FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2017056224501

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

RE: SpeedTrader, Inc., formerly known as Mint Global Markets, Inc. (Respondent)
Member Firm
CRD No. 107403

Pursuant to FINRA Rule 9216, Respondent SpeedTrader, Inc. submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

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

BACKGROUND

SpeedTrader, known as Mint Global Markets, Inc. from September 2017 to June 2022, has been a FINRA member since April 2001. SpeedTrader employs six registered representatives at its Katonah, New York headquarters. SpeedTrader primarily provides self-directed online-brokerage services to two institutional customers and approximately 850 retail customers.

In April 2015, FINRA, NYSE Arca Inc., Cboe EDGX Exchange Inc. Cboe EDGA Exchange, Inc., Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., The Nasdaq Stock Market LLC, and Nasdaq OMX BX, Inc. censured and fined SpeedTrader $595,000 for, among other things, failing to supervise for potentially manipulative trading by its market access customers, failing to have reasonable market access controls and procedures, and failing to have written supervisory procedures related to Exchange Act Rule 606 and best execution.

On July 31, 2024, FINRA, NYSE Arca Inc., Cboe EDGX Exchange Inc., and The Nasdaq Stock Market LLC censured and fined SpeedTrader $165,000[1] for, among other things, failing to establish and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with applicable federal securities laws and FINRA rules prohibiting potentially manipulative trading in

[1] $13,200 of the $165,000 fine would be payable to FINRA.

violation of FINRA rules 3110 and 2010, and for failing to have adequate market access controls in place, in violation of Section 15(c)3-5 of Securities Exchange Act of 1934, Exchange Act Rule 15c3-5 and FINRA Rule 2010. FINRA also imposed an undertaking that, within 90 days of acceptance of the AWC, the firm shall certify in writing that it has remediated the issues identified in the AWC and implemented a supervisory system reasonably designed to achieve compliance with Exchange Act § 15(c)(3), Exchange Act Rules 15c3-5(b), (c), (d), and (e), and FINRA Rules 3110 and 2010.[2]

OVERVIEW

From at least November 2017 to the present, SpeedTrader failed to comply with its best execution obligations. Before June 2023, the firm's reviews of execution quality were limited to assessing whether customers' trades were executed at prices inferior to the National Best Bid and Offer (NBBO). After June 2023, SpeedTrader did not consider all relevant execution quality factors, such as the likelihood of execution of limit orders, transaction costs, customer needs and expectations, and the existence of payment for order flow arrangements. Additionally, from at least November 2017 to the present, SpeedTrader's reviews failed to compare the execution quality of the firm's existing order routing arrangements to the execution quality of other markets. As a result, SpeedTrader violated FINRA Rule 5310(a)(1), FINRA Rule 5310 Supplementary Material .09 (Rule 5310.09), and FINRA Rule 2010.

Further, from January 2017 to July 2022, SpeedTrader routed customer orders totaling approximately 100 million shares annually to three other broker-dealers that engaged in net trading activity,[3] and thereby interjected these three broker-dealers between itself and the best market for the subject securities in violation of FINRA Rules 5310(a)(2) and 2010. Furthermore, by failing to reasonably review this net trading activity to ensure that it did not interfere with the firm's best execution obligations, SpeedTrader separately violated FINRA Rules 5310(a)(1), 5310.09, and 2010.

From at least November 2017 to the present, SpeedTrader also violated FINRA Rules 3110 and 2010 by failing to establish, maintain, and enforce a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with its best execution obligations.

