FAILED TO PROVIDE MARKET ACCESS TO FOREIGN TRADERS WHO ENGAGED IN VARIOUS FORMS OF MANIPULATIVE TRADING ON U.S. EQUITY AND OPTIONS EXCHANGES, INCLUDING LAYERING, SPOOFING, AND CROSS-PRODUCT MANIPULATION. SAMUEL LEK AND LEK SECURITIES SUBSTANTIALLY ASSISTED THIS TRADING THROUGH A MASTER-SUB ACCOUNT HELD AT LEK SECURITIES AND FAILED TO REASONABLY SUPERVISE IT; (II) FAILED TO SUPERVISE THE ACTIVITIES OF THE FIRM'S REGISTERED PERSONS TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES TO



SUPERVISE THE TYPES OF BUSINESS IN WHICH THE FIRM ENGAGED; AND (III) VIOLATED THE MARKET ACCESS RULE, WHICH REQUIRES BROKER-DEALERS THAT PROVIDE THEIR CUSTOMERS ACCESS TO AN EXCHANGE OR ALTERNATIVE TRADING SYSTEM TO REASONABLY CONTROL THE FINANCIAL AND REGULATORY RISKS OF PROVIDING SUCH ACCESS. DISREGARDING REPEATED ALERTS AND COMMUNICATIONS FROM REGULATORS CONCERNING POTENTIALLY MANIPULATIVE TRADING IN THE MASTER SUB-ACCOUNT, SAMUEL LEK AND LEK SECURITIES CONTINUED TO ALLOW THEIR CUSTOMERS TO ENGAGE IN LAYERING, SPOOFING, AND CROSS-PRODUCT MANIPULATION. IN ADDITION TO LEK SECURITIES' PRIMARY VIOLATION OF THE MARKET ACCESS RULE, FINRA AND THE EXCHANGES ALSO FOUND THAT SAMUEL LEK CAUSED THE FIRM'S VIOLATIONS OF THE MARKET ACCESS RULE.

VIOLATION OF BYX, BZX, EDGA, AND EDGX RULES 2.5 - RESTRICTIONS, 3.1 - BUSINESS CONDUCT OF MEMBERS, 3.2 - VIOLATIONS PROHIBITED, 3.4 - FALSE STATEMENTS, 4.1 - REQUIREMENTS, 4.2 - FURNISHING OF RECORDS, 5.1 - WRITTEN PROCEDURES, 5.2 - RESPONSIBILITY OF MEMBERS, 5.3 - RECORDS, 5.4 - REVIEW OF ACTIVITIES, AND 8.2 - COMPLAINT AND INVESTIGATION; SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND RULE 15C3-5 - RISK MANAGEMENT CONTROLS FOR BROKERS OR DEALERS WITH MARKET ACCESS, THEREUNDER. SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND RULE 17A-4 - RECORDS TO BE PRESERVED BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, THEREUNDER.

SANCTION: A CENSURE AND A MONETARY FINE IMPOSED ON LEK SECURITIES CORPORATION IN THE AMOUNT OF \$69,230.77 PAYABLE TO BYX; \$69,230.77 PAYABLE TO BZX; \$69,230.77 PAYABLE TO EDGA; AND \$69,230.77 PAYABLE TO EDGX. IN ADDITION, LEK SECURITIES CORPORATION MUST COMPLY WITH THE EQUITABLE RELIEF AND UNDERTAKINGS DETAILED IN THE CONSOLIDATED OFFER OF SETTLEMENT; A PERMANENT BAR IN ALL CAPACITIES AGAINST SAMUEL FREDERIK LEK.

Initiated By: CBOE BYX EXCHANGE, INC., CBOE BZX EXCHANGE, INC., CBOE EDGA EXCHANGE, INC., AND CBOE EDGX EXCHANGE, INC.

Date Initiated: 10/23/2019

Docket/Case Number: STAR NO. 20110297130-10 THROUGH -13 / FILE NO. USRI-1803

Principal Product Type: Other

Other Product Type(s):



Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 11/07/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$276,923.08

Other Sanctions Ordered:

Sanction Details: A CENSURE AND A MONETARY FINE IMPOSED ON LEK SECURITIES CORPORATION IN THE AMOUNT OF \$69,230.77 PAYABLE TO BYX; \$69,230.77 PAYABLE TO BZX; \$69,230.77 PAYABLE TO EDGA; AND \$69,230.77 PAYABLE TO EDGX. IN ADDITION, LEK SECURITIES CORPORATION MUST COMPLY WITH THE EQUITABLE RELIEF AND UNDERTAKINGS DETAILED IN THE CONSOLIDATED OFFER OF SETTLEMENT; A PERMANENT BAR IN ALL CAPACITIES AGAINST SAMUEL FREDERIK LEK.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA HAS ALLEGED THAT A CUSTOMER PLACED TRADES THROUGH LEK SECURITIES CORPORATION ("LSC") THAT WERE MANIPULATIVE. THE SEC HAS ALLEGED THAT SAMUEL LEK AND LSC VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT AND AIDED AND ABETTED THE CUSTOMER'S ACTIVITY IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT. IT IS FURTHER ALLEGED THAT SAMUEL LEK AND LSC AIDED AND ABETTED THE CUSTOMER'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT. IN ADDITION, THE SEC ALLEGED THAT SAMUEL LEK HAS VIOLATED SECTION 20(A) OF THE EXCHANGE ACT FOR THE CUSTOMER'S VIOLATIONS OF EXCHANGE ACT 10(B) AND RULE 10B-5 AND SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 AND ALSO VIOLATED AND VIOLATED BYX RULES 3.1, 3.2, 5.1, 5.2 AND 5.4.

Initiated By: CBOE BYX EXCHANGE, INC., CBOE BZX EXCHANGE, INC., CBOE EDGA



EXCHANGE, INC., AND CBOE EDGX EXCHANGE, INC.

Date Initiated: 10/23/2019

Docket/Case Number: STAR NO. 20110297130-10 THROUGH -13 / FILE NO. USRI-1803

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 11/07/2019

Sanctions Ordered: Censure
Monetary/Fine \$276,923.08

Other Sanctions Ordered:

Sanction Details: A CENSURE AND A MONETARY FINE IMPOSED ON LEK SECURITIES CORPORATION IN THE AMOUNT OF \$69,230.77 PAYABLE TO BYX; \$69,230.77 PAYABLE TO BZX; \$69,230.77 PAYABLE TO EDGA; AND \$69,230.77 PAYABLE TO EDGX. IN ADDITION, LEK SECURITIES CORPORATION MUST COMPLY WITH THE EQUITABLE RELIEF AND UNDERTAKINGS DETAILED IN THE CONSOLIDATED OFFER OF SETTLEMENT; A PERMANENT BAR IN ALL CAPACITIES AGAINST SAMUEL FREDERIK LEK.

Disclosure 5 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: SEC ADMIN RELEASE 34-87268, OCTOBER 10, 2019: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AGAINST LEK SECURITIES CORPORATION ("LEK SECURITIES") AND SAMUEL LEK ("SAM LEK")(COLLECTIVELY, "RESPONDENTS"). ON OCTOBER 1, 2019, FINAL JUDGMENTS WERE ENTERED BY CONSENT AGAINST LEK SECURITIES AND SAM LEK, PERMANENTLY ENJOINING THEM FROM FUTURE VIOLATIONS OF SECTION 17(A) OF THE SECURITIES ACT OF 1933 AND SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER, IN THE CIVIL ACTION ENTITLED SECURITIES AND EXCHANGE COMMISSION V. LEK



SECURITIES CORPORATION, ET AL., CIVIL ACTION NUMBER 17-CV-1789, IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 10/10/2019

Docket/Case Number: 3-19581

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought: N/A

Resolution: Order

Resolution Date: 10/10/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED.

Regulator Statement RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT ("OFFER") THAT THE COMMISSION HAS DETERMINED TO ACCEPT. ACCORDINGLY, IT IS HEREBY ORDERED THAT: LEK SECURITIES IS CENSURED.

Reporting Source: Firm

Current Status: Final

Allegations: SEC ADMIN RELEASE 34-87268, OCTOBER 10, 2019: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AGAINST LEK SECURITIES CORPORATION ("LEK SECURITIES") AND SAMUEL LEK ("SAM



LEK")(COLLECTIVELY, "RESPONDENTS"). ON OCTOBER 1, 2019, FINAL JUDGMENTS WERE ENTERED BY CONSENT AGAINST LEK SECURITIES AND SAM LEK, PERMANENTLY ENJOINING THEM FROM FUTURE VIOLATIONS OF SECTION 17(A) OF THE SECURITIES ACT OF 1933 AND SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER, IN THE CIVIL ACTION ENTITLED SECURITIES AND EXCHANGE COMMISSION V. LEK SECURITIES CORPORATION, ET AL., CIVIL ACTION NUMBER 17-CV-1789, IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	10/10/2019
Docket/Case Number:	3-19581
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Order
Resolution Date:	10/10/2019
Sanctions Ordered:	Censure
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED.
Firm Statement	RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT ("OFFER") THAT THE COMMISSION HAS DETERMINED TO ACCEPT. ACCORDINGLY, IT IS HEREBY ORDERED THAT: LEK SECURITIES IS CENSURED.

Disclosure 6 of 36

Reporting Source:	Regulator
Current Status:	Final
Allegations:	LEK: (I) FAILED TO PROPERLY IDENTIFY ONE OF ITS CUSTOMERS AS A PROFESSIONAL CUSTOMER, RESULTING IN LEK'S IMPROPER ROUTING OF NUMEROUS ORDERS, REPRESENTING A TOTAL OF APPROXIMATELY 263,050 CONTRACTS, TO THE EXCHANGE WITH A "CUSTOMER" ORDER ORIGIN CODE INSTEAD OF A "PROFESSIONAL CUSTOMER" ORDER ORIGIN



CODE; (II) FAILED TO MAINTAIN ACCURATE BOOKS AND RECORDS AS A RESULT OF MISMARKING NUMEROUS ORDERS WITH INCORRECT ORDER ORIGIN CODES; AND (III) FAILED TO REASONABLY SUPERVISE TO ASSURE COMPLIANCE WITH EXCHANGE RULES AND THE EXCHANGE ACT AS THEY RELATE TO ORDER ORIGIN CODES. (VIOLATIONS OF EXCHANGE RULES 4.2, 4.22, 6.51 AND 15.1; SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-3 THEREUNDER AND RULE 1.1 (GGG)

Initiated By: CBOE EXCHANGE, INC.

Date Initiated: 11/27/2018

Docket/Case Number: 19-0007/ 20150457583

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/31/2019

Sanctions Ordered: Censure
Monetary/Fine \$49,342.00

Other Sanctions Ordered:

Sanction Details: A CENSURE AND FINE IN THE AMOUNT OF \$225,000, OF WHICH \$49,342 SHALL BE PAID TO CBOE.
THE REMAINDER OF THE TOTAL FINE SHALL BE ALLOCATED TO NYSE AMERICAN LLC, NASDAQ PHLX LLC AND NASDAQ ISE LLC.

Reporting Source: Firm

Current Status: Final

Allegations: LEK: (I) FAILED TO PROPERLY IDENTIFY ONE OF ITS CUSTOMERS AS A PROFESSIONAL CUSTOMER, RESULTING IN LEK'S IMPROPER ROUTING OF NUMEROUS ORDERS TO THE EXCHANGE WITH A "CUSTOMER" ORDER ORIGIN CODE INSTEAD OF A "PROFESSIONAL CUSTOMER" ORDER ORIGIN CODE; (II) FAILED TO MAINTAIN ACCURATE BOOKS AND RECORDS AS A RESULT OF MISMARKING NUMEROUS ORDERS WITH INCORRECT ORDER ORIGIN CODES; AND (III) FAILED TO REASONABLY SUPERVISE TO ASSURE COMPLIANCE WITH EXCHANGE RULES AND THE EXCHANGE ACT AS THEY



RELATE TO ORDER ORIGIN CODES. (VIOLATIONS OF EXCHANGE RULES 4.2, 4.22, 6.51 AND 15.1; SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-3 THEREUNDER AND RULE 1.1

Initiated By: CBOE EXCHANGE, INC.

Date Initiated: 11/27/2018

Docket/Case Number: 19-0007/ 20150457583

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/31/2019

Sanctions Ordered: Censure
Monetary/Fine \$49,342.00

Other Sanctions Ordered:

Sanction Details: A CENSURE AND FINE IN THE AMOUNT OF \$225,000, OF WHICH \$49,342 SHALL BE PAID TO CBOE. THE REMAINDER OF THE TOTAL FINE SHALL BE ALLOCATED TO NYSE AMERICAN LLC, NASDAQ PHLX LLC AND NASDAQ ISE LLC.

Disclosure 7 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT LSCI SUBMITTED AN INACCURATE ORIGIN CODE OF CUSTOMER, INSTEAD OF PROFESSIONAL CUSTOMER, ON OPTIONS ORDERS FOR ONE OF ITS MARKET ACCESS CUSTOMERS, TOTALING APPROXIMATELY 1,199,372 CONTRACTS. THE FINDINGS STATED THAT LSCI WAS UNAWARE OF THE INACCURATE ORIGIN CODES ENTERED ON THE "PROFESSIONAL CUSTOMER" OPTIONS CONTRACTS FOR THIS PARTICULAR MARKET ACCESS CUSTOMER UNTIL SO ADVISED BY ANOTHER EXCHANGE ON MAY 13, 2015. DESPITE LEARNING OF THE ISSUE, LSCI DID NOT CORRECT THE ORIGIN CODES



FOR ITS MARKET ACCESS CUSTOMER'S ORDERS THAT EXECUTED ON THE EXCHANGE UNTIL SEPTEMBER 2015, WHEN ALERTED TO THIS ISSUE BY FINRA STAFF. THE INACCURATE ORIGIN CODES FOR THAT CUSTOMER WERE CAUSED BY A PROGRAMMING ERROR IN CONNECTION WITH CERTAIN TECHNOLOGY UPGRADES, AND WERE ULTIMATELY RESOLVED THROUGH CORRECTIVE ACTION BY LSCI PROGRAMMERS. EACH INSTANCE IN WHICH LSCI EXECUTED A PROFESSIONAL CUSTOMER ORDER WITH AN INCORRECT ORIGIN CODE OF CUSTOMER CAUSED INACCURACIES IN THE FIRM'S ORDER RECORDS AND THE AUDIT TRAIL, AND COULD HAVE AFFECTED THE PRIORITY OF ORDER EXECUTION AND THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT LSCI FAILED TO HAVE REASONABLE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE REQUIREMENTS. IN PARTICULAR, LSCI FAILED TO CONDUCT REASONABLE REVIEWS OF ACTIVITY IN CUSTOMER ACCOUNTS TO DETERMINE WHETHER AND WHEN THEY QUALIFIED AS PROFESSIONAL CUSTOMERS, AND TO ENSURE THAT IT PLACED CORRECT ORIGIN CODES ON ORDERS. LSCI FAILED TO TAKE EFFECTIVE CORRECTIVE ACTION ONCE ALERTED TO THE ISSUE BY ANOTHER OPTIONS EXCHANGE TO ENSURE THAT IT PROPERLY MARKED AS PROFESSIONAL CUSTOMER ORDERS FOR ONE PARTICULAR MARKET ACCESS CUSTOMER ON SEVERAL OPTIONS MARKETS, INCLUDING THE EXCHANGE.

Initiated By: NYSE AMERICAN LLC

Date Initiated: 01/24/2019

Docket/Case Number: 2015045758303

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/24/2019



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$63,878.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$225,000, OF WHICH \$63,878 SHALL BE PAID TO THE EXCHANGE.

THE BALANCE OF THE FINE SHALL BE PAID TO THE OTHER SELF-REGULATORY ORGANIZATIONS. ADDITIONALLY, ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND EACH OF THE FOLLOWING SELF-REGULATORY ORGANIZATIONS: (I) NASDAQ ISE, LLC; (II) NASDAQ PHLX LLC; AND (III) THE CBOE EXCHANGE, INC.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT LSCI SUBMITTED AN INACCURATE ORIGIN CODE OF CUSTOMER, INSTEAD OF PROFESSIONAL CUSTOMER, ON OPTIONS ORDERS FOR ONE OF ITS MARKET ACCESS CUSTOMERS. THE FINDINGS STATED THAT LSCI WAS UNAWARE OF THE INACCURATE ORIGIN CODES ENTERED ON THE "PROFESSIONAL CUSTOMER" OPTIONS CONTRACTS FOR THIS PARTICULAR MARKET ACCESS CUSTOMER UNTIL SO ADVISED BY ANOTHER EXCHANGE ON MAY 13, 2015. DESPITE LEARNING OF THE ISSUE, LSCI DID NOT CORRECT THE ORIGIN CODES FOR ITS MARKET ACCESS CUSTOMER'S ORDERS THAT EXECUTED ON THE EXCHANGE UNTIL SEPTEMBER 2015, WHEN ALERTED TO THIS ISSUE BY FINRA STAFF.

Initiated By: NYSE AMERICAN LLC

Date Initiated: 01/24/2019

Docket/Case Number: 2015045758303

Principal Product Type: Options

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 01/24/2019**Sanctions Ordered:** Censure
Monetary/Fine \$63,878.00**Other Sanctions Ordered:**

Sanction Details: THE FIRM WAS CENSURED AND FINED \$225,000, OF WHICH \$63,878 SHALL BE PAID TO THE EXCHANGE. THE BALANCE OF THE FINE SHALL BE PAID TO THE OTHER SELF-REGULATORY ORGANIZATIONS. ADDITIONALLY, ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND EACH OF THE FOLLOWING SELF-REGULATORY ORGANIZATIONS: (I) NASDAQ ISE, LLC; (II) NASDAQ PHLX LLC; AND (III) THE CBOE EXCHANGE, INC.

Disclosure 8 of 36**Reporting Source:** Regulator**Current Status:** Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT LSCI SUBMITTED AN INACCURATE ORIGIN CODE OF CUSTOMER, INSTEAD OF PROFESSIONAL CUSTOMER, ON OPTIONS ORDERS FOR ONE OF ITS MARKET ACCESS CUSTOMERS, TOTALING APPROXIMATELY 1,199,372 CONTRACTS. THE FINDINGS STATED THAT LSCI WAS UNAWARE OF THE INACCURATE ORIGIN CODES ENTERED ON THE PROFESSIONAL CUSTOMER OPTIONS CONTRACTS FOR THIS PARTICULAR MARKET ACCESS CUSTOMER UNTIL SO ADVISED BY NASDAQ ISE, LLC ("ISE") STAFF ON MAY 13, 2015, AT WHICH TIME LSCI CORRECTED THE ORIGIN CODES FOR ORDERS ENTERED ON ISE. THE INACCURATE ORIGIN CODES FOR THAT CUSTOMER WERE CAUSED BY A PROGRAMMING ERROR IN CONNECTION WITH CERTAIN TECHNOLOGY UPGRADES, AND WERE ULTIMATELY RESOLVED THROUGH CORRECTIVE ACTION BY LSCI PROGRAMMERS. EACH INSTANCE IN WHICH LSCI EXECUTED A PROFESSIONAL CUSTOMER ORDER WITH AN INCORRECT ORIGIN CODE OF CUSTOMER CAUSED



INACCURACIES IN LSCI'S ORDER RECORDS AND THE AUDIT TRAIL, AND COULD HAVE AFFECTED THE PRIORITY OF ORDER EXECUTION AND THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT LSCI FAILED TO HAVE REASONABLE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE REQUIREMENTS. IN PARTICULAR, LSCI FAILED TO CONDUCT REASONABLE REVIEWS OF ACTIVITY IN CUSTOMER ACCOUNTS TO DETERMINE WHETHER AND WHEN THEY QUALIFIED AS PROFESSIONAL CUSTOMERS, AND TO ENSURE THAT IT PLACED CORRECT ORIGIN CODES ON ORDERS. LSCI FAILED TO TAKE EFFECTIVE CORRECTIVE ACTION ONCE ALERTED TO THE ISSUE BY THE EXCHANGE TO ENSURE THAT IT PROPERLY MARKED AS PROFESSIONAL CUSTOMER ORDERS FOR ONE PARTICULAR MARKET ACCESS CUSTOMER ON ALL EXCHANGES.

Initiated By: NASDAQ ISE, LLC

Date Initiated: 01/24/2019

Docket/Case Number: 2015045758301

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/24/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$37,327.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$225,000, OF WHICH \$37,327 SHALL BE PAID TO THE EXCHANGE.



THE BALANCE OF THE FINE SHALL BE PAID TO THE OTHER SELF-REGULATORY ORGANIZATIONS. ADDITIONALLY, ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND EACH OF THE FOLLOWING SELF-REGULATORY ORGANIZATIONS: (I) NASDAQ PHLX LLC; (II) NYSE AMERICAN LLC; AND (III) THE CBOE EXCHANGE, INC.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT LSCI SUBMITTED AN INACCURATE ORIGIN CODE OF CUSTOMER, INSTEAD OF PROFESSIONAL CUSTOMER, ON OPTIONS ORDERS FOR ONE OF ITS MARKET ACCESS CUSTOMERS, TOTALING APPROXIMATELY 1,199,372 CONTRACTS. THE FINDINGS STATED THAT LSCI WAS UNAWARE OF THE INACCURATE ORIGIN CODES ENTERED ON THE PROFESSIONAL CUSTOMER OPTIONS CONTRACTS FOR THIS PARTICULAR MARKET ACCESS CUSTOMER UNTIL SO ADVISED BY NASDAQ ISE, LLC ("ISE") STAFF ON MAY 13, 2015, AT WHICH TIME LSCI CORRECTED THE ORIGIN CODES FOR ORDERS ENTERED ON ISE. THE INACCURATE ORIGIN CODES FOR THAT CUSTOMER WERE CAUSED BY A PROGRAMMING ERROR IN CONNECTION WITH CERTAIN TECHNOLOGY UPGRADES, AND WERE ULTIMATELY RESOLVED THROUGH CORRECTIVE ACTION BY LSCI PROGRAMMERS

Initiated By: NASDAQ ISE, LLC

Date Initiated: 01/24/2019

Docket/Case Number: 2015045758301

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/24/2019

Sanctions Ordered: Censure
Monetary/Fine \$37,327.00

**Other Sanctions Ordered:****Sanction Details:**

THE FIRM WAS CENSURED AND FINED \$225,000, OF WHICH \$37,327 SHALL BE PAID TO THE EXCHANGE. THE BALANCE OF THE FINE SHALL BE PAID TO THE OTHER SELF-REGULATORY ORGANIZATIONS. ADDITIONALLY, ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND EACH OF THE FOLLOWING SELF-REGULATORY ORGANIZATIONS: (I) NASDAQ PHLX LLC; (II) NYSE AMERICAN LLC; AND (III) THE CBOE EXCHANGE, INC.

Disclosure 9 of 36**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT LSCI SUBMITTED AN INACCURATE ORIGIN CODE OF CUSTOMER, INSTEAD OF PROFESSIONAL CUSTOMER, ON OPTIONS ORDERS FOR ONE OF ITS MARKET ACCESS CUSTOMERS, TOTALING APPROXIMATELY 1,199,372 CONTRACTS. THE FINDINGS STATED THAT LSCI WAS UNAWARE OF THE INACCURATE ORIGIN CODES ENTERED ON THE PROFESSIONAL CUSTOMER OPTIONS CONTRACTS FOR THIS PARTICULAR MARKET ACCESS CUSTOMER UNTIL SO ADVISED BY ANOTHER EXCHANGE ON MAY 13, 2015. DESPITE LEARNING OF THE ISSUE, LSCI DID NOT CORRECT THE ORIGIN CODES FOR ITS MARKET ACCESS CUSTOMER'S ORDERS THAT EXECUTED ON PHLX UNTIL SEPTEMBER 2015, WHEN ALERTED TO THIS ISSUE BY FINRA STAFF. THE INACCURATE ORIGIN CODES FOR THAT CUSTOMER WERE CAUSED BY A PROGRAMMING ERROR IN CONNECTION WITH CERTAIN TECHNOLOGY UPGRADES, AND WERE ULTIMATELY RESOLVED THROUGH CORRECTIVE ACTION BY LSCI PROGRAMMERS. EACH INSTANCE IN WHICH LSCI EXECUTED A PROFESSIONAL CUSTOMER ORDER WITH AN INCORRECT ORIGIN CODE OF CUSTOMER CREATED INACCURACIES IN THE FIRM'S ORDER RECORDS AND THE AUDIT TRAIL, AND COULD HAVE AFFECTED THE PRIORITY OF ORDER EXECUTION AND THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND FEDERAL SECURITIES LAWS. THE FINDINGS ALSO STATED THAT LSCI FAILED TO HAVE REASONABLE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH PHLX'S ORIGIN CODE REQUIREMENTS. IN PARTICULAR, LSCI FAILED TO CONDUCT REASONABLE REVIEWS OF ACTIVITY IN CUSTOMER ACCOUNTS TO DETERMINE WHETHER AND WHEN



THEY QUALIFIED AS PROFESSIONAL CUSTOMERS, AND TO ENSURE THAT IT PLACED CORRECT ORIGIN CODES ON ORDERS. LSCI FAILED TO TAKE EFFECTIVE CORRECTIVE ACTION ONCE ALERTED TO THE ISSUE BY ANOTHER OPTIONS EXCHANGE TO ENSURE THAT IT PROPERLY MARKED AS PROFESSIONAL CUSTOMER ORDERS FOR ONE PARTICULAR MARKET ACCESS CUSTOMER ON SEVERAL OPTIONS MARKETS, INCLUDING PHLX.

Initiated By: NASDAQ PHLX LLC

Date Initiated: 01/24/2019

Docket/Case Number: 2015045758302

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/24/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$74,453.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$225,000, OF WHICH \$74,453 SHALL BE PAID TO THE EXCHANGE.

THE BALANCE OF THE FINE SHALL BE PAID TO THE OTHER SELF-REGULATORY ORGANIZATIONS. ADDITIONALLY, ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND EACH OF THE FOLLOWING SELF-REGULATORY ORGANIZATIONS: (I) NYSE AMERICAN LLC; (II) NASDAQ ISE, LLC; AND (III) THE CBOE EXCHANGE, INC.

Reporting Source: Firm



Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT LSCI SUBMITTED AN INACCURATE ORIGIN CODE OF CUSTOMER, INSTEAD OF PROFESSIONAL CUSTOMER, ON OPTIONS ORDERS FOR ONE OF ITS MARKET ACCESS CUSTOMERS, TOTALING APPROXIMATELY 1,199,372 CONTRACTS. THE FINDINGS STATED THAT LSCI WAS UNAWARE OF THE INACCURATE ORIGIN CODES ENTERED ON THE PROFESSIONAL CUSTOMER OPTIONS CONTRACTS FOR THIS PARTICULAR MARKET ACCESS CUSTOMER UNTIL SO ADVISED BY ANOTHER EXCHANGE ON MAY 13, 2015. DESPITE LEARNING OF THE ISSUE, LSCI DID NOT CORRECT THE ORIGIN CODES FOR ITS MARKET ACCESS CUSTOMER'S ORDERS THAT EXECUTED ON PHLX UNTIL SEPTEMBER 2015, WHEN ALERTED TO THIS ISSUE BY FINRA STAFF.
Initiated By:	NASDAQ PHLX LLC
Date Initiated:	01/24/2019
Docket/Case Number:	2015045758302
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/24/2019
Sanctions Ordered:	Censure Monetary/Fine \$74,453.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED \$225,000, OF WHICH \$74,453 SHALL BE PAID TO THE EXCHANGE. THE BALANCE OF THE FINE SHALL BE PAID TO THE OTHER SELF-REGULATORY ORGANIZATIONS. ADDITIONALLY, ACCEPTANCE OF THIS AWC IS CONDITIONED UPON ACCEPTANCE OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND EACH OF THE FOLLOWING SELF-REGULATORY ORGANIZATIONS: (I) NYSE AMERICAN LLC; (II) NASDAQ ISE, LLC; AND (III) THE CBOE EXCHANGE, INC.



Disclosure 10 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT, ACTING THROUGH LEK, ITS CHIEF EXECUTIVE OFFICER (CEO), CHIEF COMPLIANCE OFFICER (CCO), AND ANTI-MONEY LAUNDERING (AML) COMPLIANCE OFFICER, FAILED TO DEVELOP AND IMPLEMENT A REASONABLE AML PROGRAM AND SUPERVISORY SYSTEM FOR THE DEPOSIT AND TRADING OF LOW PRICED PENNY STOCKS (MICROCAP STOCKS). THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND ITS IMPLEMENTING REGULATIONS. THE ACTIVITY RESULTED IN MICROCAP TRADES BEING CONDUCTED WITHOUT REASONABLE DETECTION, INVESTIGATION, AND DETERMINATION AS TO WHETHER SUCH TRANSACTIONS SHOULD BE REPORTED ON A SUSPICIOUS ACTIVITY REPORT (SAR). THE FIRM FAILED TO ESTABLISH REASONABLE WSPS TO FULFILL THE FIRM'S OBLIGATIONS TO CONDUCT A SEARCHING INQUIRY, PRIOR TO LIQUIDATING MICROCAP SECURITIES, TO DETERMINE WHETHER THE CUSTOMER'S RESALE OF THOSE SHARES WERE REGISTERED OR SUBJECT TO AN EXEMPTION FROM REGISTRATION. AS A RESULT, THE FIRM ENGAGED IN SALES OF UNREGISTERED SECURITIES IN TRANSACTIONS NOT SUBJECT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS. THE FIRM, ACTING UNDER LEK'S DIRECTION, ALSO FAILED TO CONDUCT REASONABLE DUE DILIGENCE ON THE DEPOSITS, CUSTOMERS, AND ISSUERS DESPITE RED FLAGS THAT EXISTED AT THE TIME OF DEPOSIT OR TRADING OF MICROCAP SECURITIES. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO COMPLY WITH OTHER AML OBLIGATIONS, INCLUDING FAILING TO CONDUCT TIMELY REVIEWS OF FINANCIAL CRIMES ENFORCEMENT NETWORK (FINCEN) 314(A) INFORMATION REQUESTS, FAILING TO CONDUCT REASONABLE AML TESTING, AND FAILING TO PROVIDE REASONABLE AML TRAINING. THE FIRM ENGAGED VARIOUS THIRD PARTIES TO CONDUCT ITS ANNUAL INDEPENDENT TEST. THE TESTS WERE NARROW IN SCOPE AND EVIDENCED A VERY LIMITED REVIEW OF THE FIRM'S AML PROCESS AND PROCEDURES, THEREBY FAILING TO CONDUCT ANY SUBSTANTIVE ASSESSMENT OF ITS MICROCAP BUSINESS. THE FIRM PROVIDED ANNUAL TRAINING TO ITS EMPLOYEES. HOWEVER, EMPLOYEES THAT WERE PRIMARILY RESPONSIBLE FOR COMPLIANCE FUNCTIONS WERE NOT PROVIDED REASONABLE GUIDANCE TO CONDUCT THEIR ROLES. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM ALLOWED ITS ACCOUNT OWNERS TO ENGAGE IN MILLIONS OF DOLLARS OF MICROCAP STOCK DEPOSIT AND TRADING, INCLUDING ACCOUNTS



THAT WERE OWNED BY INDIVIDUALS PREVIOUSLY CHARGED WITH REGULATORY VIOLATIONS, KNOWN TOXIC-DEBT FINANCIERS, AND OMNIBUS ACCOUNTS ESTABLISHED IN FOREIGN JURISDICTIONS WITH UNKNOWN BENEFICIAL OWNERS. IN TOTAL, THESE PARTICULAR FIRM ACCOUNTS LIQUIDATED MORE THAN 56 BILLION SHARES OF MICROCAP STOCKS AND GENERATED APPROXIMATELY \$100 MILLION OF PROCEEDS, FOR WHICH THE FIRM RECEIVED APPROXIMATELY \$1.6 MILLION IN COMMISSIONS.

Initiated By: FINRA

Date Initiated: 11/26/2018

Docket/Case Number: [2015045312501](#)

Principal Product Type: Penny Stock(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 12/20/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$200,000.00
Suspension

Other Sanctions Ordered: UNDERTAKINGS AND CERTIFICATION

Sanction Details: THE FIRM WAS FINED \$200,000, SHALL NOT SELL OR ACCEPT FOR DEPOSIT ANY LOW PRICED SECURITY UNTIL IT CERTIFIES TO FINRA THAT IT HAS IMPLEMENTED THE RECOMMENDATIONS OF AN INDEPENDENT CONSULTANT AND UNDERTAKES TO RETAIN ONE OR MORE QUALIFIED INDEPENDENT CONSULTANTS WITHIN 60 DAYS TO CONDUCT A COMPREHENSIVE REVIEW OF THE FIRM'S SUPERVISORY SYSTEM AND ITS COMPLIANCE WITH AML AND SECTION 5 OBLIGATIONS IN CONNECTION WITH STOCK TRADING IN LOW PRICED SECURITIES AND WILL CERTIFY THAT THE FIRM HAS FULLY COMPLIED WITH THE BUSINESS LINE SUSPENSION, ANY SALES OF LOW PRICED SECURITIES DURING THE



SUSPENSION PERIOD WERE MADE IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT OF 1933, AND THE FIRM HAS IN PLACE POLICIES, SYSTEMS AND PROCEDURES TO ADDRESS AND CORRECT THE VIOLATIONS DESCRIBED IN THE OFFER OF SETTLEMENT. 3/10/2020 FINE PAID IN FULL.

Regulator Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT AND ITS ANTI-MONEY LAUNDERING COMPLIANCE OFFICER (AMLCO) FAILED TO IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT, 31 U.S.C. § 5311, ET SEQ., AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER. THE FINDINGS STATED THAT THE ACTIVITY RESULTED IN MICROCAP TRADES BEING CONDUCTED WITHOUT REASONABLE DETECTION, INVESTIGATION, AND DETERMINATION AS TO WHETHER SUCH TRANSACTIONS SHOULD BE REPORTED ON A SUSPICIOUS ACTIVITY REPORT. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO SUPERVISE FOR COMPLIANCE WITH SECTION 5 OF THE SECURITIES ACT OF 1933. THE FIRM AND ITS AMLCO FAILED TO ESTABLISH REASONABLE WSPS TO FULFILL ITS OBLIGATIONS TO CONDUCT A SEARCHING INQUIRY, PRIOR TO LIQUIDATING MICROCAP SECURITIES, TO DETERMINE WHETHER THE CUSTOMER'S RESALE OF THOSE SHARES WAS REGISTERED OR SUBJECT TO AN EXEMPTION FROM REGISTRATION. THE FIRM, ACTING UNDER LEK'S DIRECTION, ALSO FAILED TO CONDUCT REASONABLE DUE DILIGENCE ON THE DEPOSITS, CUSTOMERS, AND ISSUERS DESPITE RED FLAGS THAT EXISTED AT THE TIME OF DEPOSIT OR TRADING OF MICROCAP SECURITIES. THE FINDINGS ALSO INCLUDED THAT BY ENGAGING IN THE SALES OF UNREGISTERED SECURITIES IN TRANSACTIONS NOT SUBJECT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS, THE FIRM ACTED IN CONTRAVENTION OF SECTION 5 OF THE SECURITIES ACT OF 1933. IN TOTAL, PARTICULAR FIRM ACCOUNTS LIQUIDATED MORE THAN 56 BILLION SHARES OF MICROCAP STOCKS AND GENERATED APPROXIMATELY \$100 MILLION OF PROCEEDS, FOR WHICH THE FIRM RECEIVED APPROXIMATELY \$1.6 MILLION IN COMMISSIONS. FINRA FOUND THAT THE FIRM FAILED TO CONDUCT TIMELY REVIEWS OF FINANCIAL CRIMES ENFORCEMENT NETWORK 314(A) INFORMATION REQUESTS. FINRA ALSO FOUND THAT THE FIRM FAILED TO CONDUCT REASONABLE TESTING OF ITS AML PROGRAM. THE FIRM ENGAGED VARIOUS THIRD PARTIES TO CONDUCT ITS ANNUAL INDEPENDENT TEST. EACH OF THE TESTS WERE SUBSTANTIVELY INADEQUATE, WERE NARROW IN SCOPE AND EVIDENCED A VERY LIMITED REVIEW OF ITS AML PROCESS AND PROCEDURES, THEREBY FAILING TO CONDUCT ANY SUBSTANTIVE ASSESSMENT OF THE FIRM'S MICROCAP BUSINESS. IN ADDITION, FINRA DETERMINED THAT THE FIRM FAILED TO



PROVIDE REASONABLE AML TRAINING.

Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT, ACTING THROUGH LEK, ITS CHIEF EXECUTIVE OFFICER (CEO), CHIEF COMPLIANCE OFFICER (CCO), AND ANTI-MONEY LAUNDERING (AML) COMPLIANCE OFFICER, FAILED TO DEVELOP AND IMPLEMENT A REASONABLE AML PROGRAM AND SUPERVISORY SYSTEM FOR THE DEPOSIT AND TRADING OF LOW PRICED PENNY STOCKS (MICROCAP STOCKS). THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND ITS IMPLEMENTING REGULATIONS. THE ACTIVITY RESULTED IN MICROCAP TRADES BEING CONDUCTED WITHOUT REASONABLE DETECTION, INVESTIGATION, AND DETERMINATION AS TO WHETHER SUCH TRANSACTIONS SHOULD BE REPORTED ON A SUSPICIOUS ACTIVITY REPORT (SAR). IT IS ALLEGED THAT THE FIRM, ACTING UNDER LEK'S DIRECTION, ALSO FAILED TO CONDUCT REASONABLE DUE DILIGENCE ON THE DEPOSITS, CUSTOMERS, AND ISSUERS DESPITE RED FLAGS THAT EXISTED AT THE TIME OF DEPOSIT OR TRADING OF MICROCAP SECURITIES. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO COMPLY WITH OTHER AML OBLIGATIONS, INCLUDING FAILING TO CONDUCT TIMELY REVIEWS OF FINANCIAL CRIMES ENFORCEMENT NETWORK (FINCEN) 314(A) INFORMATION REQUESTS, FAILING TO CONDUCT REASONABLE AML TESTING, AND FAILING TO PROVIDE REASONABLE AML TRAINING.</p>
Initiated By:	FINRA
Date Initiated:	11/26/2018
Docket/Case Number:	2015045312501
Principal Product Type:	Penny Stock(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement



Resolution Date:	12/20/2019
Sanctions Ordered:	Monetary/Fine \$200,000.00
Other Sanctions Ordered:	<p>RESPONDENT LSC HAS UNDERTAKEN TO DO THE FOLLOWING:</p> <p>A. RETAIN AT ITS OWN EXPENSE ONE OR MORE QUALIFIED INDEPENDENT CONSULTANTS (THE "INDEPENDENT CONSULTANT") NOT UNACCEPTABLE TO FINRA, WITHIN 60 DAYS OF THE DATE OF THE ORDER ACCEPTING OFFER OF SETTLEMENT TO CONDUCT A COMPREHENSIVE REVIEW OF THE FIRM'S SUPERVISORY SYSTEM AND ITS COMPLIANCE WITH ANTI-MONEY LAUNDERING ("AML") AND SECTION 5 OBLIGATIONS IN CONNECTION WITH STOCK TRADING IN LOW PRICED SECURITIES, INCLUDING BUT NOT LIMITED TO:</p> <p>(I) CUSTOMER ONBOARDING;</p> <p>(II) ACCEPTANCE OF LOW PRICED SECURITIES FOR DEPOSIT, IN CERTIFICATE</p> <p>35</p> <p>FORM OR OTHERWISE;</p> <p>(III) CUSTOMER TRADING OF LOW PRICED SECURITIES;</p> <p>(IV) THE FIRM'S SYSTEMS AND CONTROLS FOR MONITORING FOR, DETECTING, AND INVESTIGATING SUSPICIOUS ACTIVITY THROUGH THE FIRM; AND</p> <p>(V) TRAINING OF LSC STAFF REGARDING THE FOREGOING SUBJECTS.</p>
Sanction Details:	<p>BUSINESS LINE SUSPENSION: LSC SHALL NOT SELL OR ACCEPT FOR DEPOSIT ANY LOW PRICED SECURITY (DEFINED HEREIN AS ANY EQUITY SECURITY THAT DOES NOT TRADE ON A NATIONAL SECURITIES EXCHANGE AND TRADES AT A PRICE OF LESS THAN \$5 PER SHARE AT THE TIME IT IS SUBMITTED TO LSC FOR DEPOSIT OR SALE) UNTIL THE FIRM CERTIFIES TO FINRA THAT IT HAS IMPLEMENTED THE RECOMMENDATIONS OF THE INDEPENDENT CONSULTANT AS DESCRIBED BELOW. HOWEVER, LSC MAY EXECUTE ORDERS TO SELL ANY SUCH SECURITY IF:</p> <p>1. LSC OBTAINS AND RETAINS A TRADE CONFIRMATION EVIDENCING THAT THE SECURITIES WERE PURCHASED ON THE OPEN MARKET, AS OPPOSED TO HAVING BEEN DEPOSITED AT LSC OR OTHER FINANCIAL INSTITUTION; OR,</p> <p>2. THE SECURITIES WERE DEPOSITED AT LSC PRIOR TO THE ISSUANCE OF THIS ORDER, PROVIDED THAT ALL SUCH SALES OTHERWISE COMPLY WITH THE FIRM'S LEGAL OBLIGATIONS, INCLUDING UNDER SECTION 5 OF THE SECURITIES ACT OF 1933. CERTIFICATION: THE FIRM AGREES THAT AT THE CONCLUSION OF THE BUSINESS LINE SUSPENSION REFERENCED ABOVE, ITS CHIEF EXECUTIVE OFFICER WILL CERTIFY IN WRITING TO FINRA THAT, BASED ON REASONABLE AND DOCUMENTED STEPS, (I) THE FIRM HAS FULLY COMPLIED WITH THE BUSINESS LINE SUSPENSION, (II) ANY SALES OF LOW PRICED SECURITIES DURING THE SUSPENSION PERIOD WERE MADE IN COMPLIANCE WITH THE REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT OF 1933, AND (3) THE FIRM HAS IN</p>



PLACE POLICIES, SYSTEMS AND PROCEDURES TO ADDRESS AND CORRECT THE VIOLATIONS DESCRIBED IN THIS OFFER OF SETTLEMENT.

Disclosure 11 of 36

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REPORT SHORT INTEREST POSITIONS IN FOREIGN-LISTED SECURITIES, BECAUSE THE FIRM WAS UNAWARE THAT SHORT INTEREST POSITIONS IN FOREIGN-LISTED SECURITIES WERE REPORTABLE. THE FINDINGS STATED THAT THE FIRM CORRECTED THE REPORTING OF SUCH POSITIONS AND UPDATED ITS WRITTEN SUPERVISORY PROCEDURES TO ADDRESS THE REQUIRED REPORTING OF FOREIGN-LISTED SECURITIES.
Initiated By:	FINRA
Date Initiated:	05/21/2018
Docket/Case Number:	2015044892901
Principal Product Type:	Other
Other Product Type(s):	FOREIGN-LISTED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/21/2018
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$15,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED \$15,000. FINES PAID IN FULL ON MAY 30, 2018.



Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REPORT SHORT INTEREST POSITIONS IN FOREIGN-LISTED SECURITIES, BECAUSE THE FIRM WAS UNAWARE THAT SHORT INTEREST POSITIONS IN FOREIGN-LISTED SECURITIES WERE REPORTABLE. THE FINDINGS STATED THAT THE FIRM CORRECTED THE REPORTING OF SUCH POSITIONS AND UPDATED ITS WRITTEN SUPERVISORY PROCEDURES TO ADDRESS THE REQUIRED REPORTING OF FOREIGN-LISTED SECURITIES.
Initiated By:	FINRA
Date Initiated:	05/21/2018
Docket/Case Number:	2015044892901
Principal Product Type:	Other
Other Product Type(s):	FOREIGN-LISTED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/21/2018
Sanctions Ordered:	Censure Monetary/Fine \$15,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED \$15,000. FINES PAID IN FULL ON MAY 30, 2018.

Disclosure 12 of 36

Reporting Source:	Regulator
Current Status:	Final
Allegations:	THE FIRM (I) REPORTED POSITIONS TO THE LOPR ON THE OPPOSITE SIDE OF THE MARKET FOR APPROXIMATELY 37,000 POSITIONS IN APPROXIMATELY 404,650 INSTANCES; (II) REPORTED POSITIONS TO THE



LOPR WITH INCORRECT EFFECTIVE DATES, INCORRECTLY REPORTING POSITIONS WHEN THE POSITIONS FELL BELOW THE LOPR-REPORTABLE THRESHOLD OF 200 CONTRACTS, AND REPORTING POSITIONS WITHOUT A TAX ID, TAX ID TYPE, OR POSTAL CODE FOR FOREIGN ACCOUNTS IN NUMEROUS INSTANCES; (III) FAILED TO ESTABLISH ADEQUATE SUPERVISORY PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH EXCHANGE RULE 4.13, WHICH RESULTED IN NUMEROUS LOPR REPORTING VIOLATIONS; AND (IV) FAILED TO ADEQUATELY SUPERVISE ITS LOPR REPORTING ACTIVITY SO AS TO ENSURE COMPLIANCE WITH EXCHANGE RULE 4.13, WHICH RESULTED IN NUMEROUS LOPR REPORTING VIOLATIONS. VIOLATIONS OF EXCHANGE RULES 4.2, 4.13 AND 4.24.

Initiated By: CBOE EXCHANGE, INC.

Date Initiated: 02/26/2018

Docket/Case Number: 18-0004/ 20150451875

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 03/15/2018

Sanctions Ordered: Censure
Monetary/Fine \$75,000.00

Other Sanctions Ordered:

Sanction Details: A \$75,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRM (I) REPORTED POSITIONS TO THE LOPR ON THE OPPOSITE SIDE OF THE MARKET FOR APPROXIMATELY 37,000 POSITIONS IN APPROXIMATELY 404,650 INSTANCES; (II) REPORTED POSITIONS TO THE LOPR WITH INCORRECT EFFECTIVE DATES, INCORRECTLY REPORTING POSITIONS WHEN THE POSITIONS FELL BELOW THE LOPR-REPORTABLE



THRESHOLD OF 200 CONTRACTS, AND REPORTING POSITIONS WITHOUT A TAX ID, TAX ID TYPE, OR POSTAL CODE FOR FOREIGN ACCOUNTS IN NUMEROUS INSTANCES; (III) FAILED TO ESTABLISH ADEQUATE SUPERVISORY PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES AND A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH EXCHANGE RULE 4.13, WHICH RESULTED IN NUMEROUS LOPR REPORTING VIOLATIONS; AND (IV) FAILED TO ADEQUATELY SUPERVISE ITS LOPR REPORTING ACTIVITY SO AS TO ENSURE COMPLIANCE WITH EXCHANGE RULE 4.13, WHICH RESULTED IN NUMEROUS LOPR REPORTING VIOLATIONS. VIOLATIONS OF EXCHANGE RULES 4.2, 4.13 AND 4.24.

Initiated By: CBOE EXCHANGE, INC.

Date Initiated: 02/26/2018

Docket/Case Number: 18-0004/ 20150451875

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 03/15/2018

Sanctions Ordered: Censure
Monetary/Fine \$75,000.00

Other Sanctions Ordered:

Sanction Details: A \$75,000 FINE AND A CENSURE.

Disclosure 13 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A COMPLAINT ALLEGING THAT IT AIDED AND ABETTED MANIPULATIVE TRADING ACTIVITY BY A FIRM CUSTOMER.

THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER



IN CONNECTION WITH THE PROHIBITED MANIPULATIVE TRADING SIMPLY BECAUSE THE CUSTOMER ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SEC, AND VARIOUS EXCHANGES. IN SO DOING, THE FIRM AIDED AND ABETTED VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER, SECTION 9(A)(2) OF THE EXCHANGE ACT, AND SECTION 17(A)(3) OF THE SECURITIES ACT, AND THEREBY VIOLATED NASDAQ RULES 2110 AND 2010A.

THE COMPLAINT ALSO ALLEGES THAT THE FIRM KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH ITS OPERATION AS AN UNREGISTERED BROKER-DEALER.

THE COMPLAINT FURTHER ALLEGES THAT THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN REQUIRED WRITTEN SUPERVISORY PROCEDURES (WSPS) IN NUMEROUS WAYS, INCLUDING THE FAILURE TO TAILOR THE PROCEDURES TO THE FIRM'S BUSINESS AND TO INCLUDE SUFFICIENT PROCEDURES FOR THE FIRM'S MARKET ACCESS BUSINESS, FAILING TO DESIGNATE A RESPONSIBLE PERSON WHO WAS SUFFICIENTLY INFORMED TO PERFORM HIS DUTIES, AND BY MAINTAINING WSPS THAT WERE INADEQUATE, CONTAINED ERRORS, OR WERE AT VARIANCE WITH STEPS ACTUALLY PERFORMED. THE FIRM AND ITS CEO ALSO FAILED TO ENFORCE THE FIRM'S WSPS, INCLUDING ITS PROCEDURES PERTAINING TO OUTSIDE BUSINESS ACTIVITIES AND ACCOUNTS AND ADHERENCE TO THE FIRM'S ELECTRONIC COMMUNICATIONS POLICY. THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN THE REQUIRED SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS, AND/OR ASSOCIATED PERSONS, NOTWITHSTANDING NUMEROUS RED FLAGS SUGGESTING CLOSER SUPERVISION WAS WARRANTED.

IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS AND THEY FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM AND ITS CEO FAILED TO ENSURE THAT THE FIRM HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, AND FAILED TO ENSURE THAT THE FIRM'S



REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER THE FIRM'S DIRECT AND EXCLUSIVE CONTROL. THE FIRM AND ITS CEO ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES. AS A RESULT, THE FIRM WILLFULLY VIOLATED EXCHANGE ACT SECTION 15(C)(3) AND RULE 15C3-5, IN VIOLATION OF NASDAQ RULES 2110 AND 2010A.

THE FIRM FAILED TO KNOW ITS CUSTOMER BY FAILING TO USE REASONABLE DILIGENCE TO UNDERSTAND THE ORIGINS OF THE CUSTOMER AND THE INDIVIDUALS BEHIND IT, AS WELL AS THOSE WHO WERE TRADING IN OR THROUGH ITS MASTER ACCOUNT AND SUB-ACCOUNTS.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAKE AND PRESERVE EMAIL BUSINESS RECORDS OF ITS EMPLOYEES AND INDEPENDENT CONTRACTORS, AND THEREBY WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER, AND ALSO VIOLATED NASDAQ RULES 3110, 4511A, 2110 AND 2010A. FIRM EMPLOYEES AND INDEPENDENT CONTRACTORS WERE USING NON-FIRM, I.E. PERSONAL, EMAIL ACCOUNTS TO CONDUCT FIRM BUSINESS.

FURTHERMORE, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS EMPLOYEE'S ELECTRONIC COMMUNICATIONS AS CERTAIN BUSINESS-RELATED EMAILS WERE OUTSIDE ITS PURVIEW. [CONT. IN COMMENTS]

Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	03/27/2017
Docket/Case Number:	2011029713005
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/17/2019



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

Yes

Sanctions Ordered:

Censure
Monetary/Fine \$69,230.77

Other Sanctions Ordered:

EQUITABLE RELIEF AND UNDERTAKINGS.

Sanction Details:

THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO PERFORM ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS DESCRIBED IN THE OFFER.

THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS.

IN DETERMINING THE ABOVE SANCTIONS, THE SRO HAS TAKEN INTO ACCOUNT THE MONETARY SANCTIONS IMPOSED BY THE SEC IN ITS PARALLEL ACTION AGAINST THE RESPONDENT FOR, INTER ALIA, AIDING AND ABETTING FRAUDULENT TRADING OF ITS CUSTOMER AND REGISTERED REPRESENTATIVES, IN VIOLATION OF SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER, AND SECTION 17(A) OF THE SECURITIES ACT OF 1933.

Regulator Statement

[CONTINUED FROM ALLEGATIONS]:

THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAINTAIN ITS EMPLOYEES' CRD RECORDS IN THAT IT SUBMITTED AND MAINTAINED INACCURATE AND/OR INCOMPLETE INFORMATION IN ITS REGISTRANTS' PROFILES ON THE FORMS U4 IN CRD SO AS TO BE MISLEADING. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, REASONABLY DESIGNED TO ENSURE THE ACCURACY OF INFORMATION SUBMITTED TO CRD.

THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ENFORCE ITS WSPS REGARDING OUTSIDE BUSINESS ACTIVITIES.

IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM PAID TRANSACTION-RELATED COMPENSATION TO AN UNREGISTERED PERSON WHEN HE WAS NOT ELIGIBLE FOR FOREIGN FINDER STATUS BECAUSE HE WAS A U.S. CITIZEN AND SHOULD HAVE BEEN DULY REGISTERED WITH HIS



NASDAQ-EMPLOYER FIRM.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO FULLY AND TIMELY COMPLY WITH FINRA INFORMATION REQUESTS WHICH IMPEDED THE ABILITY OF FINRA AND OTHER REGULATORS TO INVESTIGATE THE SERIOUS MISCONDUCT AT ISSUE.

FURTHERMORE, THE COMPLAINT ALLEGES THAT BY ENGAGING IN THE CONDUCT, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM AND ITS OWNER, SAMUEL FREDERIK LEK ("LEK"), (TOGETHER "THE RESPONDENTS"), AIDED AND ABETTED MANIPULATIVE OPTIONS TRADING ("LAYERING") BY A CUSTOMER OF THE FIRM THROUGH THE CUSTOMER'S MASTER-SUB ACCOUNT AT THE FIRM. LSCI ALSO AIDED AND ABETTED THE CUSTOMER IN THE OPERATION OF AN UNREGISTERED BROKER-DEALER THROUGH THE CUSTOMER'S ACCOUNT. IN ADDITION, LSCI COMMITTED, AND LEK CAUSED, MARKET ACCESS RULE VIOLATIONS; LSCI AND LEK COMMITTED SUPERVISORY VIOLATIONS; AND LSCI COMMITTED NUMEROUS ANCILLARY VIOLATIONS CONCERNING KNOW-YOUR-CUSTOMER RULES, FAILURE TO RETAIN ELECTRONIC COMMUNICATIONS, FAILURE TO RETAIN COMPLETE AND ACCURATE CENTRAL REGISTRATION DEPOSITORY ("CRD") RECORDS, IMPROPERLY PAYING TRANSACTION-BASED COMPENSATION TO AN UNREGISTERED PERSON, AND SUPERVISORY VIOLATIONS RELATED TO REVIEW OF ELECTRONIC COMMUNICATIONS, ENSURING THE ACCURACY OF CRD INFORMATION AND ENFORCING PROCEDURES REGARDING OUTSIDE BUSINESS ACTIVITIES. LSCI ALSO FAILED TO COMPLY FULLY AND TIMELY WITH INFORMATION REQUESTS, AND BOTH LSCI AND LEK FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THE VIOLATIONS OCCURRED ON NUMEROUS EXCHANGES.

TAKEN TOGETHER, THE VARIOUS VIOLATIONS DEMONSTRATE THAT LSCI AND LEK KNOWINGLY OR WITH EXTREME RECKLESSNESS AIDED AND ABETTED THE MISCONDUCT OCCURRING IN THE CUSTOMER'S ACCOUNT THROUGHOUT THE RELEVANT PERIOD SIMPLY BECAUSE THE CUSTOMER'S ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), AND VARIOUS EXCHANGES.

Reporting Source:

Firm



Current Status:	Final
Allegations:	FINRA HAS ALLEGED THAT A CUSTOMER PLACED TRADES THROUGH LEK SECURITIES CORPORATION ("LSC") THAT WERE MANIPULATIVE. THE SEC HAS ALLEGED THAT SAMUEL LEK AND LSC VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT AND AIDED AND ABETTED THE CUSTOMER'S ACTIVITY IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT. IT IS FURTHER ALLEGED THAT SAMUEL LEK AND LSC AIDED AND ABETTED THE CUSTOMER'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT. IN ADDITION, THE SEC ALLEGED THAT SAMUEL LEK HAS VIOLATED SECTION 20(A) OF THE EXCHANGE ACT FOR THE CUSTOMER'S VIOLATIONS OF EXCHANGE ACT 10(B) AND RULE 10B-5 AND SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 AND SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER, AND ALSO VIOLATED NASDAQ RULES 3110, 4511A, 2110 AND 2010A.
Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	03/27/2017
Docket/Case Number:	2011029713005
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/17/2019
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	EQUITABLE RELIEF AND UNDERTAKINGS. THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES EXCHANGE ACT OF 1934.
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO PERFORM ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS DESCRIBED IN THE OFFER. THE BALANCE OF THE SANCTION WILL BE PAID



TO OTHER SELF-REGULATORY ORGANIZATIONS. IN DETERMINING THE ABOVE SANCTIONS, THE SRO HAS TAKEN INTO ACCOUNT THE MONETARY SANCTIONS IMPOSED BY THE SEC IN ITS PARALLEL ACTION AGAINST THE RESPONDENT FOR, INTER ALIA, AIDING AND ABETTING FRAUDULENT TRADING OF ITS CUSTOMER AND REGISTERED REPRESENTATIVES, IN VIOLATION OF SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER, AND SECTION 17(A) OF THE SECURITIES ACT OF 1933.

Disclosure 14 of 36

Reporting Source:

Regulator

Current Status:

Final

Allegations:

THE FIRM WAS NAMED A RESPONDENT IN A COMPLAINT ALLEGING THAT IT AIDED AND ABETTED MANIPULATIVE TRADING ACTIVITY BY A FIRM CUSTOMER.

THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH THE PROHIBITED MANIPULATIVE TRADING SIMPLY BECAUSE THE CUSTOMER ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SEC, AND VARIOUS EXCHANGES. IN SO DOING, THE FIRM AIDED AND ABETTED VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5, SECTION 9(A)(2) OF THE EXCHANGE ACT, AND SECTION 17(A)(3) OF THE SECURITIES ACT, AND THEREBY VIOLATED ISE RULES 400 AND 401.

THE COMPLAINT FURTHER ALLEGES THAT THE FIRM'S CEO AND CCO, WAS ULTIMATELY RESPONSIBLE FOR THE FIRM'S COMPLIANCE WITH SUPERVISION REQUIREMENTS. THE FIRM AND ITS CCO FAILED TO ESTABLISH REQUIRED WSPS TO INCLUDE SUFFICIENT PROCEDURES FOR THE FIRM'S MARKET ACCESS BUSINESS. THE FIRM AND ITS CCO FAILED TO ESTABLISH AND MAINTAIN SYSTEMS THAT WERE REASONABLY DESIGNED TO DETECT AND PREVENT MANIPULATIVE TRADING.

IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES



MARKETS AND THEY FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM AND ITS CEO FAILED TO ENSURE THAT THE FIRM HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES SO AS TO: PREVENT THE ENTRY OF ORDERS UNLESS THERE WAS COMPLIANCE WITH ALL REGULATORY REQUIREMENTS; AND ASSURE APPROPRIATE SURVEILLANCE PERSONNEL RECEIVE IMMEDIATE POST-TRADE EXECUTION REPORTS THAT RESULT FROM MARKET ACCESS. THEREBY, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 THEREUNDER, AND VIOLATED ISE RULES 400, 401, AND 609.

MOREOVER, THE COMPLAINT ALLEGES THAT BY ENGAGING IN THE CONDUCT, THE FIRM FAILED TO OBSERVE JUST AND EQUITABLE PRINCIPLES OF TRADE.

Initiated By:	INTERNATIONAL SECURITIES EXCHANGE
Date Initiated:	03/27/2017
Docket/Case Number:	2012033667302
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/17/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	UNDERTAKINGS;

THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY



VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER.

Sanction Details:

THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO PERFORM ADDITIONAL UNDERTAKINGS AS DESCRIBED IN THE OFFER. THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS.

IN DETERMINING THE ABOVE SANCTIONS, THE SRO HAS TAKEN INTO ACCOUNT THE MONETARY SANCTIONS IMPOSED BY THE SEC IN ITS PARALLEL ACTION AGAINST THE RESPONDENT FOR, INTER ALIA, AIDING AND ABETTING FRAUDULENT TRADING OF ITS CUSTOMER AND REGISTERED REPRESENTATIVES, IN VIOLATION OF SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER, AND SECTION 17(A) OF THE SECURITIES ACT OF 1933.

Regulator Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM AND ITS OWNER, SAMUEL FREDERIK LEK ("LEK"), (TOGETHER "THE RESPONDENTS"), BETWEEN AUGUST 1, 2012, AND JUNE 30, 2015, (THE "REVIEW PERIOD"), PROVIDED DIRECT MARKET ACCESS TO NON-REGISTERED OPTIONS MARKET PARTICIPANTS TO MULTIPLE MARKET CENTERS, INCLUDING THE EXCHANGE, AND WHILE PROVIDING SUCH ACCESS, LSCI AND LEK AIDED AND ABETTED MANIPULATIVE OPTIONS TRADING BY A CUSTOMER OF THE FIRM THROUGH THE CUSTOMER'S MASTER-SUB ACCOUNT AT THE FIRM. ADDITIONALLY, LSCI COMMITTED, AND LEK CAUSED, MARKET ACCESS RULE VIOLATIONS, AND LSCI AND LEK COMMITTED SUPERVISORY VIOLATIONS. IN ADDITION, BOTH LSCI AND LEK FAILED TO OBSERVE JUST AND EQUITABLE PRINCIPLES OF TRADE. THESE VIOLATIONS ALSO OCCURRED ON NUMEROUS EXCHANGES, INCLUDING THE EXCHANGE. TAKEN TOGETHER, THE VARIOUS VIOLATIONS DEMONSTRATE THAT LSCI AND LEK KNOWINGLY OR WITH EXTREME RECKLESSNESS AIDED AND ABETTED THE MISCONDUCT OCCURRING IN THE CUSTOMER ACCOUNT THROUGHOUT THE REVIEW PERIOD. LSCI AND LEK COMMITTED THESE VIOLATIONS BECAUSE THE CUSTOMER ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), THE EXCHANGE AND OTHER EXCHANGES.

Reporting Source: Firm

Current Status: Final



Allegations:	FINRA HAS ALLEGED THAT A CUSTOMER PLACED TRADES THROUGH LEK SECURITIES CORPORATION ("LSC") THAT WERE MANIPULATIVE. THE SEC HAS ALLEGED THAT SAMUEL LEK AND LSC VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT AND AIDED AND ABETTED THE CUSTOMER'S ACTIVITY IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT. IT IS FURTHER ALLEGED THAT SAMUEL LEK AND LSC AIDED AND ABETTED THE CUSTOMER'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT. IN ADDITION, THE SEC ALLEGED THAT SAMUEL LEK HAS VIOLATED SECTION 20(A) OF THE EXCHANGE ACT FOR THE CUSTOMER'S VIOLATIONS OF EXCHANGE ACT 10(B) AND RULE 10B-5 AND SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 AND ALSO VIOLATED ISE RULES 400, 401, AND 609.
Initiated By:	INTERNATIONAL SECURITIES EXCHANGE
Date Initiated:	03/27/2017
Docket/Case Number:	2012033667302
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/17/2019
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER.
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM AND ITS OWNER, SAMUEL FREDERIK LEK ("LEK"), (TOGETHER "THE RESPONDENTS"), BETWEEN AUGUST 1, 2012, AND JUNE 30, 2015, (THE "REVIEW PERIOD"), PROVIDED DIRECT MARKET ACCESS TO NON-REGISTERED OPTIONS MARKET PARTICIPANTS TO MULTIPLE MARKET CENTERS, INCLUDING THE EXCHANGE, AND WHILE PROVIDING SUCH ACCESS, LSCI AND LEK AIDED



AND ABETTED MANIPULATIVE OPTIONS TRADING BY A CUSTOMER OF THE FIRM

Disclosure 15 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A COMPLAINT ALLEGING THAT IT AIDED AND ABETTED MANIPULATIVE TRADING ACTIVITY BY A FIRM CUSTOMER.

THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH THE PROHIBITED MANIPULATIVE TRADING SIMPLY BECAUSE THE CUSTOMER ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SEC, AND VARIOUS EXCHANGES. IN SO DOING, THE FIRM AIDED AND ABETTED VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 9(A)(2) OF THE EXCHANGE ACT, AND THEREBY VIOLATED NYSE MKT RULE 16.

THE COMPLAINT ALSO ALLEGES THAT THE FIRM KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH ITS OPERATION AS AN UNREGISTERED BROKER-DEALER.

THE COMPLAINT FURTHER ALLEGES THAT THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN REQUIRED WRITTEN SUPERVISORY PROCEDURES (WSPS) IN NUMEROUS WAYS, INCLUDING THE FAILURE TO TAILOR THE PROCEDURES TO THE FIRM'S BUSINESS AND TO INCLUDE SUFFICIENT PROCEDURES FOR THE FIRM'S MARKET ACCESS BUSINESS, FAILING TO DESIGNATE A RESPONSIBLE PERSON WHO WAS SUFFICIENTLY INFORMED TO PERFORM HIS DUTIES, AND BY MAINTAINING WSPS THAT WERE INADEQUATE, CONTAINED ERRORS, OR WERE AT VARIANCE WITH STEPS ACTUALLY PERFORMED. THE FIRM AND ITS CEO ALSO FAILED TO ENFORCE THE FIRM'S WSPS, INCLUDING ITS PROCEDURES PERTAINING TO OUTSIDE BUSINESS ACTIVITIES AND ACCOUNTS AND ADHERENCE TO THE FIRM'S ELECTRONIC COMMUNICATIONS POLICY. THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN THE REQUIRED SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS, AND/OR ASSOCIATED PERSONS, NOTWITHSTANDING NUMEROUS RED FLAGS SUGGESTING CLOSER SUPERVISION WAS WARRANTED.



IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS AND THEY FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM AND ITS CEO FAILED TO ENSURE THAT THE FIRM HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, AND FAILED TO ENSURE THAT THE FIRM'S REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER THE FIRM'S DIRECT AND EXCLUSIVE CONTROL. THE FIRM AND ITS CEO ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 THEREUNDER, AND VIOLATED NYSE MKT RULES 16, 320, 342, 2010 AND 3110.

THE FIRM FAILED TO KNOW ITS CUSTOMER BY FAILING TO USE REASONABLE DILIGENCE TO UNDERSTAND THE ORIGINS OF THE CUSTOMER AND THE INDIVIDUALS BEHIND IT, AS WELL AS THOSE WHO WERE TRADING IN OR THROUGH ITS MASTER ACCOUNT AND SUB-ACCOUNTS.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAKE AND PRESERVE EMAIL BUSINESS RECORDS OF ITS EMPLOYEES AND INDEPENDENT CONTRACTORS, AND THEREBY WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4), AND ALSO VIOLATED NYSE MKT RULES 16, 440 AND 2010. FIRM EMPLOYEES AND INDEPENDENT CONTRACTORS WERE USING NON-FIRM, I.E. PERSONAL, EMAIL ACCOUNTS TO CONDUCT FIRM BUSINESS. THE FIRM WAS ON NOTICE OF SUCH USE AND YET SUCH USE CONTINUED.

FURTHERMORE, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS EMPLOYEE'S ELECTRONIC COMMUNICATIONS AS CERTAIN BUSINESS-RELATED EMAILS WERE OUTSIDE ITS PURVIEW. [CONT. IN COMMENTS]

Initiated By: NYSE MKT LLC

Date Initiated: 03/27/2017

Docket/Case Number: 2011029713009



Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/17/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	EQUITABLE RELIEF AND UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO EMBARK ON ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS EXPLAINED IN THE OFFER. THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS. ACCEPTANCE OF THIS OFFER IS CONDITIONED UPON ACCEPTANCE OF PARALLEL SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE RESPONDENT AND THE OTHER SELF-REGULATORY ORGANIZATIONS.
Regulator Statement	[CONTINUED FROM ALLEGATIONS]: THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAINTAIN ITS EMPLOYEES' CRD RECORDS IN THAT IT SUBMITTED AND MAINTAINED INACCURATE AND/OR INCOMPLETE INFORMATION IN ITS REGISTRANTS' PROFILES ON THE FORMS U4 IN CRD SO AS TO BE MISLEADING. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, REASONABLY DESIGNED TO ENSURE THE ACCURACY OF INFORMATION SUBMITTED TO CRD.



THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ENFORCE ITS WSPS REGARDING OUTSIDE BUSINESS ACTIVITIES.

IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM PAID TRANSACTION-RELATED COMPENSATION TO AN UNREGISTERED PERSON, WHEN HE WAS NOT ELIGIBLE FOR FOREIGN FINDER STATUS BECAUSE HE WAS A U.S. CITIZEN AND SHOULD HAVE BEEN DULY REGISTERED WITH HIS FINRA-EMPLOYER FIRM.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO FULLY AND TIMELY COMPLY WITH FINRA INFORMATION REQUESTS WHICH IMPEDED THE ABILITY OF FINRA AND OTHER REGULATORS TO INVESTIGATE THE SERIOUS MISCONDUCT AT ISSUE.

FURTHERMORE, THE COMPLAINT ALLEGES THAT BY ENGAGING IN THE CONDUCT, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM AND ITS OWNER, SAMUEL FREDERIK LEK ("LEK"), (TOGETHER "THE RESPONDENTS"), WHILE PROVIDING DIRECT MARKET ACCESS, LSCI AND LEK AIDED AND ABETTED MANIPULATIVE OPTIONS TRADING ("LAYERING") BY A CUSTOMER OF THE FIRM WITH A MASTER-SUB ACCOUNT AT THE FIRM. LSCI ALSO AIDED AND ABETTED THE CUSTOMER IN THE OPERATION OF AN UNREGISTERED BROKER-DEALER THROUGH THE CUSTOMER'S ACCOUNT. IN ADDITION, LSCI COMMITTED, AND LEK CAUSED MARKET ACCESS RULE VIOLATIONS; LSCI AND LEK COMMITTED SUPERVISORY VIOLATIONS; AND LSCI COMMITTED NUMEROUS ANCILLARY VIOLATIONS CONCERNING KNOW-YOUR-CUSTOMER RULES, RETENTION OF ELECTRONIC COMMUNICATIONS, ACCURACY OF CENTRAL REGISTRATION DEPOSITORY (CRD) INFORMATION, PAYMENTS OF TRANSACTION-BASED COMPENSATION TO UNREGISTERED PERSONS, AND ADDITIONAL SUPERVISORY VIOLATIONS PERTAINING TO REVIEW OF ELECTRONIC COMMUNICATIONS, OUTSIDE BUSINESS ACTIVITIES, AND CRD INFORMATION. LSCI ALSO FAILED TO COMPLY FULLY AND TIMELY WITH INFORMATION REQUESTS, AND BOTH LSCI AND LEK FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THESE VIOLATIONS ALSO OCCURRED ON NUMEROUS EXCHANGES. TAKEN TOGETHER, THE VARIOUS VIOLATIONS DEMONSTRATE THAT LSCI AND LEK KNOWINGLY OR WITH EXTREME RECKLESSNESS AIDED AND ABETTED THE MISCONDUCT OCCURRING IN THE CUSTOMER ACCOUNT THROUGHOUT THE RELEVANT PERIODS. LSCI AND LEK COMMITTED THESE VIOLATIONS BECAUSE THE CUSTOMER'S



ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SECURITIES AND EXCHANGE COMMISSION (SEC), AND OTHER EXCHANGES, INCLUDING THE EXCHANGE.

ASSOCIATED CASE NUMBER IS 2012033667301.

Reporting Source:	Firm
Current Status:	Final
Allegations:	FINRA HAS ALLEGED THAT A CUSTOMER PLACED TRADES THROUGH LEK SECURITIES CORPORATION ("LSC") THAT WERE MANIPULATIVE. THE SEC HAS ALLEGED THAT SAMUEL LEK AND LSC VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT AND AIDED AND ABETTED THE CUSTOMER'S ACTIVITY IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT. IT IS FURTHER ALLEGED THAT SAMUEL LEK AND LSC AIDED AND ABETTED THE CUSTOMER'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT. IN ADDITION, THE SEC ALLEGED THAT SAMUEL LEK HAS VIOLATED SECTION 20(A) OF THE EXCHANGE ACT FOR THE CUSTOMER'S VIOLATIONS OF EXCHANGE ACT 10(B) AND RULE 10B-5 AND SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 AND SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER, AND ALSO VIOLATED NYSE MKT RULES 16, 320, 342, 2010 AND 3110.
Initiated By:	NYSE MKT LLC
Date Initiated:	03/27/2017
Docket/Case Number:	2011029713009
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/17/2019
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77



Other Sanctions Ordered:	EQUITABLE RELIEF AND UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO EMBARK ON ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS EXPLAINED IN THE OFFER. THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS. ACCEPTANCE OF THIS OFFER IS CONDITIONED UPON ACCEPTANCE OF PARALLEL SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE RESPONDENT AND THE OTHER SELF-REGULATORY ORGANIZATIONS.

Disclosure 16 of 36

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>THE FIRM WAS NAMED A RESPONDENT IN A COMPLAINT ALLEGING THAT IT AIDED AND ABETTED MANIPULATIVE TRADING ACTIVITY BY A FIRM CUSTOMER.</p> <p>THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH THE PROHIBITED MANIPULATIVE TRADING SIMPLY BECAUSE THE CUSTOMER ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SEC, AND VARIOUS EXCHANGES. IN SO DOING, THE FIRM AIDED AND ABETTED VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER, AND SECTION 9(A)(2) OF THE EXCHANGE ACT, AND THEREBY VIOLATED NYSE RULE 2010.</p> <p>THE COMPLAINT ALSO ALLEGES THAT THE FIRM KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH ITS OPERATION AS AN UNREGISTERED BROKER-DEALER.</p> <p>THE COMPLAINT FURTHER ALLEGES THAT THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN REQUIRED WRITTEN SUPERVISORY PROCEDURES (WSPS) IN NUMEROUS WAYS, INCLUDING THE FAILURE TO</p>



TAILOR THE PROCEDURES TO THE FIRM'S BUSINESS AND TO INCLUDE SUFFICIENT PROCEDURES FOR THE FIRM'S MARKET ACCESS BUSINESS, FAILING TO DESIGNATE A RESPONSIBLE PERSON WHO WAS SUFFICIENTLY INFORMED TO PERFORM HIS DUTIES, AND BY MAINTAINING WSPS THAT WERE INADEQUATE, CONTAINED ERRORS, OR WERE AT VARIANCE WITH STEPS ACTUALLY PERFORMED. THE FIRM AND ITS CEO ALSO FAILED TO ENFORCE THE FIRM'S WSPS, INCLUDING ITS PROCEDURES PERTAINING TO OUTSIDE BUSINESS ACTIVITIES AND ACCOUNTS AND ADHERENCE TO THE FIRM'S ELECTRONIC COMMUNICATIONS POLICY. THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN THE REQUIRED SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS, AND/OR ASSOCIATED PERSONS, NOTWITHSTANDING NUMEROUS RED FLAGS SUGGESTING CLOSER SUPERVISION WAS WARRANTED.

IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS AND THEY FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM AND ITS CEO FAILED TO ENSURE THAT THE FIRM HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, AND FAILED TO ENSURE THAT THE FIRM'S REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER THE FIRM'S DIRECT AND EXCLUSIVE CONTROL. THE FIRM AND ITS CEO ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES. AS A RESULT, THE FIRM WILLFULLY VIOLATED EXCHANGE ACT SECTION 15(C)(3) AND RULE 15C3-5, IN VIOLATION OF NYSE RULES 342, 3110, 3120 AND 2010.

THE FIRM FAILED TO KNOW ITS CUSTOMER BY FAILING TO USE REASONABLE DILIGENCE TO UNDERSTAND THE ORIGINS OF THE CUSTOMER AND THE INDIVIDUALS BEHIND IT, AS WELL AS THOSE WHO WERE TRADING IN OR THROUGH ITS MASTER ACCOUNT AND SUB-ACCOUNTS.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAKE AND PRESERVE EMAIL BUSINESS RECORDS OF ITS EMPLOYEES AND INDEPENDENT CONTRACTORS, AND THEREBY WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE



17A-4(B)(4) THEREUNDER, AND ALSO VIOLATED NYSE RULES 440 AND 2010. FIRM EMPLOYEES AND INDEPENDENT CONTRACTORS WERE USING NON-FIRM, I.E. PERSONAL, EMAIL ACCOUNTS TO CONDUCT FIRM BUSINESS. THE FIRM WAS ON NOTICE OF SUCH USE AND YET SUCH USE CONTINUED.

FURTHERMORE, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS EMPLOYEE'S ELECTRONIC COMMUNICATIONS AS CERTAIN BUSINESS-RELATED EMAILS WERE OUTSIDE ITS PURVIEW. [CONT. IN COMMENTS]

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 03/27/2017

Docket/Case Number: 2011029713007

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 12/17/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? Yes

Sanctions Ordered: Censure
Monetary/Fine \$69,230.77

Other Sanctions Ordered: EQUITABLE RELIEF AND UNDERTAKINGS;

THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.

**Sanction Details:**

THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO EMBARK ON ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS EXPLAINED IN THE OFFER.

THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS.

ACCEPTANCE OF THIS OFFER IS CONDITIONED UPON ACCEPTANCE OF PARALLEL SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE RESPONDENT AND THE OTHER SELF-REGULATORY ORGANIZATIONS.

Regulator Statement

[CONTINUED FROM ALLEGATIONS]:

THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAINTAIN ITS EMPLOYEES' CRD RECORDS IN THAT IT SUBMITTED AND MAINTAINED INACCURATE AND/OR INCOMPLETE INFORMATION IN ITS REGISTRANTS' PROFILES ON THE FORMS U4 IN CRD SO AS TO BE MISLEADING. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, REASONABLY DESIGNED TO ENSURE THE ACCURACY OF INFORMATION SUBMITTED TO CRD.

THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ENFORCE ITS WSPS REGARDING OUTSIDE BUSINESS ACTIVITIES.

IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM PAID TRANSACTION-RELATED COMPENSATION TO AN UNREGISTERED PERSON PRIOR TO HIS REGISTRATION WITH THE FIRM.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO FULLY AND TIMELY COMPLY WITH FINRA INFORMATION REQUESTS WHICH IMPEDED THE ABILITY OF FINRA AND OTHER REGULATORS TO INVESTIGATE THE SERIOUS MISCONDUCT AT ISSUE.

FURTHERMORE, THE COMPLAINT ALLEGES THAT BY ENGAGING IN THE CONDUCT, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM AND ITS OWNER, SAMUEL FREDERIK LEK ("LEK"), (TOGETHER "THE RESPONDENTS"), AIDED AND ABETTED MANIPULATIVE TRADING ("LAYERING") BY A CUSTOMER OF THE FIRM WITH A MASTER-SUB ACCOUNT AT THE FIRM. LSCI ALSO AIDED AND ABETTED THE CUSTOMER IN THE OPERATION OF AN UNREGISTERED BROKER-DEALER THROUGH THE CUSTOMER'S ACCOUNT. IN ADDITION, LSCI COMMITTED, AND LEK CAUSED, MARKET ACCESS RULE VIOLATIONS; LSCI AND LEK COMMITTED SUPERVISORY VIOLATIONS; AND LSCI COMMITTED NUMEROUS ANCILLARY VIOLATIONS CONCERNING KNOW-YOUR-CUSTOMER RULES, FAILURE TO RETAIN ELECTRONIC



COMMUNICATIONS, FAILURE TO RETAIN COMPLETE AND ACCURATE CENTRAL REGISTRATION DEPOSITORY ("CRD") RECORDS, IMPROPERLY PAYING TRANSACTION-BASED COMPENSATION TO AN UNREGISTERED PERSON, AND SUPERVISORY VIOLATIONS RELATED TO REVIEW OF ELECTRONIC COMMUNICATIONS, ENSURING THE ACCURACY OF CRD INFORMATION AND ENFORCING PROCEDURES REGARDING OUTSIDE BUSINESS ACTIVITIES. LSCI ALSO FAILED TO COMPLY FULLY AND TIMELY WITH INFORMATION REQUESTS, AND BOTH LSCI AND LEK FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THE VIOLATIONS OCCURRED ON NUMEROUS EXCHANGES. TAKEN TOGETHER, THE VARIOUS VIOLATIONS DEMONSTRATE THAT LSCI AND LEK KNOWINGLY OR WITH EXTREME RECKLESSNESS, AIDED AND ABETTED THE MISCONDUCT OCCURRING IN THE CUSTOMER'S ACCOUNT THROUGHOUT THE RELEVANT PERIOD SIMPLY BECAUSE THE ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), AND OTHER EXCHANGES.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA HAS ALLEGED THAT A CUSTOMER PLACED TRADES THROUGH LEK SECURITIES CORPORATION ("LSC") THAT WERE MANIPULATIVE. THE SEC HAS ALLEGED THAT SAMUEL LEK AND LSC VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT AND AIDED AND ABETTED THE CUSTOMER'S ACTIVITY IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT. IT IS FURTHER ALLEGED THAT SAMUEL LEK AND LSC AIDED AND ABETTED THE CUSTOMER'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT. IN ADDITION, THE SEC ALLEGED THAT SAMUEL LEK HAS VIOLATED SECTION 20(A) OF THE EXCHANGE ACT FOR THE CUSTOMER'S VIOLATIONS OF EXCHANGE ACT 10(B) AND RULE 10B-5 AND SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 AND ALSO VIOLATED NYSE RULES 342, 440, 3110, 3120 AND 2010.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 03/27/2017

Docket/Case Number: 2011029713007

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES



Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/17/2019
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	EQUITABLE RELIEF AND UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO EMBARK ON ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS EXPLAINED IN THE OFFER. THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS. ACCEPTANCE OF THIS OFFER IS CONDITIONED UPON ACCEPTANCE OF PARALLEL SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE RESPONDENT AND THE OTHER SELF-REGULATORY ORGANIZATIONS.

Disclosure 17 of 36

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>THE FIRM WAS NAMED A RESPONDENT IN A COMPLAINT ALLEGING THAT IT AIDED AND ABETTED MANIPULATIVE TRADING ACTIVITY BY A FIRM CUSTOMER.</p> <p>THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH THE PROHIBITED MANIPULATIVE TRADING SIMPLY BECAUSE THE CUSTOMER ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SEC, AND VARIOUS EXCHANGES. IN SO DOING, THE FIRM AIDED AND ABETTED VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND</p>



RULE 10B-5 THEREUNDER, SECTION 9(A)(2) OF THE EXCHANGE ACT, AND SECTION 17(A)(3) OF THE SECURITIES ACT, AND THEREBY VIOLATED NASDAQ BX RULE 3010 AND 2110.

THE COMPLAINT ALSO ALLEGES THAT THE FIRM KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH ITS OPERATION AS AN UNREGISTERED BROKER-DEALER.

THE COMPLAINT FURTHER ALLEGES THAT THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN REQUIRED WRITTEN SUPERVISORY PROCEDURES (WSPS) IN NUMEROUS WAYS, INCLUDING THE FAILURE TO TAILOR THE PROCEDURES TO THE FIRM'S BUSINESS AND TO INCLUDE SUFFICIENT PROCEDURES FOR THE FIRM'S MARKET ACCESS BUSINESS, FAILING TO DESIGNATE A RESPONSIBLE PERSON WHO WAS SUFFICIENTLY INFORMED TO PERFORM HIS DUTIES, AND BY MAINTAINING WSPS THAT WERE INADEQUATE, CONTAINED ERRORS, OR WERE AT VARIANCE WITH STEPS ACTUALLY PERFORMED. THE FIRM AND ITS CEO ALSO FAILED TO ENFORCE THE FIRM'S WSPS, INCLUDING ITS PROCEDURES PERTAINING TO OUTSIDE BUSINESS ACTIVITIES AND ACCOUNTS AND ADHERENCE TO THE FIRM'S ELECTRONIC COMMUNICATIONS POLICY. THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN THE REQUIRED SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS, AND/OR ASSOCIATED PERSONS, NOTWITHSTANDING NUMEROUS RED FLAGS SUGGESTING CLOSER SUPERVISION WAS WARRANTED.

IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS AND THEY FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM AND ITS CEO FAILED TO ENSURE THAT THE FIRM HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, AND FAILED TO ENSURE THAT THE FIRM'S REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER THE FIRM'S DIRECT AND EXCLUSIVE CONTROL. THE FIRM AND ITS CEO ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE



EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES. AS A RESULT, THE FIRM WILLFULLY VIOLATED EXCHANGE ACT SECTION 15(C)(3) AND RULE 15C3-5, IN VIOLATION OF NASDAQ BX RULE 2110.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAKE AND PRESERVE EMAIL BUSINESS RECORDS OF ITS EMPLOYEES AND INDEPENDENT CONTRACTORS, AND THEREBY WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER, AND ALSO VIOLATED NASDAQ BX RULES 3110 AND 2110. FIRM EMPLOYEES AND INDEPENDENT CONTRACTORS WERE USING NON-FIRM, I.E. PERSONAL, EMAIL ACCOUNTS TO CONDUCT FIRM BUSINESS. THE FIRM WAS ON NOTICE OF SUCH USE AS EARLY AS OCTOBER 2010 AND YET SUCH USE CONTINUED THROUGH AT LEAST DECEMBER 2013.

FURTHERMORE, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS EMPLOYEE'S ELECTRONIC COMMUNICATIONS AS CERTAIN BUSINESS-RELATED EMAILS WERE OUTSIDE ITS PURVIEW. [CONTINUED IN COMMENTS]

Initiated By:	NASDAQ BX, INC.
Date Initiated:	03/27/2017
Docket/Case Number:	2011029713006
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/17/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	EQUITABLE RELIEF AND UNDERTAKINGS;



THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4(B)(4) THEREUNDER.

Sanction Details:

THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO PERFORM ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS DESCRIBED IN THE OFFER.

THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS.

IN DETERMINING THE ABOVE SANCTIONS, THE SRO HAS TAKEN INTO ACCOUNT THE MONETARY SANCTIONS IMPOSED BY THE SEC IN ITS PARALLEL ACTION AGAINST THE RESPONDENT FOR, INTER ALIA, AIDING AND ABETTING FRAUDULENT TRADING OF ITS CUSTOMER AND REGISTERED REPRESENTATIVES, IN VIOLATION OF SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER, AND SECTION 17(A) OF THE SECURITIES ACT OF 1933.

Regulator Statement

[CONTINUED FROM ALLEGATIONS]:

THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAINTAIN ITS EMPLOYEES' CRD RECORDS IN THAT IT SUBMITTED AND MAINTAINED INACCURATE AND/OR INCOMPLETE INFORMATION IN ITS REGISTRANTS' PROFILES ON THE FORMS U4 IN CRD SO AS TO BE MISLEADING. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, REASONABLY DESIGNED TO ENSURE THE ACCURACY OF INFORMATION SUBMITTED TO CRD.

THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ENFORCE ITS WSPS REGARDING OUTSIDE BUSINESS ACTIVITIES.

IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM PAID TRANSACTION-RELATED COMPENSATION TO AN UNREGISTERED PERSON WHEN HE WAS NOT ELIGIBLE FOR FOREIGN FINDER STATUS BECAUSE HE WAS A U.S. CITIZEN AND SHOULD HAVE BEEN DULY REGISTERED WITH HIS NASDAQ BX-MEMBER FIRM.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO FULLY AND TIMELY COMPLY WITH FINRA INFORMATION REQUESTS WHICH IMPEDED THE ABILITY OF FINRA AND OTHER REGULATORS TO INVESTIGATE THE SERIOUS MISCONDUCT AT ISSUE.

FURTHERMORE, THE COMPLAINT ALLEGES THAT BY ENGAGING IN THE CONDUCT, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.



WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM AND ITS OWNER, SAMUEL FREDERIK LEK ("LEK"), (TOGETHER "THE RESPONDENTS"), AIDED AND ABETTED MANIPULATIVE OPTIONS TRADING ("LAYERING") BY A CUSTOMER OF THE FIRM THROUGH THE CUSTOMER'S MASTER-SUB ACCOUNT AT THE FIRM. LSCI ALSO AIDED AND ABETTED THE CUSTOMER IN THE OPERATION OF AN UNREGISTERED BROKER-DEALER THROUGH THE CUSTOMER'S ACCOUNT. IN ADDITION, LSCI COMMITTED, AND LEK CAUSED, MARKET ACCESS RULE VIOLATIONS; LSCI AND LEK COMMITTED SUPERVISORY VIOLATIONS; AND LSCI COMMITTED NUMEROUS ANCILLARY VIOLATIONS INCLUDING FAILURE TO RETAIN ELECTRONIC COMMUNICATIONS, FAILURE TO RETAIN COMPLETE AND ACCURATE CENTRAL REGISTRATION DEPOSITORY ("CRD") RECORDS, IMPROPERLY PAYING TRANSACTION-BASED COMPENSATION TO AN UNREGISTERED PERSON, AND SUPERVISORY VIOLATIONS RELATED TO REVIEW OF ELECTRONIC COMMUNICATIONS, ENSURING THE ACCURACY OF CRD INFORMATION AND ENFORCING PROCEDURES REGARDING OUTSIDE BUSINESS ACTIVITIES. FINALLY, LSCI FAILED TO COMPLY FULLY AND TIMELY WITH INFORMATION REQUESTS, AND BOTH LSCI AND LEK FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THE VIOLATIONS OCCURRED ON NUMEROUS EXCHANGES. TAKEN TOGETHER, THE VARIOUS VIOLATIONS DEMONSTRATE THAT LSCI AND LEK KNOWINGLY OR WITH EXTREME RECKLESSNESS AIDED AND ABETTED THE MISCONDUCT OCCURRING IN THE CUSTOMER'S ACCOUNT THROUGHOUT THE RELEVANT PERIOD SIMPLY BECAUSE THE CUSTOMER'S ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), AND VARIOUS EXCHANGES.

Reporting Source:

Firm

Current Status:

Final

Allegations:

FINRA HAS ALLEGED THAT A CUSTOMER PLACED TRADES THROUGH LEK SECURITIES CORPORATION ("LSC") THAT WERE MANIPULATIVE. THE SEC HAS ALLEGED THAT SAMUEL LEK AND LSC VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT AND AIDED AND ABETTED THE CUSTOMER'S ACTIVITY IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT. IT IS FURTHER ALLEGED THAT SAMUEL LEK AND LSC AIDED AND ABETTED THE



CUSTOMER'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT. IN ADDITION, THE SEC ALLEGED THAT SAMUEL LEK HAS VIOLATED SECTION 20(A) OF THE EXCHANGE ACT FOR THE CUSTOMER'S VIOLATIONS OF EXCHANGE ACT 10(B) AND RULE 10B-5 AND SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 AND ALSO VIOLATED NASDAQ BX RULE 2110 AND SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER, AND ALSO VIOLATED NASDAQ BX RULES 3110 AND 2110.

Initiated By: NASDAQ BX, INC.

Date Initiated: 03/27/2017

Docket/Case Number: 2011029713006

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 12/17/2019

Sanctions Ordered: Censure
Monetary/Fine \$69,230.77

Other Sanctions Ordered: QUITABLE RELIEF AND UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4(B)(4) THEREUNDER.

Sanction Details: THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO PERFORM ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS DESCRIBED IN THE OFFER. THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS. IN DETERMINING THE ABOVE SANCTIONS, THE SRO HAS TAKEN INTO ACCOUNT THE MONETARY SANCTIONS IMPOSED BY THE SEC IN ITS PARALLEL ACTION AGAINST THE RESPONDENT FOR, INTER ALIA, AIDING AND ABETTING FRAUDULENT TRADING OF ITS CUSTOMER AND REGISTERED REPRESENTATIVES, IN VIOLATION OF SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT OF 1934 AND RULE 10B-5 PROMULGATED THEREUNDER, AND SECTION 17(A) OF THE SECURITIES ACT OF 1933.

**Disclosure 18 of 36****Reporting Source:** Regulator**Current Status:** Final**Allegations:** THE FIRM WAS NAMED A RESPONDENT IN A COMPLAINT ALLEGING THAT IT AIDED AND ABETTED MANIPULATIVE TRADING ACTIVITY BY A FIRM CUSTOMER.

THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH THE PROHIBITED MANIPULATIVE TRADING SIMPLY BECAUSE THE CUSTOMER ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SEC, AND VARIOUS EXCHANGES. IN SO DOING, THE FIRM AIDED AND ABETTED VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 THEREUNDER, AND SECTION 9(A)(2) OF THE EXCHANGE ACT, AND THEREBY VIOLATED NYSE ARCA RULES 6.1(B) AND 2010.

THE COMPLAINT ALSO ALLEGES THAT THE FIRM KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH ITS OPERATION AS AN UNREGISTERED BROKER-DEALER.

THE COMPLAINT FURTHER ALLEGES THAT THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN REQUIRED WRITTEN SUPERVISORY PROCEDURES (WSPS) IN NUMEROUS WAYS, INCLUDING THE FAILURE TO TAILOR THE PROCEDURES TO THE FIRM'S BUSINESS AND TO INCLUDE SUFFICIENT PROCEDURES FOR THE FIRM'S MARKET ACCESS BUSINESS, FAILING TO DESIGNATE A RESPONSIBLE PERSON WHO WAS SUFFICIENTLY INFORMED TO PERFORM HIS DUTIES, AND BY MAINTAINING WSPS THAT WERE INADEQUATE, CONTAINED ERRORS, OR WERE AT VARIANCE WITH STEPS ACTUALLY PERFORMED. THE FIRM AND ITS CEO ALSO FAILED TO ENFORCE THE FIRM'S WSPS, INCLUDING ITS PROCEDURES PERTAINING TO OUTSIDE BUSINESS ACTIVITIES AND ACCOUNTS AND ADHERENCE TO THE FIRM'S ELECTRONIC COMMUNICATIONS POLICY. THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN THE REQUIRED SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS, AND/OR ASSOCIATED PERSONS, NOTWITHSTANDING NUMEROUS RED FLAGS SUGGESTING CLOSER SUPERVISION WAS WARRANTED.

IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO



JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS AND THEY FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM AND ITS CEO FAILED TO ENSURE THAT THE FIRM HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, AND FAILED TO ENSURE THAT THE FIRM'S REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER THE FIRM'S DIRECT AND EXCLUSIVE CONTROL. THE FIRM AND ITS CEO ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES. AS A RESULT, THE FIRM WILLFULLY VIOLATED EXCHANGE ACT SECTION 15(C)(3) AND RULE 15C3-5, IN VIOLATION OF NYSE ARCA RULES 6.18, 9.1, 9.2, 6.1(B) AND 2010. THE FIRM FAILED TO KNOW ITS CUSTOMER BY FAILING TO USE REASONABLE DILIGENCE TO UNDERSTAND THE ORIGINS OF THE CUSTOMER AND THE INDIVIDUALS BEHIND IT, AS WELL AS THOSE WHO WERE TRADING IN OR THROUGH ITS MASTER ACCOUNT AND SUB-ACCOUNTS. MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAKE AND PRESERVE EMAIL BUSINESS RECORDS OF ITS EMPLOYEES AND INDEPENDENT CONTRACTORS, AND THEREBY WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER, AND ALSO VIOLATED NYSE ARCA RULES 2.24, 6.1(B) AND 2010. FIRM EMPLOYEES AND INDEPENDENT CONTRACTORS WERE USING NON-FIRM, I.E. PERSONAL, EMAIL ACCOUNTS TO CONDUCT FIRM BUSINESS. THE FIRM WAS ON NOTICE OF SUCH USE AND YET SUCH USE CONTINUED.

FURTHERMORE, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS EMPLOYEE'S ELECTRONIC COMMUNICATIONS AS CERTAIN BUSINESS-RELATED EMAILS WERE OUTSIDE ITS PURVIEW. [CONT. IN COMMENT]

Initiated By: NYSE ARCA, INC.

Date Initiated: 03/27/2017

Docket/Case Number: 2011029713008

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES



Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/16/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO EMBARK ON ADDITIONAL UNDERTAKINGS AS EXPLAINED IN THE OFFER. THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS. ACCEPTANCE OF THIS OFFER IS CONDITIONED UPON ACCEPTANCE OF PARALLEL SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE RESPONDENT AND THE OTHER SELF-REGULATORY ORGANIZATIONS.
Regulator Statement	[CONTINUED FROM ALLEGATIONS]: THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAINTAIN ITS EMPLOYEES' CRD RECORDS IN THAT IT SUBMITTED AND MAINTAINED INACCURATE AND/OR INCOMPLETE INFORMATION IN ITS REGISTRANTS' PROFILES ON THE FORMS U4 IN CRD SO AS TO BE MISLEADING. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, REASONABLY DESIGNED TO ENSURE THE ACCURACY OF INFORMATION SUBMITTED TO CRD. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ENFORCE ITS WSPS REGARDING OUTSIDE BUSINESS ACTIVITIES.



IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM PAID TRANSACTION-RELATED COMPENSATION TO AN UNREGISTERED PERSON PRIOR TO HIS REGISTRATION WITH THE FIRM; IT VIOLATED NYSE ARCA RULES 2.21, 9.1(G), 9.27, 6.1(B) AND 2010.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO FULLY AND TIMELY COMPLY WITH FINRA INFORMATION REQUESTS WHICH IMPEDED THE ABILITY OF FINRA AND OTHER REGULATORS TO INVESTIGATE THE SERIOUS MISCONDUCT AT ISSUE.

FURTHERMORE, THE COMPLAINT ALLEGES THAT BY ENGAGING IN THE CONDUCT, THE FIRM FAILED TO ADHERE TO PRINCIPLES OF GOOD BUSINESS PRACTICE AND FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM AND ITS OWNER, SAMUEL FREDERIK LEK ("LEK"), (TOGETHER "THE RESPONDENTS"), AIDED AND ABETTED MANIPULATIVE OPTIONS TRADING ("LAYERING") BY A CUSTOMER OF THE FIRM WITH A MASTER-SUB ACCOUNT AT THE FIRM. LSCI ALSO AIDED AND ABETTED THE CUSTOMER IN THE OPERATION OF AN UNREGISTERED BROKER-DEALER THROUGH THE CUSTOMER'S ACCOUNT. IN ADDITION, LSCI COMMITTED, AND LEK CAUSED MARKET ACCESS RULE VIOLATIONS; LSCI AND LEK COMMITTED SUPERVISORY VIOLATIONS; AND LSCI COMMITTED NUMEROUS ANCILLARY VIOLATIONS CONCERNING KNOW-YOUR-CUSTOMER RULES, FAILURE TO RETAIN ELECTRONIC COMMUNICATIONS, FAILURES TO RETAIN COMPLETE AND ACCURATE CENTRAL REGISTRATION DEPOSITORY ("CRD") RECORDS, IMPROPERLY PAYING TRANSACTION-BASED COMPENSATION TO AN UNREGISTERED PERSON, SUPERVISORY VIOLATIONS RELATED TO REVIEW OF ELECTRONIC COMMUNICATIONS, ENSURING THE ACCURACY OF CRD INFORMATION, AND ENFORCING PROCEDURES REGARDING OUTSIDE BUSINESS ACTIVITIES. LSCI ALSO FAILED TO COMPLY FULLY AND TIMELY WITH INFORMATION REQUESTS, AND BOTH LSCI AND LEK FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. THE VIOLATIONS OCCURRED ON NUMEROUS EXCHANGES, INCLUDING NYSE ARCA. TAKEN TOGETHER, THE VARIOUS VIOLATIONS DEMONSTRATE THAT LSCI AND LEK KNOWINGLY OR WITH EXTREME RECKLESSNESS AIDED AND ABETTED THE MISCONDUCT OCCURRING IN THE CUSTOMER'S ACCOUNT THROUGHOUT THE RELEVANT PERIODS SIMPLY BECAUSE THE CUSTOMER'S ACCOUNT BROUGHT SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS, AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SECURITIES AND



EXCHANGE COMMISSION ("SEC"), AND OTHER EXCHANGES, INCLUDING THE EXCHANGE.

Reporting Source:	Firm
Current Status:	Final
Allegations:	FINRA HAS ALLEGED THAT A CUSTOMER PLACED TRADES THROUGH LEK SECURITIES CORPORATION ("LSC") THAT WERE MANIPULATIVE. THE SEC HAS ALLEGED THAT SAMUEL LEK AND LSC VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT AND AIDED AND ABETTED THE CUSTOMER'S ACTIVITY IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT. IT IS FURTHER ALLEGED THAT SAMUEL LEK AND LSC AIDED AND ABETTED THE CUSTOMER'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT. IN ADDITION, THE SEC ALLEGED THAT SAMUEL LEK HAS VIOLATED SECTION 20(A) OF THE EXCHANGE ACT FOR THE CUSTOMER'S VIOLATIONS OF EXCHANGE ACT 10(B) AND RULE 10B-5 AND SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 AND ALSO VIOLATED AND VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) AND ALSO VIOLATED NYSE ARCA RULES 2.24, 6.1(B) AND 2010.
Initiated By:	NYSE ARCA EXCHANGE
Date Initiated:	03/27/2017
Docket/Case Number:	2011029713008
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/16/2019
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES



EXCHANGE ACT OF 1934, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.

Sanction Details:

THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE EXCHANGE. THE FIRM IS REQUIRED TO EMBARK ON ADDITIONAL UNDERTAKINGS AS EXPLAINED IN THE OFFER. THE BALANCE OF THE SANCTION WILL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS. ACCEPTANCE OF THIS OFFER IS CONDITIONED UPON ACCEPTANCE OF PARALLEL SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE RESPONDENT AND THE OTHER SELF-REGULATORY ORGANIZATIONS.

Disclosure 19 of 36

Reporting Source:

Regulator

Current Status:

Final

Allegations:

THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT AIDED AND ABETTED MANIPULATIVE TRADING ACTIVITY BY A FIRM CUSTOMER. THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH THE PROHIBITED MANIPULATIVE TRADING SIMPLY BECAUSE THE CUSTOMER ACCOUNT BROUGHT IN SUFFICIENT BUSINESS TO THE FIRM TO MAKE IT PROFITABLE, NOTWITHSTANDING NUMEROUS RED FLAGS AND ONGOING INVESTIGATIONS INTO THE ACTIVITY BY FINRA, THE SEC, AND VARIOUS EXCHANGES. IN SO DOING, THE FIRM AIDED AND ABETTED VIOLATIONS OF SECTIONS 9(A)(2) AND 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT) AND RULE 10B-5 AND SECTION 17(A)(3) OF THE SECURITIES ACT OF 1933. THE COMPLAINT ALSO ALLEGES THAT THE FIRM KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH ITS OPERATION AS AN UNREGISTERED BROKER-DEALER. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN REQUIRED WRITTEN SUPERVISORY PROCEDURES (WSPS) IN NUMEROUS WAYS, INCLUDING THE FAILURE TO TAILOR THE PROCEDURES TO THE FIRM'S BUSINESS AND TO INCLUDE SUFFICIENT PROCEDURES FOR THE FIRM'S MARKET ACCESS BUSINESS, FAILING TO DESIGNATE A RESPONSIBLE PERSON WHO WAS SUFFICIENTLY INFORMED TO PERFORM HIS DUTIES, AND BY MAINTAINING WSPS THAT WERE INADEQUATE, CONTAINED ERRORS, OR WERE AT VARIANCE WITH STEPS ACTUALLY PERFORMED. THE FIRM AND ITS CEO ALSO FAILED TO ENFORCE THE FIRM'S WSPS, INCLUDING ITS PROCEDURES PERTAINING TO OUTSIDE BUSINESS ACTIVITIES AND ACCOUNTS AND ADHERENCE TO THE FIRM'S ELECTRONIC COMMUNICATIONS POLICY. IN ADDITION, THE COMPLAINT



ALLEGES THAT THE FIRM AND ITS CEO FAILED TO ESTABLISH AND MAINTAIN THE REQUIRED SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS, AND/OR ASSOCIATED PERSONS, NOTWITHSTANDING NUMEROUS RED FLAGS SUGGESTING CLOSER SUPERVISION WAS WARRANTED. MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM AND ITS CEO FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS AND THEY FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM AND ITS CEO FAILED TO ENSURE THAT THE FIRM HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, AND FAILED TO ENSURE THAT THE FIRM'S REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER THE FIRM'S DIRECT AND EXCLUSIVE CONTROL. THE FIRM AND ITS CEO ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5. FURTHERMORE, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO KNOW ITS CUSTOMER BY FAILING TO USE REASONABLE DILIGENCE TO UNDERSTAND THE ORIGINS OF THE CUSTOMER AND THE INDIVIDUALS BEHIND IT, AS WELL AS THOSE WHO WERE TRADING IN OR THROUGH ITS MASTER ACCOUNT AND SUB-ACCOUNTS, AND THE REASONS FOR ITS STRUCTURE AND THE TERMS OF ITS OPERATION, BOTH IN THE COURSE OF ONBOARDING THE CUSTOMER AND IN THE MAINTENANCE OF ITS ACCOUNT. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ADEQUATELY MAKE AND PRESERVE EMAIL BUSINESS RECORDS OF ITS EMPLOYEES AND INDEPENDENT CONTRACTORS. FIRM EMPLOYEES AND INDEPENDENT CONTRACTORS WERE USING NON-FIRM, I.E. PERSONAL, EMAIL ACCOUNTS TO CONDUCT FIRM BUSINESS. THE FIRM WAS ON NOTICE OF SUCH USE AS EARLY AS OCTOBER 2010 AND YET SUCH USE CONTINUED THROUGH AT LEAST DECEMBER 2013. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4). [CONTINUED IN COMMENTS]

Initiated By: FINRA

Date Initiated: 03/27/2017

Docket/Case Number: [2011029713004](#)



Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/17/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Censure Monetary/Fine \$69,230.77
Other Sanctions Ordered:	EQUITABLE RELIEF AND UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE FINRA. THE FIRM IS REQUIRED TO PERFORM ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS DESCRIBED IN THE OFFER. THE REMAINDER OF THE FINE SHALL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS. IN DETERMINING THE SANCTIONS, FINRA HAS TAKEN INTO ACCOUNT THE MONETARY SANCTIONS IMPOSED BY THE SEC IN ITS PARALLEL ACTION AGAINST THE FIRM.
Regulator Statement	[CONTINUED FROM ALLEGATIONS]: THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS EMPLOYEE'S ELECTRONIC COMMUNICATIONS. THE FIRM FAILED TO ADEQUATELY MAINTAIN ITS EMPLOYEES' CRD RECORDS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, FOR THE ACCURACY OF INFORMATION SUBMITTED TO CRD. THE FIRM FAILED TO ENFORCE ITS WSPS REGARDING OUTSIDE BUSINESS



ACTIVITIES. THE FIRM PAID TRANSACTION-RELATED COMPENSATION TO AN UNREGISTERED PERSON. THE FIRM FAILED TO FULLY AND TIMELY COMPLY WITH FINRA INFORMATION REQUESTS.

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO A CUSTOMER OF THE FIRM IN CONNECTION WITH PROHIBITED MANIPULATIVE TRADING (LAYERING). IN SO DOING, AIDED AND ABETTED VIOLATIONS OF SECTIONS SECTION 9(A)(2) AND 10(B) OF THE EXCHANGE ACT OF 1934 AND RULE 10B-5, AND SECTION 17(A)(3) OF THE SECURITIES ACT OF 1933. THE FINDINGS STATED THAT THE CUSTOMER, ACTING THROUGH ITS TRADERS, KNOWINGLY OR RECKLESSLY ENGAGED IN MANIPULATIVE TRADING IN ITS MASTER ACCOUNT AND ITS SUB-ACCOUNTS AT THE FIRM. THE FINDINGS ALSO STATED THAT THE FIRM KNOWINGLY OR RECKLESSLY RENDERED SUBSTANTIAL ASSISTANCE TO THE CUSTOMER IN CONNECTION WITH ITS OPERATION AS AN UNREGISTERED BROKER-DEALER. IN SO DOING, THE FIRM AIDED AND ABETTED THE CUSTOMER'S VIOLATIONS. THE FINDINGS ALSO INCLUDED THAT THE FIRM AND ITS CEO/CCO FAILED TO ESTABLISH REQUIRED WSPS IN NUMEROUS WAYS, INCLUDING THE FAILURE TO TAILOR THE PROCEDURES TO THE FIRM'S BUSINESS AND TO INCLUDE SUFFICIENT PROCEDURES FOR ITS MARKET ACCESS BUSINESS. FURTHER, THEY FAILED TO MAINTAIN REQUIRED WSPS IN NUMEROUS WAYS, INCLUDING BY FAILING TO DESIGNATE A RESPONSIBLE PERSON WHO WAS SUFFICIENTLY INFORMED TO PERFORM HIS DUTIES AND BY MAINTAINING WSPS THAT WERE INADEQUATE, CONTAINED ERRORS, OR WERE AT VARIANCE WITH STEPS ACTUALLY PERFORMED. IN ADDITION, THEY FAILED TO ENFORCE THE FIRM'S WSPS, INCLUDING ITS PROCEDURES PERTAINING TO OUTSIDE BUSINESS ACTIVITIES AND ACCOUNTS AND ADHERENCE TO ITS ELECTRONIC COMMUNICATIONS POLICY. FINRA FOUND THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN THE REQUIRED SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS, AND OR ASSOCIATED PERSONS, NOTWITHSTANDING NUMEROUS RED FLAGS SUGGESTING CLOSER SUPERVISION WAS WARRANTED. FINRA ALSO FOUND THAT THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 BY FAILING TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO SYSTEMATICALLY MANAGE THE REGULATORY AND OTHER RISKS OF PROVIDING MARKET ACCESS. IN ADDITION, FINRA FOUND THAT THE FIRM FAILED TO KNOW ITS CUSTOMER, BY FAILING TO USE REASONABLE DILIGENCE TO



UNDERSTAND THE ORIGINS OF THE CUSTOMER, ETC., IN VIOLATION OF FINRA RULE. MOREOVER, FINRA FOUND THAT THE FIRM FAILED TO ADEQUATELY MAKE AND PRESERVE EMAIL BUSINESS RECORDS OF ITS EMPLOYEES AND INDEPENDENT CONTRACTORS, AND THEREBY WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4). FURTHERMORE, FINRA FOUND THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS EMPLOYEE'S ELECTRONIC COMMUNICATIONS AS CERTAIN BUSINESS-RELATED EMAILS WERE OUTSIDE ITS PURVIEW. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ADEQUATELY MAINTAIN ITS EMPLOYEES' CRD RECORDS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, REASONABLY DESIGNED TO ENSURE THE ACCURACY OF INFORMATION SUBMITTED TO CRD. FINRA FOUND THAT THE FIRM IMPROPERLY PAID TRANSACTION-BASED COMPENSATION TO AN UNREGISTERED PERSON. FINRA ALSO FOUND THAT THE FIRM FULLY AND TIMELY FAILED TO RESPOND TO FINRA'S REQUESTS FOR INFORMATION IN CONNECTION WITH ITS INVESTIGATION. FINES PAID IN FULL DECEMBER 30, 2019.

Reporting Source:	Firm
Current Status:	Final
Allegations:	FINRA HAS ALLEGED THAT A CUSTOMER PLACED TRADES THROUGH LEK SECURITIES CORPORATION ("LSC") THAT WERE MANIPULATIVE. THE SEC HAS ALLEGED THAT SAMUEL LEK AND LSC VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT AND AIDED AND ABETTED THE CUSTOMER'S ACTIVITY IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT. IT IS FURTHER ALLEGED THAT SAMUEL LEK AND LSC AIDED AND ABETTED THE CUSTOMER'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT. IN ADDITION, THE SEC ALLEGED THAT SAMUEL LEK HAS VIOLATED SECTION 20(A) OF THE EXCHANGE ACT FOR THE CUSTOMER'S VIOLATIONS OF EXCHANGE ACT 10(B) AND RULE 10B-5 AND SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 AND ALSO VIOLATED AND VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4).
Initiated By:	FINRA
Date Initiated:	03/27/2017
Docket/Case Number:	2011029713004
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief	

**Sought:****Other Sanction(s)/Relief****Sought:****Resolution:** Decision & Order of Offer of Settlement**Resolution Date:** 12/17/2019**Sanctions Ordered:** Censure
Monetary/Fine \$69,230.77**Other Sanctions Ordered:** EQUITABLE RELIEF AND UNDERTAKINGS; THIS SETTLEMENT INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED THE FOLLOWING SECTIONS OF THE SECURITIES EXCHANGE ACT OF 1934: SECTION 15(C)(3) AND RULE 15C3-5 THEREUNDER, AND SECTION 17(A) AND RULE 17A-4 THEREUNDER. PURSUANT TO SECTIONS 3(A)(39)(F) AND 15(B)(4)(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.**Sanction Details:** THE FIRM WAS CENSURED AND FINED A TOTAL OF \$900,000, OF WHICH \$69,230.77 IS PAYABLE TO THE FINRA. THE FIRM IS REQUIRED TO PERFORM ADDITIONAL EQUITABLE RELIEF AND UNDERTAKINGS AS DESCRIBED IN THE OFFER. THE REMAINDER OF THE FINE SHALL BE PAID TO OTHER SELF-REGULATORY ORGANIZATIONS. IN DETERMINING THE SANCTIONS, FINRA HAS TAKEN INTO ACCOUNT THE MONETARY SANCTIONS IMPOSED BY THE SEC IN ITS PARALLEL ACTION AGAINST THE FIRM.**Disclosure 20 of 36****Reporting Source:** Regulator**Current Status:** Final**Allegations:** LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS.

THE COMPLAINT ALLEGES THAT LSCI FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW AND WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AMONG OTHER THINGS, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, RULES 200(G) AND 203(B)(1) OF REG SHO, AND NYSE ARCA EQUITIES



RULES 2.24 AND 7.16. IN ADDITION, LSCI FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE BUSINESS IN WHICH IT ENGAGES AND TO SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS, AND WITH NYSE ARCA EQUITIES RULES. LSCI'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEWS TO BE TAKEN, THE FREQUENCY OF SUCH REVIEWS AND HOW SUCH REVIEWS ARE TO BE DOCUMENTED. IN ADDITION, LSCI'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION RELATED TO ITS OUTSIDE BROKERAGE ACCOUNT REVIEW. LSCI FAILED TO PROVIDE ANY DOCUMENTARY EVIDENCE THAT IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN ITS WSPS RELATED TO INFORMATION BARRIERS AND OUTSIDE BROKERAGE ACCOUNT REVIEW. LSCI'S WSPS FAILED TO SET FORTH THE FREQUENCY OF SUPERVISORY REVIEWS REGARDING INFORMATION BARRIERS. LSCI REVISED ITS WSPS; HOWEVER, THE REVISED WSPS FAILED TO ADEQUATELY ADDRESS THE DEFICIENCIES. IN ADDITION, LSCI FAILED TO PROVIDE DOCUMENTARY EVIDENCE THAT THE FIRM PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN ITS WSPS RELATED TO NYSE ARCA EQUITIES TRADING PRACTICE RULES.

THE COMPLAINT ALSO ALLEGES THAT LSCI, ON OCCASIONS ACCEPTED A SHORT SALE ORDER FROM A CUSTOMER WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE; AND DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED RULE 203(B)(1) OF REG SHO.

THE COMPLAINT FURTHER ALLEGES THAT LSCI, ON TWO OCCASIONS MARKED A SALE "SHORT" WHEN THE CUSTOMER'S POSITION WAS LONG. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED RULE 200(G) OF REG SHO. AS A RESULT, THE FIRM WILLFULLY VIOLATED NYSE ARCA EQUITIES RULE 7.16(C), WITH ORDER MARKING REQUIREMENTS.

IN ADDITION, THE COMPLAINT ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF LSCI, MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS ("TFCE") GROUP CONDUCTED AN OUTSIDE BROKERAGE ACCOUNT REVIEW, IN WHICH IT REQUESTED LSCI TO PROVIDE AN ACCOUNT STATEMENT FOR ITS CEO AND AN ACCOUNT STATEMENT FOR THE WIFE OF ITS REGISTERED EMPLOYEE. LSCI FAILED TO MAINTAIN EITHER. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY



VIOLATED SECTION 17(A) OF THE EXCHANGE ACT, RULE 17A-4, THEREUNDER, AND NYSE ARCA EQUITIES RULE 2.24.

Initiated By: NYSE ARCA, INC.

Date Initiated: 11/18/2016

Docket/Case Number: 2010021595601

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 02/27/2018

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$24,750.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$24,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF LEK SECURITIES' POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS DECISION.

Regulator Statement WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM (LEK SECURITIES OR FIRM) CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS.

THE FINDINGS STATED THAT LEK SECURITIES FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS WSPS WERE



DEFICIENT. LEK SECURITIES FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW AND WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE. LEK SECURITIES FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE BUSINESS IN WHICH IT ENGAGES AND TO SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS, AND WITH NYSE ARCA EQUITIES RULES.

Reporting Source: Firm

Current Status: Final

Allegations: LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE COMPLAINT ALLEGES THAT LSCI FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW AND WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AMONG OTHER THINGS, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, RULES 200(G) AND 203(B)(1) OF REG SHO, AND NYSE ARCA EQUITIES RULES 2.24 AND 7.16.

Initiated By: NYSE ARCA, INC.