From January 2017 through February 2022, SpeedTrader violated Rule 606 of Regulation NMS under the Securities Exchange Act of 1934 and FINRA Rule 2010 by failing to

[2] For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

[3] The term "net trading" generally refers to contemporaneous principal transactions where the initial and offsetting transactions are at different prices. For example, a firm trades on a "net" basis when it accumulates a position at one price and executes the offsetting trade with its customer or broker-dealer client at another price. As stated in FINRA Regulatory Notice 18-29, FINRA rules do not prohibit net trading, but if a firm chooses to trade on a net basis, it must comply with all applicable rules, including FINRA Rule 5310 (Best Execution and Interpositioning).

disclose material aspects of its relationship with markets to which it routed orders in its quarterly reports made available pursuant to Exchange Act Rule 606.

From at least November 2017 to at least March 2022, SpeedTrader failed to establish and implement a written anti-money laundering (AML) program that was reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (BSA) and its implementing regulations. Specifically, SpeedTrader failed to establish and implement policies and procedures that could be reasonably expected to detect and cause the reporting of suspicious activity, in violation of FINRA Rules 3310(a), 3310(f), and 2010.

Additionally, from June 30, 2020 to August 22, 2023, SpeedTrader falsely responded "No" to the question on the firm's customer relationship summary (Form CRS) concerning legal or disciplinary history. The firm was required to respond "Yes," because it had prior legal or disciplinary history. By filing and delivering to customers its Form CRS containing inaccurate information, the firm willfully violated Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14, and violated FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. FINRA's Best Execution Rule

Broker-dealers have a longstanding and fundamental obligation to seek "best execution" of their customers' orders—that is, to seek the most favorable terms for their customers' orders that are reasonably available under the circumstances.

FINRA codified this best execution obligation in FINRA Rule 5310 and its Supplementary Material. FINRA Rule 5310(a)(1) provides that, "[i]n any transaction for or with a customer or a customer of another broker-dealer, a member . . . shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions." Under FINRA Rule 5310.09(a), if a member does not conduct an "order-by-order" review of execution quality, it must conduct "regular and rigorous" reviews of the execution quality of customer orders. The review must also be conducted on a security-by-security, type-of-order basis (e.g., limit order, market order, and market on open order).

Rule 5310.09(a) requires that, at minimum, the member conduct regular and rigorous reviews on a quarterly basis and that firms consider whether, based on their business, more frequent reviews are needed. FINRA Rule 5310.09(b) provides that, "[i]n conducting its regular and rigorous review, a member must determine whether any material differences in execution quality exist among the markets trading the security and, if so, modify the member's routing arrangements or justify why it is not modifying its routing arrangements." Each member must "compare, among other things, the quality of the executions the member is obtaining via current order routing and execution

arrangements . . . to the quality of the executions that the member could obtain from competing markets."

Rule 5310.09(b) also identifies certain factors that should be considered in reviewing and comparing the execution quality of the member's current order routing and execution arrangements to the execution quality of competing markets, including: (1) price improvement opportunities (i.e., the difference between the execution price and the best quotes prevailing at the time the order is received by the market); (2) differences in price disimprovement (i.e., situations in which a customer receives a worse price at execution than the best quotes prevailing at the time the order is received by the market); (3) the likelihood of execution of limit orders; (4) the speed of execution; (5) the size of execution; (6) transaction costs; (7) customer needs and expectations; and (8) the existence of internalization or payment for order flow arrangements.

A violation of FINRA Rule 5310 also constitutes a violation of FINRA Rule 2010, which requires a member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.

2. SpeedTrader's routing arrangements

From at least November 2017 to the present, SpeedTrader routed to execution venues that charged transaction fees that were less than the per share commission SpeedTrader charged its customers. Two of the venues also paid SpeedTrader about $70,000 annually for the firm's order flow. SpeedTrader's institutional and retail customers placed electronic non-directed[4] equity orders with the firm, which were routed via the firm's smart order router to ten other broker-dealers and an alternative trading system for execution, depending on whether the venue accepted the order type. Therefore, execution venues that accepted the same order type received essentially the same number of such orders over time.

3. SpeedTrader failed to meet its best execution obligations.

SpeedTrader's reviews of customer execution quality failed to meet the reasonable diligence standard of FINRA Rule 5310 and the regular-and-rigorous review requirements of FINRA Rule 5310.09.