Date Initiated: 11/18/2016

Docket/Case Number: 2010021595601

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 02/27/2018



Sanctions Ordered: Censure
Monetary/Fine \$24,750.00

Other Sanctions Ordered:

Sanction Details: LSC IS REQUIRED TO RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF LSC POLICIES, SYSTEMS AND PROCEDURES RELATING TO THE VIOLATIONS IDENTIFIED HEREIN AND TO IMPLEMENT THE CONSULTANT'S RECOMMENDATIONS OR ACCEPTABLE ALTERNATIVES AND PROVIDE FINRA WITH A WRITTEN REPORT OF THEIR IMPLEMENTATION.

Disclosure 21 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: LEK SECURITIES CORPORATION WAS NAMED A RESPONDENT IN A NASDAQ COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES (WSPS), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS.

THE COMPLAINT ALLEGES THAT AS PART OF CYCLE EXAMINATIONS OF THE FIRM, MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS (TFCE) GROUP SAMPLED SHORT SALES ENTERED INTO THE NASDAQ SYSTEM FOR COMPLIANCE WITH THE REG SHO RULE 203(B)(1) SECURITY LOCATION REQUIREMENT. OF THE ORDERS ENTERED INTO THE NASDAQ SYSTEM, THE FIRM, ON OCCASIONS ACCEPTED A SHORT SALE ORDER FROM A CUSTOMER WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE; AND DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. AS A RESULT OF THE FOREGOING, THE FIRM WILLFULLY VIOLATED RULE 203(B)(1) OF REG SHO.

THE COMPLAINT ALSO ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF THE FIRM, TFCE REVIEWED 1,512 CUSTOMER ORDERS, OF WHICH 314 WERE ENTERED INTO THE NASDAQ SYSTEM, TO DETERMINE IF SUCH ORDERS WERE MARKED CONSISTENT WITH RULE 200(G) OF REG SHO. OF THE ORDERS ENTERED INTO THE NASDAQ SYSTEM, THE FIRM, ON THREE OCCASIONS, MARKED A SALE ORDER "SHORT" WHEN THE CUSTOMER'S POSITION WAS LONG. OF THE ORDERS ENTERED INTO THE NASDAQ SYSTEM, THE FIRM, ON ONE OCCASION MARKED A SALE ORDER "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT. AS A RESULT, THE FIRM



WILLFULLY VIOLATED RULE 200(G) OF REG SHO.

THE COMPLAINT FURTHER ALLEGES THAT PURSUANT TO NASDAQ RULE 4755(1)(A), AN ORDER ENTERED INTO THE NASDAQ SYSTEM FOR DISPLAY AND/OR EXECUTION MUST INDICATE, AMONG OTHER THINGS, WHETHER THEY ARE A BUY, SHORT SALE, OR LONG SALE. HOWEVER, THE FIRM, ON THREE OCCASIONS IDENTIFIED A SELL ORDER ENTERED INTO THE NASDAQ SYSTEM AS "SHORT" WHEN THE CUSTOMER'S POSITION WAS LONG. ALSO, THE FIRM, ON ONE OCCASION IDENTIFIED A SELL ORDER ENTERED INTO THE NASDAQ SYSTEM AS "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT.

IN ADDITION, THE COMPLAINT ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF THE FIRM, TFCE CONDUCTED AN OUTSIDE BROKERAGE ACCOUNT REVIEW, IN WHICH IT REQUESTED THE FIRM TO PROVIDE AN ACCOUNT STATEMENT FOR ITS CEO AND AN ACCOUNT STATEMENT FOR THE WIFE OF ITS REGISTERED EMPLOYEE. THE FIRM FAILED TO MAINTAIN EITHER. AS A RESULT OF THE FOREGOING, THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT) AND RULE 17A-4, THEREUNDER, AND NASDAQ RULE 4511A.

MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW AND WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AMONG OTHER THINGS, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, RULES 200(G) AND 203(B)(1) OF REG SHO, AND NASDAQ RULES 4755 AND 4511A. IN ADDITION, THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS, AND WITH THE APPLICABLE RULES OF NASDAQ. THE FIRM'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEWS TO BE TAKEN, THE FREQUENCY OF SUCH REVIEWS AND HOW SUCH REVIEWS ARE TO BE DOCUMENTED. IN OR ABOUT DECEMBER 2014, THE FIRM REVISED ITS WSPS. HOWEVER, THE REVISED WSPS FAILED TO ADEQUATELY ADDRESS THE DEFICIENCIES.

Initiated By: NASDAQ STOCK MARKET
Date Initiated: 11/18/2016
Docket/Case Number: 2010021595602
Principal Product Type: Other



Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	02/27/2018
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$37,250.00
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	THE FIRM WAS CENSURED, FINED \$175,000, OF WHICH \$37,250 SHALL BE PAID TO NASDAQ AND UNDERTAKES TO RETAIN, WITHIN 30 DAYS OF THE DATE OF THE NOTICE OF ACCEPTANCE OF THIS OFFER, AN INDEPENDENT CONSULTANT, NOT UNACCEPTABLE TO FINRA STAFF TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER. THE REMAINDER OF THE FINE IS TO BE PAID TO OTHER EXCHANGES IN RELATED DISCIPLINARY MATTERS.
Regulator Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WSPS, WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE FINDINGS STATED THAT THE FIRM FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS WSPS WERE DEFICIENT. BY FAILING TO ESTABLISH, MAINTAIN, AND ENFORCE SUPERVISORY SYSTEMS AND PROCEDURES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASDAQ RULES AND FEDERAL SECURITIES LAWS, RULES AND REGULATIONS, THE FIRM VIOLATED NASDAQ RULES 3010, 2110 AND 2010A . DUE, IN PART, TO THESE SUPERVISORY FAILURES, THE FIRM VIOLATED RULE 200(G) OF REG SHO OF THE EXCHANGE ACT AND RULE 203(B)(1) OF REG SHO; AND NASDAQ RULES 4702 AND 4755. THERE WERE NO WILLFUL FINDINGS.



Reporting Source: Firm

Current Status: Final

Allegations: LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE COMPLAINT ALLEGES THAT AS PART OF CYCLE EXAMINATIONS OF LSCI, MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS ("TFCE") GROUP SAMPLED SHORT SALES ENTERED INTO THE NASDAQ SYSTEM FOR COMPLIANCE WITH THE RULE 203(B)(1) SECURITY LOCATION REQUIREMENT. OF THE ORDERS ENTERED INTO THE NASDAQ SYSTEM, LSCI, ON OCCASIONS ACCEPTED A SHORT SALE ORDER FROM A CUSTOMER WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE; AND DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. FINRA ADDITIONALLY ALLEGES VIOLATIONS OF RULE 200(G) OF REG SHO, NASDAQ RULE 4755(1)(A) AND SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, AND NASDAQ RULE 4511A.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 11/18/2016

Docket/Case Number: 2010021595602

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 02/27/2018

Sanctions Ordered: Censure
Monetary/Fine \$37,250.00

Other Sanctions Ordered: UNDERTAKING

**Sanction Details:**

THE FIRM WAS CENSURED, FINED \$175,000, OF WHICH \$37,250 SHALL BE PAID TO NASDAQ AND UNDERTAKES TO RETAIN, WITHIN 30 DAYS OF THE DATE OF THE NOTICE OF ACCEPTANCE OF THIS OFFER, AN INDEPENDENT CONSULTANT, NOT UNACCEPTABLE TO FINRA STAFF TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER. THE REMAINDER OF THE FINE IS TO BE PAID TO OTHER EXCHANGES IN RELATED DISCIPLINARY MATTERS

Disclosure 22 of 36**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS.

THE COMPLAINT ALLEGES THAT LSCI FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW AND WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AMONG OTHER THINGS, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, NYSE MKT RULE 324, AND RULES 200(G) AND 203(B)(1) OF REG SHO. IN ADDITION, LSCI FAILED TO ESTABLISH, MAINTAIN, ENFORCE AND KEEP CURRENT WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND NYSE MKT RULES.

LSCI'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEW TO BE TAKEN, THE FREQUENCY OF SUCH REVIEWS AND HOW SUCH REVIEWS ARE TO BE DOCUMENTED FOR AUTHORIZED TRADERS, ORDER CAPACITY AND CONTROLS TO ENSURE THE ACCURACY OF ORDERS ENTERED INTO NYSE MKT SYSTEMS, NYSE MKT CLEARLY ERRONEOUS FILINGS, REVIEW AND DETECTION OF POTENTIAL NYSE MKT ORDER ENTRY ERRORS AND ACCURATELY IDENTIFYING SHORT SALE ORDERS WHEN ENTERED INTO NYSE MKT SYSTEMS. IN OR ABOUT DECEMBER 2014, LSCI REVISED ITS WSPS; HOWEVER, THE REVISED WSPS FAILED TO ADEQUATELY ADDRESS THE DEFICIENCIES. ALSO, LSCI FAILED TO PROVIDE MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS



("TFCE") GROUP WITH DOCUMENTARY EVIDENCE THAT LSCI PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN ITS WSPS RELATED TO NYSE MKT TRADING PRACTICE RULES.

THE COMPLAINT ALSO ALLEGES THAT LSCI ON AT LEAST THREE OCCASIONS ACCEPTED A SHORT SALE ORDER ON BEHALF OF A CUSTOMER WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA-FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY CAN BE BORROWED SO THAT IT CAN BE DELIVERED ON THE DATE DELIVERY IS DUE; AND/OR DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED RULE 203(B)(1) OF REG SHO.

THE COMPLAINT FURTHER ALLEGES THAT LSCI ON AT LEAST TWO OCCASIONS MARKED A SALE "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED RULE 200(G) OF REG SHO.

IN ADDITION, THE COMPLAINT ALLEGES THAT AS PART OF THE CYCLE EXAMINATION OF LSCI, TFCE CONDUCTED AN OUTSIDE BROKERAGE ACCOUNT REVIEW, IN WHICH IT REQUESTED LSCI TO PROVIDE AN ACCOUNT STATEMENT FOR ITS CEO AND AN ACCOUNT STATEMENT FOR THE WIFE OF ITS REGISTERED EMPLOYEE AND THE FIRM FAILED TO MAINTAIN EITHER. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT, RULE 17A-4, THEREUNDER, AND NYSE MKT RULE 324.

Initiated By:	NYSE MKT LLC
Date Initiated:	11/18/2016
Docket/Case Number:	2010021595609
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	02/15/2018



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$9,250.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$9,250 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER.
Regulator Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM (LEK SECURITIES, LSCI, OR FIRM) CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE FINDINGS STATED THAT LEK SECURITIES FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS WSPS WERE DEFICIENT. LEK SECURITIES FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW AND WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE COMPLAINT ALLEGES THAT LSCI FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW AND WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AMONG OTHER THINGS,



SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, NYSE MKT RULE 324, AND RULES 200(G) AND 203(B)(1) OF REG SHO.

Initiated By: NYSE MKT LLC

Date Initiated: 11/18/2016

Docket/Case Number: 2010021595609

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 02/27/2018

Sanctions Ordered: Censure
Monetary/Fine \$9,250.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$9,250 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER.

Disclosure 23 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS.

THE COMPLAINT ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF LSCI, MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS ("TFCE") GROUP REVIEWED 407 CUSTOMER ORDERS, OF WHICH 58 WERE ENTERED INTO THE BZX SYSTEM, TO DETERMINE IF



SUCH ORDERS WERE MARKED CONSISTENT WITH RULE 200(G) OF REG SHO. OF THE ORDERS ENTERED INTO THE BZX SYSTEM, LSCI, ON SEVEN OCCASIONS MARKED A SALE "SHORT" WHEN THE CUSTOMER'S POSITION WAS LONG. OF THE ORDERS ENTERED INTO THE BZX SYSTEM, LSCI, ON THREE OCCASIONS MARKED A SALE "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED RULE 200(G) OF REG SHO.

THE COMPLAINT ALSO ALLEGES THAT PURSUANT TO BZX RULE 11.19, "ALL SHORT SALE ORDERS SHALL BE IDENTIFIED AS 'SHORT' OR 'SHORT EXEMPT' WHEN ENTERED INTO THE [BZX] SYSTEM, THEREFORE THE FIRM VIOLATED THE ORDER MARKING REQUIREMENTS BY NOT PROPERLY MARKING SHORT SALE ORDERS.

THE COMPLAINT FURTHER ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF LSCI, TFCE CONDUCTED AN OUTSIDE BROKERAGE ACCOUNT REVIEW, IN WHICH IT REQUESTED LSCI TO PROVIDE AN ACCOUNT STATEMENT FOR ITS CEO AND AN ACCOUNT STATEMENT FOR THE WIFE OF ITS REGISTERED EMPLOYEE. LSCI FAILED TO MAINTAIN EITHER. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, AND VIOLATED BZX RULES 4.1 AND 5.5.02(C).

IN ADDITION, THE COMPLAINT ALLEGES THAT LSCI FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO ASSURE COMPLIANCE WITH, AMONG OTHER RULES AND REGULATIONS, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, RULE 200(G) OF REG SHO, AND BZX RULES 4.1, 5.5.02(C) AND 11.19. LSCI'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEW TO BE TAKEN, THE FREQUENCY OF SUCH REVIEWS AND HOW SUCH REVIEWS ARE TO BE DOCUMENTED. LSCI'S WSPS FAILED TO SET FORTH THE SUPERVISORY STEPS AND REVIEWS TO BE TAKEN TO ENSURE THE ACCURACY OF SHORT SALE ORDERS SENT TO THE BZX SYSTEM. LSCI ALSO FAILED TO MAINTAIN DOCUMENTARY EVIDENCE THAT IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN THE WSPS CONCERNING THE PREVENTION AND DETECTION OF PROHIBITED TRADING PRACTICES. IN OR ABOUT DECEMBER 2014, LSCI REVISED ITS WSPS; HOWEVER, THE REVISED WSPS FAILED TO ADEQUATELY ADDRESS THE DEFICIENCIES. LSCI ALSO FAILED TO PROVIDE DOCUMENTARY EVIDENCE THAT IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN THE WSPS CONCERNING BZX TRADING PRACTICE RULES.

MOREOVER, THE COMPLAINT ALLEGES THAT PERTAINING TO



PREVENTION OF THE MISUSE OF MATERIAL AND NON-PUBLIC INFORMATION, THE FIRM'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION, SUPERVISORY STEPS AND REVIEWS TO BE TAKEN, FREQUENCY OF SUCH REVIEWS AND HOW TO DOCUMENT THEM. LSCI ALSO FAILED TO PROVIDE DOCUMENTARY EVIDENCE THAT IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN THE WSPS CONCERNING: (I) INFORMATION BARRIERS; (II) ADVISING ASSOCIATED PERSONS AGAINST THE MISUSE OF INSIDE INFORMATION; AND (III) OUTSIDE BROKERAGE ACCOUNTS AND CONFIRMATIONS.

Initiated By: BATS BZX EXCHANGE, INC.

Date Initiated: 11/18/2016

Docket/Case Number: 2010021595604

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 03/26/2018

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$24,750.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$24,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER.

THE SANCTIONS IMPOSED HEREIN SHALL BE EFFECTIVE 20 BUSINESS DAYS FROM THE ENTRY OF THIS DECISION PURSUANT TO BZX 8.8(A).



THEREFORE, THIS DECISION BECAME FINAL ON MARCH 26, 2018.

Regulator Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM (LEK SECURITIES, LSCI, OR FIRM) CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE FINDINGS STATED THAT LEK SECURITIES FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS WSPS WERE DEFICIENT. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES REASONABLY DESIGNED TO PREVENT THE MISUSE OF MATERIAL, NON-PUBLIC INFORMATION BY THE FIRM OR PERSONS ASSOCIATED WITH IT.

Reporting Source:

Firm

Current Status:

Final

Allegations:

LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE COMPLAINT ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF LSCI, MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS ("TFCE") GROUP FOUND VIOLATIONS OF RULE 200(G) OF REG SHO. REGARDING THE ORDERS ENTERED INTO THE BZX SYSTEM, THAT LSCI VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, AND BZX RULES 4.1, 5.5.02(C) AND 11.19. LSCI'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEW TO BE TAKEN, THE FREQUENCY OF SUCH REVIEWS AND HOW SUCH REVIEWS ARE TO BE DOCUMENTED. THE COMPLAINT ALLEGES THAT PERTAINING TO PREVENTION OF THE MISUSE OF MATERIAL AND NON-PUBLIC INFORMATION, THE FIRM'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION, SUPERVISORY STEPS AND REVIEWS TO BE TAKEN, FREQUENCY OF SUCH REVIEWS AND HOW TO DOCUMENT THEM.

Initiated By:

BATS BZX EXCHANGE, INC.

Date Initiated:

11/18/2016

Docket/Case Number:

2010021595604

Principal Product Type:

Other



Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	02/27/2018
Sanctions Ordered:	Censure Monetary/Fine \$24,750.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$24,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER. THE SANCTIONS IMPOSED HEREIN SHALL BE EFFECTIVE 20 BUSINESS DAYS FROM THE ENTRY OF THIS DECISION PURSUANT TO BZX 8.8(A). THEREFORE, THIS DECISION WILL BECOME FINAL ON MARCH 26, 2018.

Disclosure 24 of 36

Reporting Source:	Regulator
Current Status:	Final
Allegations:	LEK SECURITIES CORPORATION WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING EGREGIOUS AND SYSTEMIC SUPERVISORY VIOLATIONS COMMITTED BY THE FIRM FOR A PERIOD OF MORE THAN FOUR YEARS. THE COMPLAINT ALLEGES THAT THE FIRM WAS PUT ON NOTICE OF PROBLEMS WITH ITS SUPERVISORY PROCEDURES, BUT FAILED TO ADEQUATELY ADDRESS THEM. THE FIRM'S SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES (WSPS), WERE INADEQUATE AND FAILED TO PROVIDE FOR THE MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE FIRM FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS SUPERVISORY PROCEDURES WERE DEFICIENT. THE COMPLAINT ALSO ALLEGES THAT AS A RESULT OF THE FIRM'S INACCURATE REPORTING, THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) CONTAINED INACCURATE INFORMATION. THE COMPLAINT FURTHER ALLEGES THAT AS A RESULT OF THE FIRM'S



FAILURE TO FULLY AND ACCURATELY REPORT INFORMATION TO THE ORDER AUDIT TRAIL SYSTEM (OATS), OATS CONTAINED INACCURATE INFORMATION. IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO MAINTAIN ACCURATE BOOKS AND RECORDS, INCLUDING ORDER TICKETS, CUSTOMER CONFIRMATIONS, AND OUTSIDE BROKERAGE ACCOUNT STATEMENTS FOR EMPLOYEES AND THE WIFE OF AN EMPLOYEE. MOREOVER, THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO PROVIDE TO EACH CUSTOMER IDENTIFIED BY FINRA, A DISCLOSURE STATEMENT HIGHLIGHTING THE RISKS SPECIFIC TO EXTENDED HOURS TRADING PRIOR TO EXECUTING THE ORDER IN THE EXTENDED HOURS. FURTHERMORE, THE COMPLAINT ALLEGES THAT FINRA IDENTIFIED AT LEAST SEVEN INSTANCES IN WHICH THE FIRM MARKED A SALE "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT. AS A RESULT, THE FIRM WILLFULLY VIOLATED RULE 200(G) OF REG SHO. THE COMPLAINT ALSO ALLEGES THAT FINRA IDENTIFIED AT LEAST THREE OCCASIONS IN WHICH THE FIRM ACCEPTED A SHORT SALE ORDER ON BEHALF OF A CUSTOMER WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE; AND DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. AS A RESULT, THE FIRM WILLFULLY VIOLATED RULE 203(B)(1) OF REG SHO. THE COMPLAINT FURTHER ALLEGES THAT FINRA REQUESTED THE FIRM TO PROVIDE IT WITH THE ANNUAL NOTICE PROVIDED TO ITS CUSTOMERS PURSUANT TO RULE 606 OF REG NMS. THE FIRM WAS UNABLE TO PRODUCE COPIES OF WRITTEN NOTIFICATIONS, OR ANY EVIDENCE THAT WRITTEN NOTIFICATIONS WERE SENT TO ITS CUSTOMERS, THAT THE QUARTERLY ORDER ROUTING REPORTS WERE AVAILABLE, FREE OF CHARGE, UPON REQUEST FROM THE CUSTOMER. IN ADDITION, THE FIRM'S PUBLISHED REPORTS FOR THE 4TH QUARTER 2014 FAILED TO INCLUDE THE PERCENTAGES OF TOTAL NON-DIRECTED ORDERS FOR THE SECTION THAT WERE MARKET ORDERS, LIMIT ORDERS AND OTHER REPORTS. AS A RESULT, THE FIRM WILLFULLY VIOLATED RULE 606 OF REG NMS. IN ADDITION, THE COMPLAINT ALLEGES THAT IN CUSTOMER CONFIRMATIONS, THE FIRM FAILED TO DISCLOSE ITS CAPACITY ON THE CUSTOMER CONFIRMATION IT SENT TO THE RELEVANT CUSTOMER, FAILED TO INCLUDE THE AVERAGE PRICE DISCLOSURE, AND FAILED TO IDENTIFY THE CUSTOMER ON THE DISCLOSURE. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 10B-10. MOREOVER, THE COMPLAINT ALLEGES IT FAILED TO 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 FINRA RULES. THE FIRM REVISED ITS WSPS, HOWEVER, THE REVISED WSPS FAILED TO ADEQUATELY ADDRESS THE RELEVANT DEFICIENCIES. FURTHERMORE, THE COMPLAINT ALLEGES THAT THE FIRM'S SUPERVISORY SYSTEMS DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RULES 611(A)(1) AND (2) AND 611(C) OF REG NMS. AS A RESULT, THE FIRM WILLFULLY VIOLATED RULES 611(A)(1) AND (2) AND 611(C) OF REG NMS.

Initiated By:	FINRA
Date Initiated:	11/18/2016
Docket/Case Number:	2010021595603
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	02/27/2018
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED AND UNDERTAKES TO RETAIN, WITHIN 30 DAYS OF THE DATE OF THE NOTICE OF ACCEPTANCE OF THIS OFFER, AN INDEPENDENT CONSULTANT, NOT UNACCEPTABLE TO FINRA STAFF TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER. THE FIRM WAS ALSO FINED A TOTAL OF \$175,000, TO BE PAID TO EXCHANGES IN RELATED DISCIPLINARY MATTERS.
Regulator Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WSPS, WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS



FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE FINDINGS STATED THAT THE FIRM FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS SUPERVISORY PROCEDURES WERE DEFICIENT. THE FIRM INACCURATELY REPORTED TRANSACTIONS TO THE FNTRF; IN 20 INSTANCES, REPORTED A CANCELED TRADE DURING NORMAL MARKET HOURS WITH A CANCELED TIMESTAMP THAT WAS IN EXCESS OF 10 SECONDS AFTER THE CANCELED TIMESTAMP LISTED ON THE ORDER RECORD; FAILED TO SUBMIT REPORTS AND DATA TO OATS AND FAILED TO SUBMIT ACCURATE INFORMATION TO OATS. THE FIRM ALSO FAILED TO PROVIDE TO SIX OF THE CUSTOMERS IDENTIFIED BY FINRA A DISCLOSURE STATEMENT HIGHLIGHTING THE RISKS SPECIFIC TO EXTENDED HOURS TRADING PRIOR TO EXECUTING THE ORDER IN THE EXTENDED HOURS. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE SUPERVISORY PROCEDURES, INCLUDING WSPS, PROVIDING FOR: THE IDENTIFICATION OF THE PERSON(S) RESPONSIBLE FOR SUPERVISION WITH RESPECT TO RULES 611(A)(1) AND (2) AND 611(C) OF REG NMS; A STATEMENT OF THE SUPERVISORY STEP(S) TO BE TAKEN BY THE IDENTIFIED PERSON(S); A STATEMENT AS TO HOW OFTEN SUCH PERSON(S) SHOULD TAKE SUCH STEP(S); AND/OR A STATEMENT AS TO HOW THE COMPLETION OF THE STEP(S) INCLUDED IN THE WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED. THERE WERE NO WILLFUL FINDINGS.

Reporting Source:	Firm
Current Status:	Final
Allegations:	LEK SECURITIES CORPORATION WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING SYSTEMIC SUPERVISORY VIOLATIONS COMMITTED BY THE FIRM FOR A PERIOD OF MORE THAN FOUR YEARS. THE FIRM'S SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES (WSPS), WERE INADEQUATE AND FAILED TO PROVIDE FOR THE MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. FINRA ADDITIONALLY ALLEGES VIOLATIONS OF TRADE REPORTING RULES INCLUDING OATS AND RULES 200(G) AND 203(B)(1) OF REG SHO, RULE 606 OF REG NMS, SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 10B-10 AND RULES 611(A)(1) AND (2) AND 611(C) OF REG NMS.
Initiated By:	FINRA
Date Initiated:	11/18/2016
Docket/Case Number:	2010021595603



Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/27/2018

Sanctions Ordered: Censure

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED AND UNDERTAKES TO RETAIN, WITHIN 30 DAYS OF THE DATE OF THE NOTICE OF ACCEPTANCE OF THIS OFFER, AN INDEPENDENT CONSULTANT, NOT UNACCEPTABLE TO FINRA STAFF TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER. THE FIRM WAS ALSO FINED A TOTAL OF \$175,000, TO BE PAID TO EXCHANGES IN RELATED DISCIPLINARY MATTERS.

Disclosure 25 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS.

THE COMPLAINT ALLEGES THAT LSCI FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AMONG OTHER THINGS, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, RULES 200(G) AND 203(B)(1) OF REG SHO, AND NYSE RULE 440.

IN ADDITION, LSCI FAILED TO ESTABLISH AND MAINTAIN ADEQUATE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NYSE RULES AND THE FEDERAL SECURITIES LAWS.



LSCI'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEW TO BE TAKEN, THE FREQUENCY OF SUCH REVIEWS AND HOW SUCH REVIEWS ARE TO BE DOCUMENTED FOR AUTHORIZED TRADERS, ORDER CAPACITY AND CONTROLS TO ENSURE THE ACCURACY OF ORDERS ENTERED INTO NYSE SYSTEMS, NYSE CLEARLY ERRONEOUS FILINGS, REVIEW AND DETECTION OF POTENTIAL NYSE ORDER ENTRY ERRORS AND ACCURATELY IDENTIFYING SHORT SALE ORDERS WHEN ENTERED INTO NYSE SYSTEMS. IN OR ABOUT DECEMBER 2014, LSCI REVISED ITS WSPS; HOWEVER, THE REVISED WSPS FAILED TO ADEQUATELY ADDRESS THE DEFICIENCIES. ALSO, LSCI FAILED TO PROVIDE MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS ("TFCE") GROUP WITH DOCUMENTARY EVIDENCE THAT LSCI PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN ITS WSPS RELATED TO NYSE TRADING PRACTICE RULES. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED NYSE RULE 342.

THE COMPLAINT ALSO ALLEGES THAT LSCI ON AT LEAST ONE OCCASION, ACCEPTED A SHORT SALE ORDER FROM A CUSTOMER WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA-FIDE ARRANGEMENT TO BORROW THE SECURITY, OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY CAN BE BORROWED SO THAT IT CAN BE DELIVERED ON THE DATE DELIVERY IS DUE; AND/OR DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED RULE 203(B)(1) OF REG SHO.

THE COMPLAINT FURTHER ALLEGES THAT LSCI ON AT LEAST ONE OCCASIONS MARKED A SALE "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED RULE 200(G) OF REG SHO.

IN ADDITION, THE COMPLAINT ALLEGES THAT AS PART OF THE CYCLE EXAMINATION OF LSCI, TFCE CONDUCTED AN OUTSIDE BROKERAGE ACCOUNT REVIEW, IN WHICH IT REQUESTED LSCI TO PROVIDE AN ACCOUNT STATEMENT FOR ITS CEO AND AN ACCOUNT STATEMENT FOR THE WIFE OF ITS REGISTERED EMPLOYEE AND THE FIRM FAILED TO MAINTAIN EITHER. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT, RULE 17A-4, THEREUNDER, AND NYSE RULE 440.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 11/18/2016

Docket/Case Number: 2010021595608



Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	02/15/2018
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$14,750.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$14,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER.
Regulator Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM (LEK SECURITIES, LSCI, OR FIRM) CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE FINDINGS STATED THAT LEK SECURITIES FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS WSPS WERE DEFICIENT. LEK SECURITIES FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW AND WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE.

Reporting Source: Firm



Current Status:	Final
Allegations:	LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE COMPLAINT ALLEGES THAT LSCI FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH, AMONG OTHER THINGS, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, RULES 200(G) AND 203(B)(1) OF REG SHO, AND NYSE RULES 440 AND 342.
Initiated By:	NEW YORK STOCK EXCHANGE
Date Initiated:	11/18/2016
Docket/Case Number:	2010021595608
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	02/27/2018
Sanctions Ordered:	Censure Monetary/Fine \$14,750.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$14,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER.

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Reporting Source:	Regulator
Current Status:	Final

**Allegations:**

LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS.

THE COMPLAINT ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF LSCI, MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS ("TFCE") GROUP REVIEWED 562 CUSTOMER ORDERS, OF WHICH 42 WERE ENTERED INTO THE BYX SYSTEM, TO DETERMINE IF SUCH ORDERS WERE MARKED CONSISTENT WITH RULE 200(G) OF REG SHO. OF THE ORDERS ENTERED INTO THE BYX SYSTEM, LSCI, ON 14 OCCASIONS MARKED A SALE "SHORT" WHEN THE CUSTOMER'S POSITION WAS LONG. OF THE ORDERS ENTERED INTO THE BYX SYSTEM, LSCI, ON FIVE OCCASIONS MARKED A SALE "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED RULE 200(G) OF REG SHO.