From at least November 2017 until April 2019, other than considering transaction costs when initially selecting a venue, SpeedTrader's reviews for execution quality were limited to a manual bi-weekly review of ten randomly selected executions to determine whether they received a price that was inferior to the NBBO at the time of the transaction (i.e., price disimprovement). SpeedTrader's review was unreasonable because the firm did not consider any execution quality factor other than price disimprovement. Moreover, the small sample was unreasonable given the number of executions, which totaled

[4] A non-directed order is an order for which the customer does not instruct the broker-dealer to route the order to a particular venue for execution (i.e., the execution venue is determined by the broker-dealer receiving the order).

approximately 14,000 every two weeks. In April 2019, SpeedTrader automated this review to include all customer executions, but continued to limit its review to price disimprovement.

In June 2023, SpeedTrader expanded the scope of its execution quality reviews to include assessments of price improvement, execution speed, and execution size, and conducted such reviews on a security-by-security and order type basis. SpeedTrader, however, still did not consider the likelihood of execution of limit orders, transaction costs, customer needs and expectations, and the existence of payment for order flow arrangements.

Furthermore, from at least November 2017 to the present, SpeedTrader did not consider whether the firm could obtain better execution quality by modifying its routing arrangements with existing venues. The firm also did not conduct any reviews comparing the execution quality of its current order routing and execution arrangements to the execution quality the firm could obtain from competing markets.

In addition, from January 2017 to July 2022, the firm failed to reasonably review the impact its net trading arrangements with three broker-dealers had on execution quality, including price improvement, transaction costs, speed of execution, and whether customers' orders would have received better execution quality had SpeedTrader routed the orders directly for execution.

Therefore, SpeedTrader violated FINRA Rules 5310(a), 5310.09, and 2010.

4. SpeedTrader interjected third parties between it and the best markets.

FINRA Rule 5310(a)(2) provides that, "[i]n any transaction for or with a customer or a customer of another broker-dealer, no member or person associated with a member shall interject a third party between the member and the best market for the subject security in a manner inconsistent with paragraph (a)(1) of this Rule." Interpositioning occurs when a firm routes a customer order to another firm that routes the order to another venue for execution. FINRA issued Regulatory Notice 18-29 (Sep. 2018) to remind firms that interpositioning that is unnecessary or that violates a firm's general best execution obligations—either because of unnecessary costs to the customer or improperly delayed executions—is prohibited.

From January 2017 to July 2022, SpeedTrader routed customer orders totaling approximately 100 million shares annually to three broker-dealers that traded on a "net" basis, one of which paid SpeedTrader in exchange for order flow. By routing customer orders to these three broker-dealers, the firm interjected third parties between itself and the best market for the subject securities in a manner inconsistent with Rule 5310(a)(1).

Therefore, SpeedTrader violated FINRA Rules 5310(a)(2) and 2010.

5. SpeedTrader did not reasonably supervise for best execution.

FINRA Rule 3110(a) requires each member to "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and applicable FINRA rules."

FINRA Rule 3110(b)(1) requires each member 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.

A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

From at least November 2017 to the present, SpeedTrader's supervisory system was not reasonably designed to achieve compliance with its best execution obligations. During the relevant period, the firm's supervisory reviews relied upon unreasonably small samples of executions, failed to consider all execution quality factors set forth in FINRA Rule 5310.09(b), and failed to consider whether the firm could obtain better execution quality by routing to competing markets. Additionally, from January 2017 to July 2022, SpeedTrader did not conduct any supervisory review to determine whether its net trading arrangements impacted execution quality.

From at least November 2017 to present, SpeedTrader's WSPs related to best execution were also deficient. Before June 2019, SpeedTrader's WSPs set forth the firm's price disimprovement review but had no additional reviews to assess the firm's execution quality. In June 2019, SpeedTrader revised its WSPs to provide that the firm should consider the other execution quality factors enumerated in Rule 5310.09 to assess the firm's existing order routing and execution arrangements and those of other markets. The revised WSPs, however, failed to describe how reviews for the additional Rule 5310.09 factors should be conducted, including what execution quality statistics should be considered. The WSPs were similarly devoid of any guidance for determining the circumstances in which the firm should modify its order routing arrangements. In August 2023, SpeedTrader further revised its WSPs to describe how to review for certain execution quality factors, but those procedures still do not address how to review for the likelihood of execution of limit orders, transaction costs, customer needs and expectations, and payment for order flow arrangements. Further, the revised WSPs do not provide guidance concerning the circumstances for modifying the firm's order routing arrangements.

Therefore, SpeedTrader violated FINRA Rules 3110 and 2010.

6. SpeedTrader failed to disclose material aspects of its routing relationships with venues.

Exchange Act Rule 606 is designed to foster greater transparency in connection with a broker-dealer's best execution responsibilities. Specifically, Exchange Act Rule 606

requires that a broker-dealer disclose to the public in quarterly reports, among other things, a discussion of the "material aspects" of its relationship with the venues to which it routes non-directed orders, including a description of any arrangement for payment for order flow. That description includes amounts per share or per order that a broker-dealer receives from such venues. These disclosures are designed to help customers better understand how their firm routes and handles their orders, assess the quality of order handling services provided by their firm, and ascertain whether the firm is effectively managing potential conflicts of interest that may impact their firm's routing decisions. A violation of Exchange Act Rule 606 is also a violation of FINRA Rule 2010.

SpeedTrader's quarterly reports under Exchange Act Rule 606 for January 2017 through March 2019 did not disclose that it received payment for order flow. Beginning in April 2019, SpeedTrader's quarterly reports disclosed that the firm received payment for order flow but did not identify the two venues that paid for the order flow or describe its payment for order flow arrangements. By February 2022, SpeedTrader revised its quarterly reports that were accessible via its website to disclose the venues that paid for SpeedTrader's order flow and the amounts received from each venue.

By failing to disclose material aspects of its routing relationships with venues, SpeedTrader violated Exchange Act Rule 606 and FINRA Rule 2010.

7. SpeedTrader failed to establish and implement a reasonably designed AML program.

FINRA Rule 3310 requires each member firm to develop and implement a written AML program reasonably designed to achieve and monitor the firm's compliance with the requirements of the BSA, and implementing regulations promulgated by the Department of the Treasury.

FINRA Rule 3310(a) requires each firm to "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and [its] implementing regulations." The implementing regulation issued by the U.S. Department of the Treasury, 31 CFR § 1023.320, requires broker-dealers, under specified circumstances, to file with the Financial Crimes Enforcement Network "a report of any suspicious transaction relevant to a possible violation of law or regulation."

FINRA Rule 3310(f) requires a firm's AML compliance program to include appropriate risk-based procedures for conducting ongoing customer due diligence that include: (i) understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and (ii) conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.[5]

[5] FINRA Rule 3310(f) became effective May 11, 2018.

NASD Notice to Members 02-21, issued in April 2002, warned that firms have a duty to, among other things: tailor their AML programs to the particular risks of their business models, as well as their customer bases and the types of transactions in which their customers engage; monitor for "red flags" of suspicious activity; and, where suspicious activity is detected, perform additional due diligence to determine whether to file a suspicious activity report (SAR). The Notice reminded firms of their duty to look for red flags suggestive of money laundering or other violative activity, including, among others, that a customer wishes to engage in transactions that lack business sense or apparent investment strategy, and that a customer maintains multiple accounts for no apparent purpose and has a large number of inter-account or third-party transfers. In May 2019, FINRA issued Regulatory Notice 19-18, which provided additional guidance to firms regarding AML red flags for firms to consider incorporating into the AML programs, including, but not limited to, red flags related to instances in which customers engage in: trading on opposite sides of the market in a pattern indicative of potential spoofing, layering, or wash or cross trades; trading ahead of significant price movement; or trading that represents a significant portion of the daily volume in a low-priced or thinly-traded security. Regulatory Notice 19-18 further explained that "[u]pon detection of red flags through monitoring, firms should consider whether additional investigation, customer due diligence measures or a SAR filing may be warranted."