THE COMPLAINT ALSO ALLEGES THAT PURSUANT TO BYX RULE 11.19, "ALL SHORT SALE ORDERS SHALL BE IDENTIFIED AS 'SHORT' OR 'SHORT EXEMPT' WHEN ENTERED INTO THE [BYX] SYSTEM, THEREFORE THE FIRM VIOLATED THE ORDER MARKING REQUIREMENTS BY NOT PROPERLY MARKING SHORT SALE ORDERS.

THE COMPLAINT FURTHER ALLEGES THAT LSCI, ON EIGHT OCCASIONS ACCEPTED A SHORT SALE ORDER ON BEHALF OF A CUSTOMER WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE; AND DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. LSCI WILLFULLY VIOLATED RULE 203(B)(1) OF REG SHO.

IN ADDITION, THE COMPLAINT ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF LSCI, TFCE CONDUCTED AN OUTSIDE BROKERAGE ACCOUNT REVIEW, IN WHICH IT REQUESTED LSCI TO PROVIDE AN ACCOUNT STATEMENT FOR ITS CEO AND AN ACCOUNT STATEMENT FOR THE WIFE OF ITS REGISTERED EMPLOYEE. LSCI FAILED TO MAINTAIN EITHER. AS A RESULT OF THE FOREGOING, LSCI WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, AND VIOLATED BYX RULES 4.1 AND 5.5.02(C).

MOREOVER, THE COMPLAINT ALLEGES THAT LSCI FAILED TO ESTABLISH,



MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO ASSURE COMPLIANCE WITH, AMONG OTHER RULES AND REGULATIONS, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, RULES 200(G) AND 203(B)(1) OF REG SHO, AND BYX RULES 4.1, 5.5.02 AND 11.19. LSCI'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEW TO BE TAKEN, THE FREQUENCY OF SUCH REVIEWS AND HOW SUCH REVIEWS ARE TO BE DOCUMENTED. IN OR ABOUT DECEMBER 2014, LSCI REVISED ITS WSPS; HOWEVER, THE REVISED WSPS FAILED TO ADEQUATELY ADDRESS THE DEFICIENCIES. LSCI ALSO FAILED TO PROVIDE DOCUMENTARY EVIDENCE THAT IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN THE WSPS CONCERNING BYX TRADING PRACTICE RULES.

FURTHERMORE, THE COMPLAINT ALLEGES THAT PERTAINING TO PREVENTION OF THE MISUSE OF MATERIAL AND NON-PUBLIC INFORMATION, THE FIRM'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION, SUPERVISORY STEPS AND REVIEWS TO BE TAKEN, FREQUENCY OF SUCH REVIEWS AND HOW TO DOCUMENT THEM.

LSCI ALSO FAILED TO PROVIDE DOCUMENTARY EVIDENCE THAT IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN THE WSPS CONCERNING: (I) INFORMATION BARRIERS; (II) ADVISING ASSOCIATED PERSONS AGAINST THE MISUSE OF INSIDE INFORMATION; AND (III) OUTSIDE BROKERAGE ACCOUNTS AND CONFIRMATIONS.

Initiated By:	BATS BYX EXCHANGE, INC.
Date Initiated:	11/18/2016
Docket/Case Number:	2010021595605
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	03/26/2018



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$14,750.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	<p>THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$14,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER.</p> <p>THE SANCTIONS IMPOSED HEREIN SHALL BE EFFECTIVE 20 BUSINESS DAYS FROM THE ENTRY OF THIS DECISION PURSUANT TO BYX 8.8(A). THEREFORE, THIS DECISION BECAME FINAL ON MARCH 26, 2018.</p>
Regulator Statement	<p>WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM (LEK SECURITIES, LSCI, OR FIRM) CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE FINDINGS STATED THAT LEK SECURITIES FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS WSPS WERE DEFICIENT. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES REASONABLY DESIGNED TO PREVENT THE MISUSE OF MATERIAL, NON-PUBLIC INFORMATION BY THE FIRM OR PERSONS ASSOCIATED WITH IT.</p>
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Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE COMPLAINT ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF LSCI, MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE</p>



EXAMINATIONS ("TFCE") GROUP REVIEWED 562 CUSTOMER ORDERS, OF WHICH 42 WERE ENTERED INTO THE BYX SYSTEM, TO DETERMINE IF SUCH ORDERS WERE MARKED CONSISTENT WITH RULE 200(G) OF REG SHO. IT IS ALSO ALLEGED THAT LSCI VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, AND VIOLATED BYX RULES 4.1 AND 5.5.02(C). MOREOVER, THE COMPLAINT ALLEGES THAT LSCI FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO ASSURE COMPLIANCE WITH, AMONG OTHER RULES AND REGULATIONS, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, RULES 200(G) AND 203(B)(1) OF REG SHO, AND BYX RULES 4.1, 5.5.02 AND 11.19.

Initiated By: BATS BYX EXCHANGE, INC.

Date Initiated: 11/18/2016

Docket/Case Number: 2010021595605

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 02/27/2018

Sanctions Ordered: Censure
Monetary/Fine \$24,750.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$24,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER. THE SANCTIONS IMPOSED HEREIN SHALL BE EFFECTIVE 20 BUSINESS DAYS FROM THE ENTRY OF THIS DECISION PURSUANT TO BYX 8.8(A). THEREFORE, THIS DECISION WILL BECOME FINAL ON MARCH 26, 2018.

Disclosure 27 of 36

Reporting Source: Regulator

**Current Status:**

Final

Allegations:

LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS.

THE COMPLAINT ALLEGES THAT AS PART OF THE CYCLE EXAMINATION OF LSCI, MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS ("TFCE") GROUP REVIEWED 770 CUSTOMER ORDERS, OF WHICH 105 WERE ENTERED INTO THE EDGA SYSTEM, TO DETERMINE IF SUCH ORDERS WERE MARKED CONSISTENT WITH RULE 200(G) OF REG SHO. OF THE ORDERS ENTERED INTO THE EDGA SYSTEM, LSCI ON AT LEAST FOUR OCCASIONS MARKED A SALE ORDER "SHORT" WHEN THE CUSTOMER'S POSITION WAS LONG. OF THE ORDERS ENTERED INTO THE EDGA SYSTEM, LSCI ON AT LEAST ONE OCCASION MARKED A SALE ORDER "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT. SO, LSCI WILLFULLY VIOLATED RULE 200(G) OF REG SHO.

THE COMPLAINT ALSO ALLEGES THAT PURSUANT TO EDGA RULE 11.15, ALL SHORT SALE ORDERS SHALL BE IDENTIFIED AS "SHORT" OR "SHORT EXEMPT" WHEN ENTERED INTO THE EDGA SYSTEM. HOWEVER, LSCI ON AT LEAST FOUR OCCASIONS IDENTIFIED A SELL ORDER ENTERED INTO THE EDGA SYSTEM AS "SHORT" WHEN THE CUSTOMER'S POSITION WAS LONG, AND ON AT LEAST ONE OCCASION IDENTIFIED A SELL ORDER ENTERED INTO THE EDGA SYSTEM AS "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT.

THE COMPLAINT FURTHER ALLEGES THAT ON AT LEAST ONE OCCASION, LSCI ACCEPTED A SHORT SALE ORDER FROM A CUSTOMER WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE; AND DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. SO, LSCI WILLFULLY VIOLATED RULE 203(B)(1) OF REG SHO.

IN ADDITION, THE COMPLAINT ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF LSCI, TFCE CONDUCTED AN OUTSIDE BROKERAGE ACCOUNT REVIEW, IN WHICH IT REQUESTED LSCI TO PROVIDE AN ACCOUNT STATEMENT FOR ITS CEO AND AN ACCOUNT STATEMENT FOR THE WIFE OF ITS REGISTERED EMPLOYEE. LSCI FAILED TO MAINTAIN EITHER. SO, LSCI WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, AND VIOLATED EDGA RULES 4.1 AND



5.5(C)(3).

MOREOVER, THE COMPLAINT ALLEGES THAT LSCI FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO ASSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND EDGA RULES. IT FAILED TO ESTABLISH AND MAINTAIN WRITTEN PROCEDURES TO ASSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, RULES, REGULATIONS AND STATEMENTS OF POLICY PROMULGATED THEREUNDER, WITH THE RULES OF THE DESIGNATED SELF-REGULATORY ORGANIZATION, WHERE APPROPRIATE, AND WITH EDGA RULES. LSCI'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEWS TO BE TAKEN, THE FREQUENCY OF SUCH REVIEWS AND HOW SUCH REVIEWS ARE TO BE DOCUMENTED.

LSCI REVISED ITS WSPS AND, THE REVISED WSPS FAILED TO ADEQUATELY ADDRESS THE DEFICIENCIES. LSCI FAILED TO PROVIDE DOCUMENTARY EVIDENCE THAT IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN THE WSPS CONCERNING: EDGA TRADING PRACTICE RULES; INFORMATION BARRIERS; ADVISING ASSOCIATED PERSONS AGAINST THE MISUSE OF INSIDE INFORMATION; AND OUTSIDE BROKERAGE ACCOUNTS AND CONFIRMATIONS.

FURTHERMORE, THE COMPLAINT ALLEGES THAT PERTAINING TO PREVENTION OF THE MISUSE OF MATERIAL AND NON-PUBLIC INFORMATION, THE FIRM'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION, SUPERVISORY STEPS AND REVIEWS TO BE TAKEN, FREQUENCY OF SUCH REVIEWS AND HOW TO DOCUMENT THEM.

Initiated By:	BATS EDGA EXCHANGE, INC.
Date Initiated:	11/18/2016
Docket/Case Number:	2010021595606
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	03/26/2018
Does the order constitute a	No



final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

Sanctions Ordered: Censure
Monetary/Fine \$24,750.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$24,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER.

THE SANCTIONS IMPOSED HEREIN SHALL BE EFFECTIVE 20 BUSINESS DAYS FROM THE ENTRY OF THIS DECISION PURSUANT TO EDGA RULE 8. 8(A). THEREFORE, THIS DECISION BECAME FINAL ON MARCH 26, 2018.

Regulator Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM (LEK SECURITIES, LSCI, OR FIRM) CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE FINDINGS STATED THAT LEK SECURITIES FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS WSPS WERE DEFICIENT. LEK SECURITIES FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW AND WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE. LEK SECURITIES FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE BUSINESS IN WHICH IT ENGAGES AND TO SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS, AND WITH THE EXCHANGE RULES. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES REASONABLY DESIGNED TO PREVENT THE MISUSE OF MATERIAL, NON-PUBLIC INFORMATION BY THE FIRM OR PERSONS ASSOCIATED WITH IT.

Reporting Source: Firm



Current Status:	Final
Allegations:	LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE COMPLAINT ADDITIONALLY ALLEGES VIOLATIONS OF RULES 200(G) OF REG SHO AND EDGA RULE 11.15. IT IS ALSO ALLEGED THAT LSCI VIOLATED RULE 203(B)(1) OF REG SHO, SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, AND VIOLATED EDGA RULES 4.1 AND 5.5(C)(3).
Initiated By:	BATS EDGA EXCHANGE, INC.
Date Initiated:	11/18/2016
Docket/Case Number:	2010021595606
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	02/27/2018
Sanctions Ordered:	Censure Monetary/Fine \$24,750.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$24,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER. THE SANCTIONS IMPOSED HEREIN SHALL BE EFFECTIVE 20 BUSINESS DAYS FROM THE ENTRY OF THIS DECISION PURSUANT TO EDGA RULE 8.8(A). THEREFORE, THIS DECISION BECAME FINAL ON MARCH 26, 2018.

Disclosure 28 of 36

Reporting Source: Regulator

**Current Status:**

Final

Allegations:

LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE COMPLAINT ALLEGES THAT AS PART OF THE CYCLE EXAMINATION OF LSCI, MARKET REGULATION'S TRADING AND FINANCIAL COMPLIANCE EXAMINATIONS ("TFCE") GROUP REVIEWED 770 CUSTOMER ORDERS, OF WHICH 105 WERE ENTERED INTO THE EDGX SYSTEM, TO DETERMINE IF SUCH ORDERS WERE MARKED CONSISTENT WITH RULE 200(G) OF REG SHO. OF THE ORDERS ENTERED INTO THE EDGX SYSTEM, LSCI ON AT LEAST NINE OCCASIONS MARKED A SALE ORDER "SHORT" WHEN THE CUSTOMER'S POSITION WAS LONG. OF THE ORDERS ENTERED INTO THE EDGX SYSTEM, LSCI ON AT LEAST ONE OCCASION MARKED A SALE ORDER "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT. SO, LSCI WILLFULLY VIOLATED RULE 200(G) OF REG SHO. THE COMPLAINT ALSO ALLEGES THAT PURSUANT TO EDGX RULE 11.15, ALL SHORT SALE ORDERS SHALL BE IDENTIFIED AS "SHORT" OR "SHORT EXEMPT" WHEN ENTERED INTO THE EDGX SYSTEM. HOWEVER, LSCI ON AT LEAST NINE OCCASIONS IDENTIFIED A SELL ORDER ENTERED INTO THE EDGX SYSTEM AS "SHORT" WHEN THE CUSTOMER'S POSITION WAS LONG, AND ON AT LEAST ONE OCCASION IDENTIFIED A SELL ORDER ENTERED INTO THE EDGX SYSTEM AS "LONG" WHEN THE CUSTOMER'S POSITION WAS SHORT. THE COMPLAINT FURTHER ALLEGES THAT ON AT LEAST ONE OCCASION, LSCI ACCEPTED A SHORT SALE ORDER FROM A CUSTOMER WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE; AND DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. ALSO, ON AT LEAST TWO OCCASIONS, LSCI ACCEPTED A SHORT SALE ORDER ON BEHALF OF A CUSTOMER AND ENTERED IT INTO THE EDGX SYSTEM WITHOUT BORROWING THE SECURITY, ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE; AND DOCUMENTING ITS COMPLIANCE WITH RULE 203(B)(1) OF REG SHO. SO, LSCI WILLFULLY VIOLATED RULE 203(B)(1) OF REG SHO. IN ADDITION, THE COMPLAINT ALLEGES THAT AS PART OF A CYCLE EXAMINATION OF LSCI, TFCE CONDUCTED AN OUTSIDE BROKERAGE ACCOUNT REVIEW, IN WHICH IT REQUESTED LSCI TO PROVIDE AN ACCOUNT STATEMENT FOR ITS CEO AND AN ACCOUNT STATEMENT FOR THE WIFE OF ITS REGISTERED EMPLOYEE. LSCI FAILED TO MAINTAIN EITHER. SO, LSCI



WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4, THEREUNDER, AND VIOLATED EDGX RULES 4.1 AND 5.5(C)(3). MOREOVER, THE COMPLAINT ALLEGES THAT LSCI FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO ASSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND EDGX RULES. IT FAILED TO ESTABLISH AND MAINTAIN WRITTEN PROCEDURES TO ASSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, RULES, REGULATIONS AND STATEMENTS OF POLICY PROMULGATED THEREUNDER, WITH THE RULES OF THE DESIGNATED SELF-REGULATORY ORGANIZATION, WHERE APPROPRIATE, AND WITH EDGX RULES. LSCI'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEWS TO BE TAKEN, THE FREQUENCY OF SUCH REVIEWS AND HOW SUCH REVIEWS ARE TO BE DOCUMENTED. LSCI REVISED ITS WSPS AND, THE REVISED WSPS FAILED TO ADEQUATELY ADDRESS THE DEFICIENCIES. LSCI FAILED TO PROVIDE DOCUMENTARY EVIDENCE THAT IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN THE WSPS CONCERNING: EDGX TRADING PRACTICE RULES; INFORMATION BARRIERS; ADVISING ASSOCIATED PERSONS AGAINST THE MISUSE OF INSIDE INFORMATION; AND OUTSIDE BROKERAGE ACCOUNTS AND CONFIRMATIONS. PERTAINING TO PREVENTION OF THE MISUSE OF MATERIAL AND NON-PUBLIC INFORMATION, THE FIRM'S WSPS FAILED TO IDENTIFY THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION, SUPERVISORY STEPS AND REVIEWS TO BE TAKEN, FREQUENCY OF SUCH REVIEWS AND HOW TO DOCUMENT THEM.

Initiated By: BATS EDGX EXCHANGE, INC.

Date Initiated: 11/18/2016

Docket/Case Number: 2010021595607

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 03/26/2018



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$24,750.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	<p>THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$24,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER.</p> <p>THE SANCTIONS IMPOSED HEREIN SHALL BE EFFECTIVE 20 BUSINESS DAYS FROM THE ENTRY OF THIS DECISION PURSUANT TO EDGX RULE 8. 8(A). THEREFORE, THIS DECISION BECAME FINAL ON MARCH 26, 2018.</p>
Regulator Statement	<p>WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM (LEK SECURITIES, LSCI, OR FIRM) CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR ALL MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. THE FINDINGS STATED THAT LEK SECURITIES FAILED TO EVIDENCE THAT IT PERFORMED SUPERVISORY REVIEWS IN NUMEROUS AREAS, INCLUDING IN MANY OF THE SAME AREAS IN WHICH ITS WSPS WERE DEFICIENT. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES REASONABLY DESIGNED TO PREVENT THE MISUSE OF MATERIAL, NON-PUBLIC INFORMATION BY THE FIRM OR PERSONS ASSOCIATED WITH IT.</p>
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Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>LEK SECURITIES CORPORATION ("LSCI" OR THE "FIRM") WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY PROCEDURES, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS"), WERE INADEQUATE AND FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE SUPERVISION IN NUMEROUS AREAS. FINRA FURTHER ALLEGES VIOLATIONS OF RULE 200(G) OF REG SHO, EDGX RULE 11.15, RULE 203(B)(1) OF REG SHO, SECTION 17(A) OF THE</p>



EXCHANGE ACT AND RULE 17A-4, AND EDGX RULES 4.1 AND 5.5(C)(3).

Initiated By: BATS EDGX EXCHANGE, INC.

Date Initiated: 11/18/2016

Docket/Case Number: 2010021595607

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 03/26/2018

Sanctions Ordered: Censure
Monetary/Fine \$24,750.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM IS CENSURED AND FINED A TOTAL OF \$175,000, OF WHICH \$24,750 IS PAYABLE TO THE EXCHANGE. THE FIRM SHALL RETAIN AN INDEPENDENT CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF ITS POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE) AND TRAINING RELATING TO THE VIOLATIONS IDENTIFIED IN THIS OFFER. THE SANCTIONS IMPOSED HEREIN SHALL BE EFFECTIVE 20 BUSINESS DAYS FROM THE ENTRY OF THIS DECISION PURSUANT TO EDGX RULE 8.8(A). THEREFORE, THIS DECISION BECAME FINAL ON MARCH 26, 2018.

Disclosure 29 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO MAKE PUBLICLY AVAILABLE REPORTS ON ITS ROUTING OF NON-DIRECTED ORDERS IN COVERED SECURITIES FOR THE SECOND, THIRD, AND FOURTH CALENDAR QUARTERS OF 2011, THE FOUR CALENDAR QUARTERS OF 2012, AND THE FIRST AND SECOND CALENDAR QUARTERS OF 2013, AND FAILED TO TIMELY MAKE REPORTS PUBLICLY AVAILABLE FOR THE THIRD AND FOURTH QUARTERS OF 2013. THE FINDINGS STATED



THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES, CONCERNING RULE 606 OF REGULATION NMS.

Initiated By: FINRA

Date Initiated: 01/29/2015

Docket/Case Number: [2012032413301](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/29/2015

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES

Sanction Details: THE FIRM WAS CENSURED, FINED \$30,000 AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

FINE PAID IN FULL ON FEBRUARY 23, 2015.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRM FAILED TO MAKE PUBLICLY AVAILABLE REPORTS ON ITS ROUTING OF NON-DIRECTED ORDERS IN COVERED SECURITIES IN COMPLIANCE WITH RULE 606 OF REGULATION NMS FOR THE SECOND THIRD AND FOURTH QUARTERS OF 2011, THE FORTH QUARTER OF 2012



AND THE FIRST AND SECOND QUARTER OF 2013. THE FIRMS WRITTEN PROCEDURES DID NOT PROVIDE FOR SUPERVISION REASONABLY TO DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULE. THIS CONDUCT CONSTITUTES VIOLATIONS OF FINRA RULE 2010 AND NASD RULE 3010.

Initiated By: FINRA

Date Initiated: 01/30/2015

Docket/Case Number: [2012032413301](#)

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: THE SANCTIONS ARE A CENSURE, A FINE OF \$30000 AND AN UNDERTAKING TO REWRITE AND SUBMIT TO FINRA SECTION I.A.2 OF THE FIRM'S WRITTEN SUPERVISORY PROCEDURES

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/30/2015

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: THE SANCTIONS ARE A CENSURE, A FINE OF \$30000 AND AN UNDERTAKING TO REWRITE AND SUBMIT TO FINRA SECTION I.A.2 OF THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WITHIN 30 DAYS.

Disclosure 30 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: LEK SECURITIES CORPORATION ("LEK"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$5,000 FOR THE FOLLOWING CONDUCT. LEK (I) ON NUMEROUS OCCASIONS, FAILED TO GRANT PRIORITY TO THE HIGHEST BID AND/OR LOWEST OFFER WHEN SUCH BID OR OFFER WAS AVAILABLE AND, ON NUMEROUS OCCASIONS, FAILED TO USE DUE DILIGENCE TO EXECUTE ORDERS AT THE BEST PRICES AVAILABLE; AND (II) FAILED TO ASSURE COMPLIANCE WITH EXCHANGE RULES 6.45A, 6.45B AND 6.73. IN ACCEPTING THIS LETTER OF CONSENT, THE BUSINESS CONDUCT COMMITTEE CONSIDERED AMONG OTHER THINGS, THE TOTAL NUMBER OF EXCEPTIONS INVOLVED IN THE



CONDUCT DESCRIBED ABOVE. (EXCHANGE RULES 4.2 - ADHERENCE TO LAW, 6.45A - PRIORITY AND ALLOCATION OF EQUITY OPTION TRADES ON THE CBOE HYBRID SYSTEM, 6.45B - PRIORITY AND ALLOCATION OF TRADES IN INDEX OPTIONS AND OPTIONS ON ETFS ON THE CBOE HYBRID SYSTEM, AND 6.73 - RESPONSIBILITIES OF FLOOR BROKERS)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 09/29/2014

Docket/Case Number: 14-0063

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 11/05/2014

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: A \$5,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: DURING REVIEW PERIOD OF JANUARY 2009 THROUGH DECEMBER 2010, LEK SECURITIES FAILED TO ENSURE COMPLIANCE WITH CBOE EXCHANGE RULES 6.45A, 6.45B AND 6.73 AS THEY RELATE TO GRANTING PRIORITY TO THE HIGHEST BID / LOWEST OFFER AVAILABLE AT THE TIME.

Initiated By: CBOE

Date Initiated: 04/22/2014

Docket/Case Number: 14-0063

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Censure

**Sought:**

Other Sanction(s)/Relief Sought: \$5,000 FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/05/2014

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: CENSURE AND \$5000 FINE.

Disclosure 31 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM ("LEK SECURITIES CORPORATION" OR "LEK"). WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION. DURING THE REVIEW PERIOD, LEK SECURITIES FAILED TO REPORT AND INACCURATELY REPORTED A NUMBER OF REPORTABLE OPTIONS POSITIONS TO THE LARGE OPTIONS POSITION REPORTING SYSTEM (LOPR), AND FAILED TO REASONABLY SUPERVISE AND IMPLEMENT CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LOPR REQUIREMENTS. SPECIFICALLY, LOPR DATA IS USED EXTENSIVELY BY SELF-REGULATORY ORGANIZATIONS AS THEY CONDUCT REVIEWS THAT HAVE THE ULTIMATE GOAL OF IDENTIFYING AND DETERRING THE ESTABLISHMENT OF OPTIONS POSITIONS THAT MAY PROVIDE AN INCENTIVE TO MANIPULATE THE UNDERLYING MARKET. THE ACCURACY OF LOPR DATA IS ESSENTIAL FOR THE ANALYSIS OF POTENTIAL VIOLATIONS RELATED TO ISSUES SUCH AS INSIDER TRADING, POSITION LIMITS, EXERCISE LIMITS, FRONT-RUNNING, CAPPING AND PEGGING, MINI-MANIPULATION, AND MARKING-THE-CLOSE. DURING THE PERIOD JANUARY 2010 TO NOVEMBER 2011, 162 POSITIONS THAT LEK SECURITIES HAD ATTEMPTED TO REPORT TO LOPR WERE REJECTED BY THE OPTIONS CLEARING CORPORATION ("OCC"). AFTER THE RECORDS HAD BEEN REJECTED BY LOPR, LEK SECURITIES FAILED TO RESUBMIT THE RECORDS, AND THE CORRECT POSITIONS WERE THEREFORE NEVER



REPORTED TO OCC. DURING THE PERIOD BETWEEN MARCH 4, 2010, AND NOVEMBER 18, 2010, LEK SECURITIES REPORTED THREE POSITIONS TO LOPR WITH AN INCORRECT EFFECTIVE DATE. ON MARCH 15, 2010, LEK SECURITIES FAILED TO REPORT TO LOPR A CHANGE IN THE SIZE OF AN OPTIONS POSITION THAT REMAINED REPORTABLE TO LOPR. ON JUNE 18, 2010, LEK SECURITIES FAILED TO REPORT TEN POSITIONS TO LOPR WITH THE REQUISITE ACTING-IN-CONCERT IDENTIFICATION INFORMATION, DESPITE THE FACT THAT TWO ACCOUNTS AT LEK SECURITIES WERE HELD BY THE SAME CUSTOMER AND BOTH ACCOUNTS HAD THE SAME ACCOUNT NAME AND THE SAME ADDRESS. ADDITIONALLY, A THIRD ACCOUNT HELD BY THE SAME CUSTOMER HELD A POSITION THAT LEK SECURITIES NEITHER REPORTED TO LOPR NOR IDENTIFIED AS ACTING-IN-CONCERT WITH THE PREVIOUSLY REFERENCED ACCOUNTS OF THAT CUSTOMER. ON DECEMBER 12, 2011, LEK SECURITIES UNDER-REPORTED TO LOPR THE CORRECT SIZE OF A POSITION BY A TOTAL OF 600 CONTRACTS. THE CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NYSE ARCA OPTIONS RULE 6.6(A). ALSO SPECIFICALLY, DURING THE REVIEW PERIOD, LEK SECURITIES FAILED TO HAVE REASONABLE WRITTEN SUPERVISORY PROCEDURES, AND FAILED TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LOPR REQUIREMENTS. THE CONDUCT DESCRIBED IN THIS PARAGRAPH CONSTITUTES A VIOLATION OF NYSE ARCA OPTIONS RULES 11.18(B) AND (C).

Initiated By: NYSE ARCA, INC.

Date Initiated: 11/05/2014

Docket/Case Number: 2011026273001

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 11/05/2014



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$25,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED \$25,000. THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA OPTIONS RULE 13.2(A).
Regulator Statement	THIS CASE INCLUDES MATTER NO. 20120313073
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Reporting Source:	Firm
Current Status:	Final
Allegations:	THE FIRM FAILED TO REPORT AND/OR INACCURATELY REPORTED SEVERAL REPORTABLE POSITIONS TO LOPR, AND FAILED TO REASONABLY SUPERVISE AND IMPLEMENT CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LOPR REQUIREMENTS.
Initiated By:	FINRA
Date Initiated:	04/18/2012
Docket/Case Number:	20110262730
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	\$25,000 FINE.
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/05/2014
Sanctions Ordered:	Censure Monetary/Fine \$25,000.00

**Other Sanctions Ordered:**

Sanction Details: CENSURE AND \$25,000 FINE.