A violation of FINRA Rule 3310 also constitutes a violation of FINRA Rule 2010.

At all relevant times, SpeedTrader catered to retail investors who were "speculative and high risk only," providing self-directed trading to them through a web-based trading platform. The firm accepted accounts from customers located in foreign jurisdictions, and many of its customers actively traded in low-priced securities.

As described below, from at least November 2017 to at least March 2022, SpeedTrader failed to establish and implement AML policies and procedures that were reasonably designed to detect and cause the reporting of suspicious transactions given its business model and customer base.

First, SpeedTrader failed to take reasonable steps to investigate red flags of suspicious activity. The firm failed to reasonably review exception alerts for suspicious activity that were generated by its own and its clearing firms' automated AML surveillance systems. On multiple occasions, the firm closed alerts without reasonable follow up and investigation of the underlying trading. For example, there were over 40 instances on four days in 2021 and 2022 in which the firm closed alerts without explanation.

A particular risk of SpeedTrader's business model was that many of its customers frequently traded low-priced securities which, because of their limited public information and low trading volume, can be susceptible to potentially manipulative trading activity. Nonetheless, SpeedTrader failed to review several of its clearing firms' exception reports, including reports designed to identify red flags associated with trading in low-priced securities.

Second, SpeedTrader failed to establish and implement policies and procedures reasonably designed to detect patterns of potentially suspicious or manipulative trading, and to conduct ongoing monitoring to identify and report suspicious transactions. Despite catering to "speculative and high risk" investors, SpeedTrader's AML program failed to include procedures regarding how the firm should review exception alerts generated by its automated AML surveillance system to determine whether the alerts reflected suspicious and potentially manipulative trading activity. The firm also did not reasonably review activity in accounts on which it had imposed heightened surveillance or trade restrictions. SpeedTrader's AML program failed to include reasonable procedures, and the firm had no system, designed to detect patterns of alerts of suspicious activity generated by a single customer.

SpeedTrader failed to identify as red flags, and the firm failed to investigate, patterns of suspicious or potentially manipulative trading, including in low-priced securities, by its customers in the following instances:

- In 2018, the trading activity of 13 of the firm's customers, all based in China, generated over 46% of the firm's total commissions and 36% of all automated AML alerts. Most of these alerts identified potential layering, spoofing, or wash trades. For example, one such customer account generated an alert after the customer placed on the same day 23 buy orders and 24 sell orders for various quantities of the same low-priced, thinly-traded security. Moreover, the majority of these customer accounts continued trading despite having realized significant losses, potentially suggesting a lack of economic rationale for their trading activity. From January 2018 through September 2018, eight of the customer accounts realized losses ranging from approximately $120,000 to over $1.5 million.

- On three occasions in 2021, a customer sold hundreds of thousands of shares of a security ahead of downward price movements in the security. The same customer also purchased over two million shares of a different security on two consecutive days in 2022, which comprised over 14% of the trading volume in the security on one day and over 22% on the other.

- Over the course of three consecutive days in 2021, another customer bought and sold over 2.4 million shares of a low-priced security. On average, the customer's trades accounted for over 11% of the trading volume in the security on those days—and for over 30% of the trading volume in the security on one of those days.