Disclosure 32 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: NFA COMPLIANCE RULE 2-9(A): NFA EXAMINERS PERFORMED FOUR EXAMINATIONS OF THE FIRM DURING 2011 AND 2012 AND IN ALL OF THOSE EXAMINATIONS NFA FOUND INACCURACIES IN THE FIRM'S FINANCIAL DOCUMENTS RELATED TO ITS CUSTOMER SEGREGATED FUNDS REQUIREMENTS AND ALSO FOUND DEFICIENCIES IN THE WAY THE FIRM PREPARED SUCH FINANCIAL DOCUMENTS. ALTHOUGH NFA ISSUED DETAILED REPORTS OF ITS FINDINGS TO THE FIRM AFTER EACH OF THE EXAMINATIONS, IT FAILED TO TAKE EFFECTIVE ADDITIONAL STEPS TO ENSURE THAT ITS FINANCIAL DOCUMENTS RELATED TO ITS CUSTOMER SEGREGATED FUNDS REQUIREMENTS WERE ACCURATE AND PREPARED CORRECTLY AND THAT IT WAS IN COMPLIANCE WITH ITS REGULATORY OBLIGATIONS. NFA'S 2011 EXAMINATION OF THE FIRM REVEALED THAT CUSTOMER AND NON-CUSTOMER FUNDS WERE COMMINGLED IN THE SAME ACCOUNT. SPECIFICALLY, ALL FUTURES CUSTOMERS WERE INSTRUCTED TO WIRE FUNDS INTO THE FIRM'S OPERATING BANK ACCOUNT INSTEAD OF DIRECTLY INTO THE DESIGNATED CUSTOMER SEGREGATED BANK ACCOUNT. NFA EXAMINERS NOTED ADDITIONAL DEFICIENCIES RELATED TO THE FIRM'S CALCULATION OF ITS CUSTOMER SEGREGATED FUNDS REQUIREMENT IN ANOTHER REPORT THAT WAS ISSUED TO THE FIRM ON SEPTEMBER 20, 2012. THE REPORT NOTED THAT THE FIRM DID NOT PROPERLY INVESTIGATE AND RECONCILE IN A TIMELY MANNER A DISCREPANCY BETWEEN ITS INTERNAL RECORDS AND ITS CARRYING BROKER'S RECORDS. THE FIRM'S CALCULATION OF ITS CUSTOMER SEGREGATED FUNDS REQUIREMENT DURING THE FALL OF 2012 REFLECTED ADDITIONAL DEFICIENCIES. DUE TO HURRICANE SANDY, THE FIRM DID NOT FILE ITS OCTOBER 29, 2012 DAILY SEGREGATION STATEMENT WITH NFA UNTIL OCTOBER 31ST. THE FILING WAS PREPARED BY THE FIRM'S CHICAGO BRANCH OFFICE AND INCLUDED NUMEROUS DISCREPANCIES BETWEEN BALANCES REFLECTED IN THE COMPUTATIONS THE FIRM FILED WITH NFA AND THE FIRM'S INTERNAL RECORDS. IN ADDITION, NFA EXAMINERS FOUND THAT A CUSTOMER DEPOSIT OF APPROXIMATELY \$100,000 WHICH WAS MADE ON OCTOBER 29, 2012 WAS NOT REFLECTED ON THE FIRM'S EQUITY RUN UNTIL OCTOBER 31ST. AS A RESULT, THE FIRM FURTHER UNDERSTATED ITS SEGREGATED FUNDS REQUIREMENT BY \$100,000 ON BOTH OCTOBER 29TH AND 30TH. THE LATE FILINGS OCCASIONED BY HURRICANE SANDY



ALSO REFLECTED PROBLEMS WITH THE FIRM'S BUSINESS CONTINUITY PLAN AS NONE OF THE EMPLOYEES WHO PREPARED THE FIRM'S FILINGS FOR OCTOBER 29TH AND 30TH APPEARED TO HAVE THE REQUISITE KNOWLEDGE TO PROPERLY PREPARE THEM. NFA EXAMINERS ALSO PERFORMED A SEMI-ANNUAL SEGREGATED FUNDS EXAMINATION AS OF NOVEMBER 16, 2012 AND FOUND THAT THE FIRM WAS FURTHER MISCALCULATING ITS CUSTOMER SEGREGATED FUNDS REQUIREMENT FOR THE PERIOD OF SEPTEMBER 25 TO NOVEMBER 16, 2012 DUE TO FAILING TO INCLUDE IN THE CALCULATION THE CUSTOMER EQUITY BALANCES FOR TWO ACCOUNTS WHICH CLEARED THROUGH A COMPANY.

Initiated By:	NATIONAL FUTURES ASSOCIATION
Date Initiated:	06/28/2013
Docket/Case Number:	13-BCC-009
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision
Resolution Date:	11/07/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Monetary/Fine \$30,000.00
Other Sanctions Ordered:	
Sanction Details:	THE COMMITTEE, HAVING CONSIDERED THE MATTER AND HAVING ACCEPTED THE OFFER MADE BY THE FIRM ORDERS THE FIRM TO PAY A FINE TO NFA IN THE AMOUNT OF \$30,000 WITHIN 30 DAYS OF THE DATE OF ISSUANCE OF THE DECISION.
Regulator Statement	HAVING REVIEWED ALL MATTERS RELEVANT TO THE COMPLAINT ISSUED BY THE BUSINESS CONDUCT COMMITTEE (COMMITTEE) OF NFA AGAINST THE FIRM IN THE ABOVE-CAPTIONED MATTER AND HAVING CONSIDERED THE OFFER OF SETTLEMENT SUBMITTED BY THE FIRM AND HAVING ACCEPTED THE OFFER, THE COMMITTEE ISSUED THE DECISION.



THE DECISION IS FINAL EFFECTIVE NOVEMBER 22, 2013.

THE FIRM SUBMITTED ITS OFFER IN WHICH IT AGREED TO PAY A \$30,000 FINE TO NFA. IN MAKING THE OFFER, THE FIRM NEITHER ADMITTED NOR DENIED THE ALLEGATIONS MADE AGAINST IT IN THE COMPLAINT.

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE NATIONAL FUTURES ASSOCIATION (NFA) ALLEGED POSSIBLE VIOLATIONS OF NFA COMPLIANCE RULE 2-9(A). THE NFA ALLEGES THERE WAS A POTENTIAL DISCREPANCY IN THE FIRM'S SEGREGATED FUNDS REQUIREMENT ON TWO DATES IN 2011 THAT MAY HAVE RESULTED IN A BRIEF COMMINGLING OF CUSTOMER FUNDS WITH NON-CUSTOMER FUNDS. THE NFA ALSO ALLEGES ONE OCCURRENCE OF A POSSIBLE RECONCILIATION ERROR OF A MINOR AMOUNT IN MARCH 2012. NFA ALSO ALLEGES THAT ON THE TWO DAYS IMMEDIATELY FOLLOWING THE AFTERMATH OF SUPERSTORM SANDY, THE FIRM WAS UNABLE TO TIMELY FILE ITS DAILY SEGREGATION STATEMENT AND A CUSTOMER STATEMENT DID NOT REFLECT A DEPOSIT MADE BY THE CUSTOMER RIGHT BEFORE THE SUPERSTORM STRUCK THE FIRM'S HEADQUARTERS IN NEW YORK CITY. THE NFA DID NOT FIND THAT THE FIRM'S FUNDS WERE IN ANY WAY UNDER-RESERVED AS A RESULT OF THE LATE SUBMISSION OF THE SEGREGATION STATEMENT AND THE ALLEGED OMITTED DEPOSIT. FINALLY, THE NFA ALLEGES THAT ONE ADDITIONAL ERROR MAY HAVE OCCURRED IN EARLY NOVEMBER, 2012 REGARDING THE FIRM'S SEGREGATED FUNDS CALCULATION AND THE TEMPORARY OMISSION OF THE EQUITY BALANCES OF TWO CUSTOMER ACCOUNTS DURING THAT TIME.
Initiated By:	NATIONAL FUTURES ASSOCIATION
Date Initiated:	06/28/2013
Docket/Case Number:	13-BCC-009
Principal Product Type:	Other
Other Product Type(s):	CALCULATION OF SEGREGATION OF CUSTOMER FUNDS
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	



Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	11/07/2013
Sanctions Ordered:	Monetary/Fine \$30,000.00
Other Sanctions Ordered:	NO SANCTIONS.
Sanction Details:	NO SANCTIONS.
Firm Statement	ON JUNE 28, 2013, THE BUSINESS CONDUCT COMMITTEE ("BCC") OF THE NATIONAL FUTURES ASSOCIATION ISSUED A COMPLAINT ALLEGING THAT THE FIRM DID NOT DILIGENTLY SUPERVISE THE PREPARATION OF DOCUMENTS CONCERNING THE FIRM'S SEGREGATION CALCULATIONS IN VIOLATION OF NFA RULE 2-9(A). ON NOVEMBER 7, 2013, THE BCC ISSUED A DECISION ACCEPTING THE FIRM'S OFFER OF SETTLEMENT PURSUANT TO WHICH, WITHOUT EITHER ADMITTING OR DENYING THE COMPLAINT'S ALLEGATIONS, THE FIRM AGREED TO PAY A FINE OF \$30,000.

Disclosure 33 of 36

Reporting Source:	Regulator
Current Status:	Final
Appealed To and Date Appeal Filed:	ON NOVEMBER 10, 2016, THE FIRM APPEALED TO THE SECURITIES AND EXCHANGE COMMISSION (SEC).
Allegations:	<p>FINRA RULES 2010 AND 3310(A) AND NASD RULES 2110, 3010 AND 3011(A): THE FIRM'S ANTI-MONEY LAUNDERING (AML) POLICIES, PROCEDURES, AND INTERNAL CONTROLS WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS THEREUNDER.</p> <p>THE FIRM FAILED TO DESIGN AND IMPLEMENT REASONABLE AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS TAILORED TO ITS BUSINESS MODEL. DESPITE THE HIGH VOLUME OF ON-LINE TRADING AT THE FIRM THROUGH SUBACCOUNT CUSTOMERS ABOUT WHOM THE FIRM KNEW VIRTUALLY NOTHING AND DESPITE BEING WARNED BY REGULATORS OF POTENTIAL MANIPULATIVE TRADING, UNTIL 2009, THE FIRM HAD NO SYSTEMATIC OR AUTOMATED SURVEILLANCE TO MONITOR FOR POTENTIALLY SUSPICIOUS SECURITIES TRANSACTIONS.</p> <p>EVEN AFTER THE FIRM IMPLEMENTED AUTOMATED MONITORING IN 2009, ITS PROCEDURES AND SYSTEMS WERE INADEQUATE TO MONITORING TRADING TO DETECT SUSPICIOUS TRADING ACTIVITY.</p> <p>THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FAILED TO</p>



ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH THE FIRM ENGAGED. DESPITE FINRA NOTIFICATION AND THE PRESENCE OF RED FLAGS SUGGESTING A MASTER ACCOUNT AND ITS SUBACCOUNTS HAD DIFFERENT BENEFICIAL OWNERS, THE FIRM FAILED TO INVESTIGATE THE TRUE NATURE OF THE OWNERSHIP OF THE SUBACCOUNTS AND FAILED TO PROPERLY SUPERVISE THE PORTFOLIO MARGINING OF THE ACCOUNTS. THE FAILURE TO SUPERVISE WAS NOT THE RESULT OF NEGLIGENCE. THE FIRM, ACTING THROUGH AN INDIVIDUAL, AFFIRMATIVELY CHOSE TO IGNORE ITS REGULATORY OBLIGATIONS AND PURPOSELY FAILED TO OBTAIN ADDITIONAL INFORMATION ABOUT THE BENEFICIAL OWNERS OF THE SUBACCOUNTS OR DO ANY FURTHER INQUIRY AS TO WHETHER THERE WERE SEPARATE BENEFICIAL OWNERS OF THE ACCOUNTS.

Initiated By:	FINRA
Date Initiated:	02/25/2013
Docket/Case Number:	2009020941801
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Order
Resolution Date:	06/01/2018
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$100,000.00
Other Sanctions Ordered:	COSTS: \$16,454.68
Sanction Details:	HEARING PANEL DECISION RENDERED DECEMBER 30, 2014 WHEREIN THE FIRM WAS CENSURED, FINED \$100,000 AND ORDERED TO PAY COSTS IN THE AMOUNT OF \$14,776.34. THE SANCTIONS WERE BASED ON FINDINGS THAT THE FIRM FAILED TO ESTABLISH AND IMPLEMENT AML POLICIES AND



PROCEDURES, AND INTERNAL CONTROLS THAT COULD BE REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED BY THE DEPARTMENT OF THE TREASURY. FINRA FAILED TO PROVE THAT THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES (WSPS) RELATING TO PORTFOLIO MARGINING FOR A PARTICULAR CUSTOMER VIOLATED NASD RULES 3010 AND 2110 AND FINRA RULE 2010, AS ALLEGED IN THE SECOND CAUSE OF ACTION. THAT CAUSE OF ACTION IS DISMISSED. ON JANUARY 23, 2015, THE FIRM APPEALED THE DECISION TO THE NATIONAL ADJUDICATORY COUNCIL (NAC).

NAC DECISION RENDERED OCTOBER 11, 2016 WHEREIN THE NAC AFFIRMED THE FINDINGS AND SANCTIONS IMPOSED BY THE HEARING PANEL DECISION. THE NAC ALSO ORDERED THE FIRM TO PAY \$1,678.34 IN APPEAL COSTS. ON NOVEMBER 10, 2016, THE FIRM APPEALED THE DECISION TO THE SEC. ON APRIL 2, 2018, THE SEC SUSTAINED FINRA'S FINDINGS OF VIOLATIONS AND IMPOSITION OF SANCTIONS. THE DECISION BECAME FINAL ON JUNE 1, 2018. FINES PAID IN FULL ON AUGUST 30, 2018.

Reporting Source:

Firm

Current Status:

Final

Allegations:

THE DEPARTMENT OF ENFORCEMENT ALLEGES POSSIBLE VIOLATIONS TO FINRA RULES 2010 AND 3310(A) AND NASD RULES 2110, 3010 AND 3011(A): THE FIRM'S ANTI-MONEY LAUNDERING (AML) POLICIES, PROCEDURES, AND INTERNAL CONTROLS WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS THEREUNDER. THE FIRM FAILED TO DESIGN AND IMPLEMENT REASONABLE AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS TAILORED TO ITS BUSINESS MODEL. DESPITE THE HIGH VOLUME OF ON-LINE TRADING AT THE FIRM THROUGH SUBACCOUNT CUSTOMERS ABOUT WHOM THE FIRM KNEW VIRTUALLY NOTHING AND DESPITE BEING WARNED BY REGULATORS OF POTENTIAL MANIPULATIVE TRADING, UNTIL 2009, THE FIRM HAD NO SYSTEMATIC OR AUTOMATED SURVEILLANCE TO MONITOR FOR POTENTIALLY SUSPICIOUS SECURITIES TRANSACTIONS. EVEN AFTER THE FIRM IMPLEMENTED AUTOMATED MONITORING IN 2009, ITS PROCEDURES AND SYSTEMS WERE INADEQUATE TO MONITORING TRADING TO DETECT SUSPICIOUS TRADING ACTIVITY. THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH THE



FIRM ENGAGED. DESPITE FINRA NOTIFICATION AND THE PRESENCE OF RED FLAGS SUGGESTING A MASTER ACCOUNT AND ITS SUBACCOUNTS HAD DIFFERENT BENEFICIAL OWNERS, THE FIRM FAILED TO INVESTIGATE THE TRUE NATURE OF THE OWNERSHIP OF THE SUBACCOUNTS AND FAILED TO PROPERLY SUPERVISE THE PORTFOLIO MARGINING OF THE ACCOUNTS. THE FAILURE TO SUPERVISE WAS NOT THE RESULT OF NEGLIGENCE. THE FIRM, ACTING THROUGH AN INDIVIDUAL, AFFIRMATIVELY CHOSE TO IGNORE ITS REGULATORY OBLIGATIONS AND PURPOSELY FAILED TO OBTAIN ADDITIONAL INFORMATION ABOUT THE BENEFICIAL OWNERS OF THE SUBACCOUNTS OR DO ANY FURTHER INQUIRY AS TO WHETHER THERE WERE SEPARATE BENEFICIAL OWNERS OF THE ACCOUNTS.

Initiated By:	FINRA
Date Initiated:	02/25/2013
Docket/Case Number:	2009020941801
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision
Resolution Date:	06/01/2018
Sanctions Ordered:	Censure Monetary/Fine \$100,000.00
Other Sanctions Ordered:	COSTS: \$16,454.68
Sanction Details:	HEARING PANEL DECISION RENDERED DECEMBER 30, 2014 WHEREIN THE FIRM WAS CENSURED, FINED \$100,000 AND ORDERED TO PAY COSTS IN THE AMOUNT OF \$14,776.34. THE SANCTIONS WERE BASED ON FINDINGS THAT THE FIRM FAILED TO ESTABLISH AND IMPLEMENT AML POLICIES AND PROCEDURES, AND INTERNAL CONTROLS THAT COULD BE REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED BY THE DEPARTMENT OF THE TREASURY. FINRA FAILED TO PROVE THAT THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES (WSPS) RELATING TO PORTFOLIO MARGINING FOR A PARTICULAR CUSTOMER VIOLATED NASD RULES 3010



AND 2110 AND FINRA RULE 2010, AS ALLEGED IN THE SECOND CAUSE OF ACTION. THAT CAUSE OF ACTION IS DISMISSED. ON JANUARY 23, 2015, THE FIRM APPEALED THE DECISION TO THE NATIONAL ADJUDICATORY COUNCIL (NAC). NAC DECISION RENDERED OCTOBER 11, 2016 WHEREIN THE NAC AFFIRMED THE FINDINGS AND SANCTIONS IMPOSED BY THE HEARING PANEL DECISION. THE NAC ALSO ORDERED THE FIRM TO PAY \$1,678.34 IN APPEAL COSTS. ON NOVEMBER 10, 2016, THE FIRM APPEALED THE DECISION TO THE SEC. ON APRIL 2, 2018, THE SEC SUSTAINED FINRA'S FINDINGS OF VIOLATIONS AND IMPOSITION OF SANCTIONS. THE DECISION BECAME FINAL ON JUNE 1, 2018.

Firm Statement

ON DECEMBER 30, 2014, A HEARING PANEL ISSUED A DECISION DISMISSING ALLEGATIONS THAT THE FIRM AND SAMUEL LEK VIOLATED NASD CONDUCT RULES 3010 AND 2110 AND FINRA RULE 2010 RELATING TO PORTFOLIO MARGIN SERVICES THE FIRM PROVIDED TO A PARTICULAR CUSTOMER. THE DECISION ALSO FOUND THAT THE FIRM VIOLATED NASD CONDUCT RULES 3011(A) AND 2110 AND FINRA RULES 3310(A) AND 2010 BY FAILING TO ESTABLISH AND IMPLEMENT ANTI-MONEY LAUNDERING ("AML") POLICIES, PROCEDURES AND INTERNAL CONTROLS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE FIRM'S AML RESPONSIBILITIES AND APPLICABLE SUSPICIOUS ACTIVITY REPORTING REQUIREMENTS. THE DECISION IMPOSED A CENSURE AND A FINE OF \$100,000 FOR THOSE VIOLATIONS.

Disclosure 34 of 36

Reporting Source:	Regulator
Current Status:	Final
Allegations:	CHX ARTICLE 11, RULE 4 INTERPRETATION AND POLICY .01; CHX ARTICLE 17, RULE 3(C); CHX ARTICLE 11, RULE 3(B); CHX ARTICLE 6 RULE 5.
Initiated By:	CHICAGO STOCK EXCHANGE
Date Initiated:	10/23/2010
Docket/Case Number:	CHX-D-2011-05
Principal Product Type:	Equity - OTC
Other Product Type(s):	OTC
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Settled



Resolution Date: 04/17/2012

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: FIRM WAS FINED \$30,000.00. FINE WAS PAID IN FULL ON APRIL 18, 2012.

Reporting Source: Firm

Current Status: Final

Allegations: IT IS ALLEGED THAT THE FIRM DID NOT PROVIDE THE CHICAGO STOCK EXCHANGE WITH LAY-OFF DROP COPY RECORDS FOR INTERNAL ERROR ACCOUNTS, DID NOT MAINTAIN SEPARATE ACCOUNTS FOR PRINCIPAL AND ERROR TRANSACTIONS AND DID NOT PROPERLY RECORD SOME ORDERS IN BROKERPLEX PRIMARILY BETWEEN OCTOBER 2006 AND DECEMBER 2009 (CHX ARTICLE 11, RULE 3 AND 4 AND CHX ARTICLE 17 RULE 3(C)). THE CHX ALLEGES THE FIRM DID NOT MAINTAIN AND ENFORCE SUPERVISORY PROCEDURES REGARDING SAME(CHX ARTICLE 6, RULE 5).

Initiated By: CHICAGO STOCK EXCHANGE

Date Initiated: 01/19/2012

Docket/Case Number: CHX-D-2011-05

Principal Product Type: Other

Other Product Type(s): DROP COPIES, ERROR ACCOUNTS, ORDER ENTRY

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 04/17/2012

Sanctions Ordered: Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

Sanction Details: THE FIRM PAID A FINE OF 30,000 TO SETTLE THIS HISTORICAL MATTER WITH CHX. THERE WERE NO FURTHER SANCTIONS.

Disclosure 35 of 36

Reporting Source: Regulator

Current Status: Final

Allegations: LEK SECURITIES CORPORATION ("LEK SECURITIES"), AN EXCHANGE MEMBER ORGANIZATION, WAS CENSURED AND FINED \$10,000 FOR THE FOLLOWING CONDUCT: I) LEK SECURITIES SUBMITTED, OR CAUSED TO BE SUBMITTED, A NOMINEE AUTHORIZATION, GUARANTEE AND CERTIFICATION FORM TO THE EXCHANGE STATING THAT MICHAEL FREHR WOULD BE A NOMINEE OF LEK SECURITIES ACTING AS A FLOOR BROKER ON BEHALF OF LEK SECURITIES WHEN LEK SECURITIES KNEW, OR SHOULD HAVE KNOWN, THAT MICHAEL FREHR CONTINUED TO BE EMPLOYED BY AND PERFORM AS A FLOOR BROKER ON BEHALF OF JOH OPTIONS, INC. ("JOH"); II) LEK SECURITIES PERMITTED MICHAEL FREHR TO PERFORM AS A FLOOR BROKER ON BEHALF OF JOH WHILE MICHAEL FREHR WAS REGISTERED AND APPROVED BY THE EXCHANGE TO PERFORM FLOOR BROKER TRADING FUNCTIONS ONLY ON BEHALF OF LEK SECURITIES; AND III) LEK SECURITIES FAILED TO ADEQUATELY SUPERVISE MICHAEL FREHR WHEN MICHAEL FREHR PERFORMED FLOOR BROKER FUNCTIONS ON BEHALF OF JOH WHILE MICHAEL FREHR WAS REGISTERED AND APPROVED BY THE EXCHANGE TO PERFORM FLOOR BROKER TRADING FUNCTIONS ONLY ON BEHALF OF LEK SECURITIES. (CBOE RULES 3.8 - NOMINEES AND MEMBERS WHO REGISTER THEIR MEMBERSHIPS FOR MEMBER ORGANIZATIONS, 4.1 - JUST AND EQUITABLE PRINCIPLES OF TRADE AND 4.2 - ADHERENCE TO LAW.)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 05/29/2007

Docket/Case Number: 07-0047

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement



Resolution Date: 11/10/2009

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered: A \$10,000 FINE AND A CENSURE.

Sanction Details: A \$10,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: ON MAY 29, 2007, THE BUSINESS CONDUCT COMMITTEE OF THE CHICAGO BOARD OPTIONS EXCHANGE ("CBOE") ISSUED A STATEMENT OF CHARGES AGAINST LEK SECURITIES CORP. ("LSC"), ITS CHIEF EXECUTIVE OFFICER, SAMUEL LEK, AND ANOTHER ONE OF LSC'S ASSOCIATED PERSONS (COLLECTIVELY "THE RESPONDENTS") ALLEGING VIOLATIONS OF CBOE RULES 3.8(E)(III), 4.1 AND 4.2 (FILE NO. 07-0047). THE STATEMENT OF CHARGES ALLEGES THAT: (I) THE RESPONDENTS USED A NOMINEE TO ACT AS A FLOOR BROKER WHEN THEY KNEW OR SHOULD HAVE KNOWN THAT THE NOMINEE CONTINUED TO BE EMPLOYED BY, AND ACTED AS A FLOOR BROKER FOR, ANOTHER CBOE MEMBER FIRM; (II) THE RESPONDENTS ENGAGED IN ACTS OR PRACTICES INCONSISTENT WITH JUST AND EQUITABLE PRINCIPLES OF TRADE; AND (III) LSC FAILED TO ADEQUATELY SUPERVISE THE FLOOR BROKER WHEN HE PERFORMED FLOOR BROKER FUNCTIONS FOR THE OTHER CBOE MEMBER FIRM. ON NOVEMBER 10, 2009 THE CBOE REACHED A SETTLEMENT WITH LSC PURSUANT TO WHICH, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LSC CONSENTED TO A CENSURE AND A \$10,000 FINE. THE CBOE DISMISSED ITS CHARGES AGAINST MR. LEK AND THE OTHER INDIVIDUAL RESPONDENT.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 05/29/2007

Docket/Case Number: FILE NO. 07-0047

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: ON NOVEMBER 10, 2009, THE CBOE REACHED A SETTLEMENT WITH LSC PURSUANT TO WHICH, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LSC CONSENTED TO A CENSURE AND A \$10,000 FINE. THE



CBOE DISMISSED ITS CHARGES AGAINST MR. LEK AND THE OTHER INDIVIDUAL RESPONDENT

Resolution: Settled

Resolution Date: 11/10/2009

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: ON NOVEMBER 10, 2009, THE CBOE REACHED A SETTLEMENT WITH LSC PURSUANT TO WHICH, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, LSC CONSENTED TO A CENSURE AND A \$10,000 FINE. FULL PAYMENT WAS MADE ON JANUARY 13, 2010.

Disclosure 36 of 36

Reporting Source: Firm

Current Status: Final

Allegations: ON 12/08/2004, LSC SETTLED A CLAIM BY THE OCC THAT LSC VIOLATED ARTICLE V, SECTION 1, INTERPRETATION & POLICY .03 OF THE OCC'S BY-LAWS BY CARRYING OPTIONS POSITIONS IN ITS CUSTOMERS' ACCOUNTS WHILE NOT BEING AUTHORIZED BY THE OCC TO DO SO. IN SETTLING THE MATTER, LSC NEITHER ADMITTED OR DENIED THE ALLEGATIONS, AND PAID A FINE OF \$10,000. THE OCC HAS NOW AMENDED LSC'S MEMBERSHIP AGREEMENT SO THAT LSC MAY CARRY OPTIONS POSITIONS IN ITS CUSTOMERS ACCOUNTS.

Initiated By: THE OPTIONS CLEARING CORPORATION

Date Initiated: 11/29/2004

Docket/Case Number: 2004-01

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 12/08/2004



Sanctions Ordered: Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: THE TOTAL AMOUNT OF \$10,000 WAS LEVIED AGAINST THE APPLICANT AND PAID ON 12/10/2004.



Regulatory - On Appeal

This type of disclosure event involves (1) a formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations that is currently on appeal; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor that is currently on appeal.

Disclosure 1 of 3

Reporting Source:	Regulator
Current Status:	Pending
Allegations:	IT IS ALLEGED THAT LSC: (I) FAILED TO REGISTER ITS CHIEF COMPLIANCE OFFICER AS A PROPRIETARY TRADER COMPLIANCE OFFICER (CT) WITH THE EXCHANGE IN WEBCRD; (II) FAILED TO REGISTER ONE (1) ASSOCIATED PERSON AS A PROPRIETARY TRADER (PT) WITH THE EXCHANGE IN WEBCRD; (III) FAILED TO REGISTER ONE (1) ASSOCIATED PERSON AS A PROPRIETARY TRADER PRINCIPAL (TP) WITH THE EXCHANGE IN WEBCRD; AND (IV) FAILED TO REGISTER THE MINIMUM NUMBER OF INDIVIDUALS REQUIRED TO REGISTER AS PROPRIETARY TRADER PRINCIPALS (TP) WITH THE EXCHANGE IN WEBCRD. (VIOLATION OF EXCHANGE RULE 3.6A)
Initiated By:	CHICAGO BOARD OPTIONS EXCHANGE
Date Initiated:	06/09/2015
Docket/Case Number:	15-0061
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	

Reporting Source:	Firm
Current Status:	On Appeal
Appealed To and Date Appeal Filed:	THE DECISION IS BEING APPEALED TO THE CBOE BOARD OF GOVERNORS ON OR BEFORE 11/11/2016.
Allegations:	IT IS ALLEGED THAT LSC: (I) FAILED TO REGISTER ITS CHIEF COMPLIANCE OFFICER AS A PROPRIETARY TRADER COMPLIANCE OFFICER (CT) WITH THE EXCHANGE IN WEBCRD; (II) FAILED TO REGISTER ONE (1)



ASSOCIATED PERSON AS A PROPRIETARY TRADER (PT) WITH THE EXCHANGE IN WEBCRD; (III) FAILED TO REGISTER ONE (1) ASSOCIATED PERSON AS A PROPRIETARY TRADER PRINCIPAL (TP) WITH THE EXCHANGE IN WEBCRD; AND (IV) FAILED TO REGISTER THE MINIMUM NUMBER OF INDIVIDUALS REQUIRED TO REGISTER AS PROPRIETARY TRADER PRINCIPALS (TP) WITH THE EXCHANGE IN WEBCRD. (VIOLATION OF EXCHANGE RULE 3.6A)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 06/09/2015

Docket/Case Number: 15-0061

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 09/28/2016

Sanctions Ordered: Censure
Monetary/Fine \$37,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM HAS BEEN CENSURED AND FINED \$37,500.

Firm Statement IN A LETTER TO THE FIRM DATED OCTOBER 4, 2016 THE FIRM RECEIVED AN ORDER BY THE CBOE BUSINESS CONDUCT COMMITTEE OF CBOE AND THE C2 EXCHANGE NOTIFYING US THAT THE FIRM HAS BEEN CENSURED AND FINED \$37,500. THE DECISION IS BEING APPEALED TO THE CBOE BOARD OF GOVERNORS AND THE C2 EXCHANGE ON OR BEFORE 11/11/2016.

Disclosure 2 of 3

Reporting Source: Regulator

Current Status: Pending

Allegations: IT IS ALLEGED THAT LSC FAILED TO REGISTER ITS FINANCIAL AND OPERATIONS PRINCIPAL AS A FINANCIAL AND OPERATIONS PRINCIPAL (FN) WITH THE EXCHANGE IN WEBCRD. (VIOLATION OF EXCHANGE RULE 3.4)



Initiated By: C2 OPTIONS EXCHANGE

Date Initiated: 06/09/2015

Docket/Case Number: C2 15-0006

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Reporting Source: Firm

Current Status: On Appeal

Appealed To and Date Appeal Filed: THE DECISION IS BEING APPEALED TO THE CBOE BOARD OF GOVERNORS AND THE C2 EXCHANGE ON OR BEFORE 11/11/2016.

Allegations: IT IS ALLEGED THAT LSC FAILED TO REGISTER ITS FINANCIAL AND OPERATIONS PRINCIPAL AS A FINANCIAL AND OPERATIONS PRINCIPAL (FN) WITH THE EXCHANGE IN WEBCRD. (VIOLATION OF EXCHANGE RULE 3.4)

Initiated By: C2 OPTIONS EXCHANGE

Date Initiated: 06/09/2015

Docket/Case Number: C2 15-0006

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 09/28/2016

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM HAS BEEN CENSURED AND FINED \$7,500.

**Firm Statement**

IN A LETTER TO THE FIRM DATED OCTOBER 4, 2016 THE FIRM RECEIVED AN ORDER BY THE CBOE BUSINESS CONDUCT COMMITTEE OF CBOE AND THE C2 EXCHANGE NOTIFYING US THAT THE FIRM HAS BEEN CENSURED AND FINED \$7,500. THE DECISION IS BEING APPEALED TO THE CBOE BOARD OF GOVERNORS AND THE C2 EXCHANGE ON OR BEFORE 11/11/2016.

Disclosure 3 of 3**Reporting Source:**

Regulator

Current Status:

On Appeal

Appealed To and Date Appeal Filed:

THE NYSE BOARD OF DIRECTORS ON DECEMBER 6, 2013-

Allegations:

ON MARCH 4, 2015 LEK SECURITIES CORP. FILED, TO THE SECURITIES AND EXCHANGE COMMISSION (SEC), AN APPLICATION FOR REVIEW- CHARGES ISSUED BY THE LEGAL SECTION OF THE MARKET REGULATION DEPARTMENT AT FINRA. NYSE CHARGES: CHARGE I: LEK SECURITIES CORPORATION VIOLATED NYSE RULE 476(A)(6) BY ENGAGING IN CONDUCT INCONSISTENT WITH JUST AND EQUITABLE PRINCIPLES OF TRADE IN THAT IT INTRODUCED FOR EXECUTION ON THE NYSE A PATTERN OF DAY-TRADING ODD-LOT ORDERS THAT WERE PROHIBITED BY THE NYSE'S ODD-LOT RULES AND POLICIES AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE II: LEK SECURITIES CORPORATION VIOLATED NYSE RULE 401 BY FAILING TO ADHERE TO THE PRINCIPLES OF GOOD BUSINESS PRACTICE IN THAT IT INTRODUCED FOR EXECUTION ON THE NYSE A PATTERN OF DAY-TRADING ODD-LOT ORDERS THAT WERE PROHIBITED BY THE NYSE'S ODD-LOT RULES AND POLICIES, AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE III: LEK SECURITIES CORPORATION VIOLATED NYSE RULE 405(1) BY FAILING TO LEARN THE ESSENTIAL FACTS RELATIVE TO CERTAIN OF ITS CUSTOMERS AND ITS CUSTOMERS' ORDERS THAT IT INTRODUCED FOR EXECUTION ON THE NYSE AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE IV: LEK SECURITIES CORPORATION WILLFULLY VIOLATED SECTION 12(K)(4) OF THE SECURITIES EXCHANGE ACT OF 1934 BY, ON ONE OR MORE OCCASIONS, INTRODUCING FOR EXECUTION ON THE NYSE A SHORT SALE TRANSACTION IN THE COMMON STOCK OF CERTAIN FINANCIAL SERVICES COMPANIES IN CONTRAVENTION OF THE SECURITIES AND EXCHANGE COMMISSION'S SEPTEMBER 18, 2008 EMERGENCY ORDER (EXCHANGE ACT RELEASE NO. 34-58592) ISSUED PURSUANT TO SECTION 12(K)(2) OF THE EXCHANGE ACT AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE V: LEK SECURITIES



CORPORATION VIOLATED NYSE RULE 401 BY, ON ONE OR MORE OCCASIONS, FAILING TO ADHERE TO THE PRINCIPLES OF GOOD BUSINESS PRACTICE IN THAT IT INTRODUCED FOR EXECUTION ON THE NYSE A SHORT SALE TRANSACTION IN THE COMMON STOCK OF CERTAIN FINANCIAL SERVICES COMPANIES IN VIOLATION OF THE SECURITIES AND EXCHANGE COMMISSION'S SEPTEMBER 18, 2008 EMERGENCY ORDER (EXCHANGE ACT RELEASE NO. 34-5852) AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE VI: LEK SECURITIES CORPORATION WILLFULLY VIOLATED RULE 204T(A) OF REGULATION SHO BY FAILING ON MORE THAN ONE OCCASION TO TIMELY CLOSE OUT FAIL-TO-DELIVER POSITIONS IN CERTAIN EQUITY SECURITIES AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE VII: LEK SECURITIES CORPORATION WILLFULLY VIOLATED RULE 204(A) OF REGULATION SHO BY FAILING ON MORE THAN ONE OCCASION TO TIMELY CLOSE OUT FAIL-TO-DELIVER POSITIONS IN CERTAIN EQUITY SECURITIES AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE VIII: LEK SECURITIES CORPORATION WILLFULLY VIOLATED RULE 204T(B) OF REGULATION SHO ON MORE THAN ONE OCCASION BY ACCEPTING CERTAIN CUSTOMER SHORT SALE ORDERS IN EQUITY SECURITIES FOR WHICH IT HAD AN OPEN FAIL-TO-DELIVER POSITION WHILE LSC AND THE CUSTOMER WERE IN THE "PENALTY BOX", AS THE CUSTOMER HAD NOT FIRST BORROWED SUCH SECURITIES OR ENTERED INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITIES AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE IX: LEK SECURITIES CORPORATION BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION ABOVE, VIOLATED RULE 204T(C) OF REGULATION SHO ON MORE THAN ONE OCCASION BY FAILING TO TIMELY NOTIFY ITS CUSTOMERS THAT THE FIRM HAD AN OPEN FAIL-TO-DELIVER POSITION THAT HAD NOT BEEN CLOSED OUT IN ACCORDANCE WITH RULE 204T(A) AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). [CONTINUED IN COMMENT]

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 02/21/2012

Docket/Case Number: 2011027005601

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:



Resolution:	Decision
Resolution Date:	03/09/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$575,000.00
Other Sanctions Ordered:	AWAITING THE APPEAL DECISION
Sanction Details:	HEARING BOARD DECISION RENDERED NOVEMBER 14, 2013 WHEREIN THE FIRM IS CENSURED AND FINED \$50,000 FOR VIOLATING NYSE RULES 401, 405(1), 476(A)(6); FOR WILLFULLY VIOLATING SECTION 12(K)(4) OF THE SECURITIES EXCHANGE ACT, VIOLATING NYSE RULE 401, CENSURED AND FINED \$75,000; FOR WILLFULLY VIOLATING RULES 204T(A), 204(A), 204T(B), 204T(C), 204(C) OF REGULATION SHO, CENSURED AND FINED \$50,000; FOR VIOLATING NYSE RULES 70.40 AND 2010, CENSURED AND FINED \$100,000; FOR VIOLATING NYSE RULE 123C, CENSURED; AND FOR VIOLATING NYSE RULE 342, CENSURED AND FINED \$500,000 FOR A TOTAL FINE OF \$775,000. THE FIRM FILED A NOTICE OF APPEAL ON DECEMBER 6, 2013, APPEALING THE DECISION ISSUED BY AN NYSE HEARING PANEL TO THE NYSE BOARD OF DIRECTORS.
Regulator Statement	CONT'D FROM ALLEGATIONS: CHARGE X: LEK SECURITIES CORPORATION VIOLATED NYSE RULE 70.40 BY CONDUCTING "UPSTAIRS" OPERATIONS IN ITS BOOTH PREMISES ON THE NYSE FLOOR WITHOUT: A) OBTAINING THE REQUIRED PRIOR APPROVAL FROM NYSE REGULATION TO CONDUCT SUCH BUSINESS; B) ADOPTING AND IMPLEMENTING COMPREHENSIVE WRITTEN PROCEDURES AND GUIDELINES GOVERNING THE CONDUCT AND SUPERVISION OF SUCH BUSINESS; AND, C) OBTAINING THE REQUIRED PRIOR APPROVAL OF ITS WRITTEN PROCEDURES AND GUIDELINES FROM NYSE REGULATION; AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE XI: LEK SECURITIES CORPORATION VIOLATED NYSE RULE 2010 BY FAILING TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE BY CONTINUING TO CONDUCT, AFTER BEING INSTRUCTED BY THE DIVISION OF MARKET SURVEILLANCE TO IMMEDIATELY CEASE AND DESIST SUCH ACTIVITY, AN "UPSTAIRS" OPERATION FROM ITS BOOTH PREMISES ON THE NYSE FLOOR WITHOUT HAVING RECEIVED REGULATORY APPROVAL, AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE XII: LEK SECURITIES CORPORATION VIOLATED NYSE



RULE 123C BY FAILING TO COMPLY WITH REQUIREMENTS GOVERNING THE CANCELLATION OF MARKET-ON-CLOSE ORDERS AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE XIII: LEK SECURITIES CORPORATION VIOLATED NYSE RULE 342 BY FAILING TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH NYSE RULES AND POLICIES, PERTAINING TO: A) REVIEW OF ITS ELECTRONIC CUSTOMER ORDER FLOW TO DETECT POTENTIAL RULE VIOLATIONS IN CONNECTION WITH: I) "SPOOFING" ACTIVITY; II) WASH TRADING; III) MARKING THE CLOSE; AND, IV) MARKET-ON-CLOSE ORDERS; B) ODD-LOT ORDERS; C) THE SEPTEMBER 18TH EMERGENCY ORDER; D) CONDUCTING "UPSTAIRS" OPERATIONS FROM ITS BOOTH PREMISES ON THE NYSE FLOOR WITHOUT THE REQUIRED REGULATORY APPROVAL AND WITHOUT ADOPTING THE REQUIRED STAND-ALONE WRITTEN SUPERVISORY PROCEDURES; AND, E) COMPLIANCE WITH RULE 204T/204 OF REGULATION SHO; AND IT IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A).

THE NYSE REGULATION, INC. BOARD OF DIRECTORS RENDERED ITS DECISION FEBRUARY 6, 2015, WHEREIN THE BOARD CENSURED THE FIRM AND FINED IT \$575,000, REDUCING THE AGGREGATE MONETARY SANCTIONS AGAINST THE FIRM.

ON MARCH 4, 2015 LEK SECURITIES CORP. FILED, TO THE SECURITIES AND EXCHANGE COMMISSION (SEC), AN APPLICATION FOR REVIEW OF THE NYSE REGULATION BOARD OF DIRECTORS' DECISION DATED FEBRUARY 6, 2015 AND THE UNDERLYING NYSE HEARING BOARD DECISION DATED NOVEMBER 14, 2013 IN PROCEEDING NO. 2011027005601.

Reporting Source:	Firm
Current Status:	On Appeal
Appealed To and Date Appeal Filed:	THE NYSE BOARD OF DIRECTORS ON DECEMBER 6, 2013
Allegations:	CHARGES I AND II: LEK SECURITIES CORPORATION ("LSC") VIOLATED NYSE RULES 476(A)(6) AND 401 IN THAT IT INTRODUCED FOR EXECUTION ON THE NYSE A PATTERN OF DAY-TRADING ODD-LOT ORDERS THAT WERE PROHIBITED BY THE NYSE'S ODD-LOT RULES AND POLICIES; CHARGE III: LSC VIOLATED NYSE RULE 405(1) BY FAILING TO LEARN THE ESSENTIAL FACTS RELATIVE TO CERTAIN OF ITS CUSTOMERS AND ITS CUSTOMERS' ORDERS THAT IT INTRODUCED FOR EXECUTION ON THE NYSE; CHARGES IV AND V: LSC WILLFULLY VIOLATED SECTION 12(K)(4) OF THE SECURITIES



EXCHANGE ACT OF 1934 AND NYSE RULE 401 BY, ON ONE OR MORE OCCASIONS, INTRODUCING FOR EXECUTION ON THE NYSE A SHORT SALE TRANSACTION IN THE COMMON STOCK OF CERTAIN FINANCIAL SERVICES COMPANIES IN CONTRAVENTION OF THE SEC'S SEPT. 18, 2008 EMERGENCY ORDER (EXCHANGE ACT RELEASE NO. 34-58592); CHARGES VI AND VII: LSC WILLFULLY VIOLATED RULE 204T(A) OF REGULATION SHO BY FAILING ON MORE THAN ONE OCCASION TO TIMELY CLOSE OUT FAIL-TO-DELIVER POSITIONS IN CERTAIN EQUITY SECURITIES; CHARGE VIII: LSC WILLFULLY VIOLATED RULE 204T(B) OF REGULATION SHO ON MORE THAN ONE OCCASION BY ACCEPTING CERTAIN CUSTOMER SHORT SALE ORDERS IN EQUITY SECURITIES FOR WHICH IT HAD AN OPEN FAIL-TO-DELIVER POSITION WHILE LSC AND THE CUSTOMER WERE IN THE "PENALTY BOX"; CHARGE IX: LSC VIOLATED RULE 204T(C) OF REGULATION SHO ON MORE THAN ONE OCCASION BY FAILING TO TIMELY NOTIFY ITS CUSTOMERS THAT THE FIRM HAD AN OPEN FAIL-TO-DELIVER POSITION THAT HAD NOT BEEN CLOSED OUT IN ACCORDANCE WITH RULE 204T(A); CHARGE X: LSC VIOLATED NYSE RULE 70.40 BY CONDUCTING "UPSTAIRS" OPERATIONS IN ITS BOOTH PREMISES ON THE NYSE FLOOR WITHOUT: A) OBTAINING THE REQUIRED PRIOR APPROVAL FROM NYSE REGULATION TO CONDUCT SUCH BUSINESS; B) ADOPTING AND IMPLEMENTING COMPREHENSIVE WRITTEN PROCEDURES AND GUIDELINES GOVERNING THE CONDUCT AND SUPERVISION OF SUCH BUSINESS; AND, C) OBTAINING THE REQUIRED PRIOR APPROVAL OF ITS WRITTEN PROCEDURES AND GUIDELINES FROM NYSE REGULATION; CHARGE XI: LSC VIOLATED NYSE RULE 2010 BY CONTINUING TO CONDUCT, AFTER BEING INSTRUCTED BY THE DIVISION OF MARKET SURVEILLANCE TO IMMEDIATELY CEASE AND DESIST SUCH ACTIVITY, AN "UPSTAIRS" OPERATION FROM ITS BOOTH PREMISES ON THE NYSE FLOOR WITHOUT HAVING RECEIVED REGULATORY APPROVAL; CHARGE XII: LSC VIOLATED NYSE RULE 123C BY FAILING TO COMPLY WITH REQUIREMENTS GOVERNING THE CANCELLATION OF MARKET-ON-CLOSE ORDERS; CHARGE XIII: LEK SECURITIES CORPORATION VIOLATED NYSE RULE 342 BY FAILING TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH NYSE RULES AND POLICIES, PERTAINING TO: A) REVIEW OF ITS ELECTRONIC CUSTOMER ORDER FLOW TO DETECT POTENTIAL RULE VIOLATIONS IN CONNECTION WITH: "SPOOFING" ACTIVITY; WASH TRADING; MARKING THE CLOSE; AND, MARKET-ON-CLOSE ORDERS; B) ODD-LOT ORDERS; C) THE SEPTEMBER 18TH SEC EMERGENCY ORDER; D) CONDUCTING AN "UPSTAIRS" OPERATIONS FROM ITS BOOTH PREMISES ON THE NYSE FLOOR AND, E) COMPLIANCE WITH RULE 204T/204 OF REGULATION SHO.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 02/21/2012



Docket/Case Number: 2011027005601

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Other

Resolution Date: 01/02/2014

Sanctions Ordered:

Other Sanctions Ordered:

Sanction Details:

HEARING BOARD DECISION RENDERED NOVEMBER 14, 2013 WHEREIN THE FIRM IS CENSURED AND FINED \$50,000 FOR VIOLATING NYSE RULES 401, 405(1), 476(A)(6); FOR WILLFULLY VIOLATING SECTION 12(K)(4) OF THE SECURITIES EXCHANGE ACT, VIOLATING NYSE RULE 401, CENSURED AND FINED \$75,000; FOR WILLFULLY VIOLATING RULES 204T(A), 204(A), 204T(B), 204T(C), 204(C) OF REGULATION SHO, CENSURED AND FINED \$50,000; FOR VIOLATING NYSE RULES 70.40 AND 2010, CENSURED AND FINED \$100,000; FOR VIOLATING NYSE RULE 123C, CENSURED; AND FOR VIOLATING NYSE RULE 342, CENSURED AND FINED \$500,000 FOR A TOTAL FINE OF \$775,000. THE FIRM FILED A NOTICE OF APPEAL DATED DECEMBER 6, 2013 APPEALING THE DECISION ISSUED BY AN NYSE HEARING PANEL. ON 2/6/2015 THE NYSE REGULATION BOARD OF DIRECTORS UPHELD THE HEARING OFFICER'S FINDINGS OF LIABILITY. THE DECISION, HOWEVER, REDUCED THE PENALTY FOR FAILURE TO SUPERVISE BY \$200,000, THEREBY REDUCING THE TOTAL FROM \$775,000 TO \$575,000. THE DECISION WAS APPEALED BY THE FIRM.



Civil - Final

This type of disclosure event involves (1) an injunction issued by a foreign or domestic court within the last 10 years in connection with investment-related activity, (2) a finding by a court of a violation of any investment-related statute or regulation, or (3) an action dismissed by a court pursuant to a settlement agreement.

Disclosure 1 of 1

Reporting Source: Regulator

Current Status: Final

Allegations: THIS CASE INVOLVES TWO SCHEMES TO MANIPULATE THE SECURITIES MARKETS PERPETRATED BY AVALON FA LTD, A FOREIGN TRADING FIRM (UKRAINE-BASED). AVALON'S DISCLOSED PRINCIPAL AND AN UNDISCLOSED CONTROL PERSON OF AVALON AND A FORMER REGISTERED REPRESENTATIVE AT LEK SECURITIES CORPORATION (LEK)) DIRECTLY PARTICIPATED IN AND ASSISTED THE MANIPULATIVE SCHEMES. THE SCHEMES WERE MADE POSSIBLE THROUGH AND WITH THE PARTICIPATION AND ASSISTANCE OF LEK SECURITIES CORPORATION, A U.S. BROKER-DEALER BASED IN NEW YORK, AND LEK'S CHIEF EXECUTIVE OFFICER ("CEO"). THEY PROVIDED AVALON WITH ACCESS TO THE U.S. SECURITIES MARKETS TO EXECUTE THE SCHEMES, AND OTHERWISE ASSISTED IN CARRYING OUT THE SCHEMES. THE FIRST MANIPULATIVE TRADING SCHEME, KNOWN AS "LAYERING," INVOLVED MANIPULATING THE MARKETS OF U.S. STOCKS. UNDER THIS SCHEME, AVALON PLACED "NON-BONA FIDE ORDERS" - IN OTHER WORDS, ORDERS THAT AVALON DID NOT INTEND TO EXECUTE AND THAT HAD NO LEGITIMATE ECONOMIC REASON - TO BUY OR SELL STOCK WITH THE INTENT OF INJECTING FALSE INFORMATION INTO THE MARKETPLACE ABOUT SUPPLY OR DEMAND FOR THE STOCK. AVALON ENGAGED IN HUNDREDS OF THOUSANDS OF INSTANCES OF LAYERING IN NUMEROUS SECURITIES FROM APPROXIMATELY DECEMBER 2010 THROUGH AT LEAST SEPTEMBER 2016, AND AVALON MADE MILLIONS OF DOLLARS IN PROFITS FROM THE SCHEME. THE SECOND MANIPULATIVE TRADING SCHEME IS REFERRED TO HEREIN AS THE "CROSS-MARKET MANIPULATION," "CROSS-MARKET SCHEME" OR "CROSS-MARKET STRATEGY." IN THIS SCHEME, AVALON BOUGHT AND SOLD U.S. STOCK AT A LOSS FOR THE PURPOSE OF MOVING THE PRICES OF CORRESPONDING OPTIONS, SO THAT AVALON COULD MAKE A PROFIT BY TRADING THOSE OPTIONS AT ARTIFICIAL PRICES THAT THEY WOULD NOT HAVE BEEN ABLE TO OBTAIN BUT FOR THE MANIPULATION. AVALON'S STOCK TRADES HAD NO LEGITIMATE ECONOMIC REASON, AND WERE INTENDED TO INJECT INTO THE MARKET FALSE INFORMATION ABOUT SUPPLY AND DEMAND IN ORDER TO MOVE THE PRICES OF CORRESPONDING OPTIONS TO ARTIFICIAL LEVELS. AVALON ENGAGED IN HUNDREDS OF INSTANCES OF CROSS-MARKET MANIPULATION INVOLVING NUMEROUS STOCKS AND OPTIONS FROM AT LEAST AUGUST 2012 THROUGH AT LEAST DECEMBER 2015, AND AVALON



MADE MILLIONS OF DOLLARS IN PROFITS FROM THAT SCHEME. TOGETHER, THE LAYERING AND CROSS-MARKET MANIPULATION SCHEMES ORCHESTRATED BY AVALON THROUGH LEK GENERATED ILLICIT PROFITS OF MORE THAN \$28 MILLION. THE SCHEMES WERE MADE POSSIBLE THROUGH THE PARTICIPATION AND SUBSTANTIAL ASSISTANCE OF LEK AND ITS CEO, AND AN UNDISCLOSED CONTROL PERSON OF AVALON WHO ALSO SERVED AS A REGISTERED REPRESENTATIVE OF LEK FOR MUCH OF THE RELEVANT PERIOD. LEK, AS A REGISTERED BROKER-DEALER, PROVIDED AVALON WITH DIRECT ACCESS TO THE U.S. SECURITIES MARKETS AND, ALONG WITH ITS CEO, APPROVED, PERMITTED AND FACILITATED AVALON'S SCHEMES EVEN THOUGH THEY KNEW OR WERE RECKLESS IN NOT KNOWING THAT AVALON WAS ENGAGING IN MARKET MANIPULATION. LEK HAD AMPLE MOTIVE TO ASSIST AND ALLOW AVALON'S MANIPULATIVE TRADING. ACCORDING TO THE SEC'S COMPLAINT, LEK ALSO RELAXED ITS LAYERING CONTROLS AFTER AVALON COMPLAINED. AVALON WAS THE HIGHEST-PRODUCING CUSTOMER FOR LEK IN TERMS OF TRADING COMMISSIONS, FEES, AND REBATES GENERATED.

BY ENGAGING IN THE CONDUCT ALLEGED, LEK SECURITIES CORPORATION VIOLATED AND IS LIABLE FOR THE VIOLATIONS OF THE SECURITIES LAWS. RESPONDENT VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT; AIDED AND ABETTED, AVALON'S AND TWO REPRESENTATIVES' VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT, AND IS LIABLE FOR THEIR VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5(A) AND (C) AND SECTION 17(A) OF THE EXCHANGE ACT; AIDED AND ABETTED, AVALON'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT AND IS LIABLE FOR ITS VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT; AND IS LIABLE FOR ITS REPRESENTATIVE'S VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT AND RULES 10B-5(A) AND (C).

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Court Details:	THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, CIVIL ACTION NO. 17-CV-1789
Date Court Action Filed:	03/10/2017
Principal Product Type:	Other
Other Product Types:	SECURITIES FRAUD BY MANIPULATING THE U.S. MARKETS / UNSPECIFIED SECURITIES
Relief Sought:	Injunction
Other Relief Sought:	DISGORGEMENT OF ILL-GOTTEN GAINS, PLUS PRE JUDGMENT INTEREST; THE IMPOSITION OF CIVIL MONETARY PENALTIES; AND SUCH OTHER AND



FURTHER RELIEF AS THE COURT DEEMS JUST AND PROPER.

Resolution: Judgment Rendered

Resolution Date: 09/30/2019

Sanctions Ordered or Relief Granted: Monetary/Fine \$1,000,000.00
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions: PERMANENTLY RESTRAINED; UNDERTAKINGS AND AGREEMENTS SET FORTH THEREIN THE FINAL JUDGMENT; AND PREJUDGMENT INTEREST THEREON THE DISGORGEMENT.

Sanction Details: DEFENDANT LEK SECURITIES CORPORATION. IT IS ORDERED THAT DEFENDANT IS PERMANENTLY RESTRAINED AND ENJOINED FROM VIOLATING SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 10B-5, SECTION 17(A) OF THE SECURITIES ACT OF 1933, AND SECTION 9(A)(2) OF THE EXCHANGE ACT. DEFENDANT IS LIABLE FOR DISGORGEMENT OF \$419,623, TOGETHER WITH PREJUDGMENT INTEREST THEREON IN THE AMOUNT OF \$106,892, AND A CIVIL PENALTY IN THE AMOUNT OF \$1,000,000.
DEFENDANT SHALL COMPLY WITH ALL OF THE UNDERTAKINGS AND AGREEMENTS SET FORTH THEREIN THE FINAL JUDGMENT

Regulator Statement AFTER FILING ITS COMPLAINT IN U.S. DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, THE SEC OBTAINED AN EMERGENCY COURT ORDER FREEZING AVALON'S ASSETS HELD IN ITS ACCOUNT AT LEK SECURITIES AS WELL AS FREEZING AND REPATRIATING FUNDS THAT AVALON HAS TRANSFERRED OVERSEAS.

SEPTEMBER 30, 2019, FINAL JUDGMENT AS TO DEFENDANT LEK SECURITIES CORPORATION IS ORDERED. IT IS ORDERED THAT DEFENDANT IS PERMANENTLY RESTRAINED AND ENJOINED FROM VIOLATING SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 10B-5, SECTION 17(A) OF THE SECURITIES ACT OF 1933, AND SECTION 9(A)(2) OF THE EXCHANGE ACT. DEFENDANT IS LIABLE FOR DISGORGEMENT OF \$419,623, TOGETHER WITH PREJUDGMENT INTEREST THEREON IN THE AMOUNT OF \$106,892, AND A CIVIL PENALTY IN THE AMOUNT OF \$1,000,000.
DEFENDANT SHALL COMPLY WITH ALL OF THE UNDERTAKINGS AND AGREEMENTS SET FORTH THEREIN THE FINAL JUDGMENT.

Reporting Source: Firm

Current Status: Final

Allegations: THE SEC HAS ALLEGED THAT A CUSTOMER PLACED TRADES THROUGH



LEK SECURITIES CORPORATION ("LSC") THAT WERE MANIPULATIVE. THE SEC HAS ALLEGED THAT LSC AND ITS CEO SAMUEL LEK VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT AND AIDED AND ABETTED THE CUSTOMER'S ACTIVITY IN VIOLATION OF SECTION 10(B) OF THE EXCHANGE ACT AND RULE 10B-5 AND SECTION 17(A)(1) AND (3) OF THE SECURITIES ACT. THE SEC HAS FURTHER ALLEGED THAT LSC AND SAMUEL LEK AIDED AND ABETTED THE CUSTOMER'S VIOLATIONS OF SECTION 9(A)(2) OF THE EXCHANGE ACT.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Court Details:	THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, CIVIL ACTION NO. 17-CV-1789
Date Court Action Filed:	03/10/2017
Principal Product Type:	Other
Other Product Types:	SECURITIES FRAUD BY MANIPULATING THE U.S. MARKETS / UNSPECIFIED SECURITIES
Relief Sought:	Injunction
Other Relief Sought:	DISGORGEMENT OF ILL-GOTTEN GAINS, PLUS PRE JUDGMENT INTEREST; THE IMPOSITION OF CIVIL MONETARY PENALTIES; AND SUCH OTHER AND FURTHER RELIEF AS THE COURT DEEMS JUST AND PROPER.
Resolution:	Judgment Rendered
Resolution Date:	09/30/2019
Sanctions Ordered or Relief Granted:	Monetary/Fine \$1,000,000.00 Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions:	PERMANENTLY RESTRAINED; UNDERTAKINGS AND AGREEMENTS SET FORTH THEREIN THE FINAL JUDGMENT; AND PREJUDGMENT INTEREST THEREON THE DISGORGEMENT.
Sanction Details:	DEFENDANT LEK SECURITIES CORPORATION. IT IS ORDERED THAT DEFENDANT IS PERMANENTLY RESTRAINED AND ENJOINED FROM VIOLATING SECTION 10(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 10B-5, SECTION 17(A) OF THE SECURITIES ACT OF 1933, AND SECTION 9(A)(2) OF THE EXCHANGE ACT. DEFENDANT IS LIABLE FOR DISGORGEMENT OF \$419,623, TOGETHER WITH PREJUDGMENT INTEREST THEREON IN THE AMOUNT OF \$106,892, AND A CIVIL PENALTY IN THE AMOUNT OF \$1,000,000. DEFENDANT SHALL COMPLY WITH ALL OF THE UNDERTAKINGS AND AGREEMENTS SET FORTH THEREIN THE FINAL JUDGMENT



Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 1

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-ERRORS-CHARGES
Arbitration Forum:	FINRA
Case Initiated:	05/13/2015
Case Number:	15-01056
Disputed Product Type:	COMMON STOCK
Sum of All Relief Requested:	\$2,365.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	03/07/2016
Sum of All Relief Awarded:	\$2,440.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

End of Report



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