Although these customers' trading patterns exhibited red flags of suspicious and potentially manipulative activity, such as spoofing, layering, wash or cross trades, trading ahead of significant price movements, or high-volume trading in low-priced or thinly-traded securities, the firm failed to conduct reasonable reviews and investigate the activity in the accounts that generated the alerts, or to consider whether the nature of the

account activity potentially necessitated the filing of SARs. Instead, the firm permitted the accounts to continue to trade without restriction.

Third, although SpeedTrader permitted customers to simultaneously open accounts at two different clearing firms beginning in July 2021, the firm failed to reasonably review the trading activity in over 25% of those accounts. For ten of the 37 customers whom it permitted to open accounts that resulted in dual clearing relationships, SpeedTrader failed to review all of the customers' trading activity for red flags of suspicious and potentially manipulative activity. In one such customer's accounts, there were six instances in March 2022 in which the customer engaged in opposite-side trades in the same security on the same trade date. SpeedTrader did not flag this customer as having accounts at two different clearing firms and the firm did not review or otherwise identify these transactions.

Therefore, SpeedTrader violated FINRA Rules 3310(a) and 2010 from at least November 2017 to at least March 2022, and violated FINRA Rule 3310(f) from May 2018 to at least March 2022.

8. SpeedTrader falsely responded to the Form CRS question concerning legal or disciplinary history.

On June 5, 2019, the Securities and Exchange Commission (SEC) adopted Form CRS and rules creating new requirements—which include requirements to prepare, file, and deliver the Form CRS—for SEC-registered broker-dealers offering services to a retail investor. The compliance date for Form CRS was June 30, 2020.

Form CRS provides customers with information about the types of services the firm offers; the fees, costs, conflicts of interest, and required standard of conduct associated with those services; whether the firm and its investment professionals have reportable legal or disciplinary history; and how to get more information about the firm.

Form CRS also includes required "conversation starters" to help begin a discussion with a broker-dealer about the relationship, including their services, fees, costs, conflicts, and disciplinary information.

Section 17(a)(1) of the Exchange Act requires registered broker-dealers to make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission deems "necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of" the Exchange Act. Exchange Act Rule 17a-14—titled "Form CRS, for preparation, filing and delivery of Form CRS"—requires broker-dealers offering services to a retail investor to prepare a Form CRS in accordance with the instructions in Form CRS, and to comply with requirements related to filing, amending, delivering, and posting the Form CRS to the firm's public website.

A violation of Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14 also is a violation of FINRA Rule 2010.

Form CRS contains the heading, "Do you or your financial professionals have legal or disciplinary history?" The instructions to Form CRS state that a firm must respond "Yes" if it or any of its financial professionals discloses, or is required to disclose, legal or disciplinary history on specified regulatory disclosure forms, such as Forms BD, U4, U5, and U6.[6] Legal or disciplinary history that is required to be disclosed on those forms includes criminal history, regulatory actions, civil judicial actions, and specified financial events (*e.g.*, bankruptcies, judgments, and liens).

From June 30, 2020, to August 22, 2023, SpeedTrader falsely responded "No" to the question concerning legal or disciplinary history. Before filing its initial Form CRS, SpeedTrader had disclosed 16 regulatory actions on its Form BD, including several settlements in 2015 with FINRA and with multiple exchanges to resolve findings that the firm had inadequately supervised potentially manipulative trading. All of those Form BD filings, and the disclosures contained in the filings, were made by the firm and were reflected in FINRA's Central Registration Depository (CRD) and in BrokerCheck®.

Despite the firm's disciplinary actions disclosed on its Form BD, SpeedTrader falsely responded "No" to the Form CRS question concerning legal or disciplinary history on its initial Form CRS filed on July 7, 2020 and did not file an updated Form CRS correctly responding "Yes" until August 22, 2023.[7]

Therefore, SpeedTrader willfully violated Exchange Act § 17(a)(1) and Exchange Act Rule 17a-14, and violated FINRA Rule 2010.

SANCTIONS CONSIDERATIONS

In determining the appropriate sanctions in this matter, FINRA considered, among other factors, SpeedTrader's current financial condition and that, in lieu of a monetary fine, SpeedTrader will retain an independent consultant to review and revise the firm's supervisory system and procedures governing its best execution and AML obligations.

[6] These forms are submitted to the Central Registration Depository by member firms or regulators. Broker-dealers file Form BD (Uniform Application for Broker-Dealer Regulation) to become registered with the U.S. Securities and Exchange Commission, FINRA, other self-regulatory organizations, and jurisdictions (*e.g.*, U.S. states and territories); Form U4 (Uniform Application for Securities Industry Registration or Transfer) is used to elicit employment history, disciplinary, and other information about individuals, to register them with FINRA, other self-regulatory organizations, or jurisdictions; Form U5 (Uniform Termination Notice for Securities Industry Registration) is used to terminate individuals' registrations with FINRA, other self-regulatory organizations, or jurisdictions, and to elicit details regarding the reasons for termination; and Form U6 (Uniform Disciplinary Action Reporting Form) is used by regulators to report disclosure events and disciplinary actions against individuals and organizations, and to report final FINRA arbitration awards against broker-dealers and associated persons.

[7] Following FINRA's investigation, SpeedTrader posted an updated Form CRS to its publicly available website in January 2023 that responded "Yes" to the question concerning legal or disciplinary history. The firm did not, however, file this updated Form CRS with the SEC at that time.

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

- a censure and
- an undertaking to retain an independent consultant as described below.

Respondent has submitted a statement of financial condition and demonstrated a limited ability to pay. In light of Respondent's financial status, the sanctions do not include a monetary fine.

1. Respondent has undertaken to do the following:

   a. Retain at its own expense and within 60 days of the date of the notice of acceptance of this AWC an independent consultant not unacceptable to FINRA to conduct a comprehensive review of the adequacy of Respondent's compliance with (1) its best execution obligations under FINRA Rule 5310 and related supervisory obligations and (2) FINRA Rule 3310, including but not limited to:

      (i) SpeedTrader's systems, processes, and reviews to comply with its best execution obligations;

      (ii) SpeedTrader's written supervisory procedures and controls related to its best execution obligations; and

      (iii) SpeedTrader's AML policies, procedures, and controls related to: (1) review of exception alerts for potentially suspicious or manipulative activity; (2) detection of patterns of potentially suspicious or manipulative trading, including by tracking customers whom the firm has subjected to heightened surveillance or trading restrictions; and (3) monitoring of trading in customer accounts with dual clearing relationships for suspicious or potentially manipulative activity.

   b. Ensure that the independent consultant, any firm with which the independent consultant is affiliated or of which he or she is a member, and any person engaged to assist the independent consultant in performance of his or her duties, shall not have provided consulting, legal, auditing, or other professional services to, or had any affiliation with, Respondent during the two years prior to the date of the notice of acceptance of this AWC.

   c. Cooperate with the independent consultant in all respects, including providing the independent consultant with access to Respondent's files, books, records, and personnel, as reasonably requested for the above-mentioned review. Respondent shall require the independent consultant to report to FINRA on its activities as FINRA may request and shall place no

restrictions on the independent consultant's communications with FINRA. Further, upon request, Respondent shall make available to FINRA any and all communications between the independent consultant and the Respondent and documents examined by the independent consultant in connection with this review.

d. Refrain from terminating the relationship with the independent consultant without FINRA's written approval. Respondent shall not be in and shall not have an attorney-client relationship with the independent consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the independent consultant from transmitting any information, reports, or documents to FINRA;

e. Require the independent consultant to submit an initial written report to Respondent and FINRA at the conclusion of the independent consultant's review, which shall be no more than 90 days after the date of the notice of acceptance of this AWC. As to Respondent's compliance with its best execution obligations under FINRA Rule 5310 and related supervisory obligations, the initial report shall, at a minimum, (i) evaluate and address the adequacy of Respondent's systems, processes, and reviews implemented and utilized to comply with the firm's best execution obligations and the written supervisory procedures and controls related to best execution obligations; (ii) provide a description of the review performed and the conclusions reached; and (iii) make recommendations as may be needed regarding how Respondent should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to SpeedTrader's best execution obligations and its related supervisory obligations. As to Respondent's compliance with FINRA Rule 3310, the initial report shall, at a minimum, (i) evaluate and address the adequacy of Respondent's compliance with FINRA Rule 3310, including but not limited to, AML policies, procedures, and controls related to: (1) review of exception reports for suspicious or potentially manipulative activity; (2) detection of patterns of potentially suspicious or manipulative trading, including by tracking customers whom the firm has subjected to heightened surveillance or trading restrictions; and (3) monitoring of trading in customer accounts with dual clearing relationships for potentially suspicious or manipulative activity; (ii) provide a description of the review performed and the conclusions reached; and (iii) make recommendations as may be needed regarding how Respondent should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to Respondent's compliance with FINRA Rule 3310; and

(i) Within 30 days after delivery of the initial report, Respondent shall adopt and implement the recommendations of the independent

consultant or, if Respondent considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the independent consultant designed to achieve the same objective. Respondent shall submit such proposed alternative procedures in writing simultaneously to the independent consultant and FINRA.

(ii) Respondent shall require the independent consultant to (A) reasonably evaluate the alternative procedures and determine whether it will achieve the same objective as the independent consultant's original recommendation and (B) provide Respondent and FINRA with a written report reflecting its evaluation and determination within 30 days of submission of any Respondent's proposed alternative procedures. In the event the independent consultant and Respondent are unable to agree, Respondent must abide by the independent consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the independent consultant.

(iii) Within 30 days after the issuance of the later of the independent consultant's initial report or any written report regarding proposed alternative procedures, Respondent shall provide the independent consultant and FINRA with a written implementation report, certified by an officer of Respondent, attesting to, containing documentation of, and setting forth the details of Respondent's implementation of the independent consultant's recommendations. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.

f. Require the independent consultant to enter into a written agreement that, for the duration of the engagement and for a period of two years from the completion of the engagement, the independent consultant shall not enter into any other employment, consultant, attorney-client, auditing, or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the independent consultant is affiliated or of which it is a member, and any person engaged to assist the independent consultant in the performance of its duties pursuant to this AWC, shall not, without FINRA's prior written consent, enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Respondent or any of Respondent's present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the

period of the engagement and for a period of two years after the engagement.

2. Upon written request showing good cause, FINRA may extend any of the procedural dates set forth above.

3. Respondent shall further retain the independent consultant to conduct a follow-up review and submit a final written report to the Respondent and to FINRA no later than one year from the date of the notice of acceptance of this AWC. In the final report, the independent consultant shall address Respondent's implementation of the systems, policies, procedures, and training, and shall make any further recommendations it deems necessary. Within 30 days of receipt of the independent consultant's final report, Respondent shall adopt and implement the recommendations contained in the final report, and inform FINRA in writing that it has done so.

Respondent understands that this settlement includes a finding that it willfully violated Section 17(a)(1) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-14, and that under Article III, Section 4 of FINRA's By-Laws, this makes Respondent subject to a statutory disqualification with respect to membership.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

A. To have a complaint issued specifying the allegations against it;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such

person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

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

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and

4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

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

9/5/2024
Date

J Ely
SpeedTrader, Inc.
Respondent

Print Name: Joe Ely

Title: President and CEO

Reviewed by:

Dana S. Gloor
Dana Gloor, Esq.
Counsel for Respondent
Gloor Law and Arbitration LLC
1340 Smith Avenue, Suite 200
Baltimore, MD 21209

Accepted by FINRA:

Signed on behalf of the
Director of ODA, by delegated authority

9/23/2024
Date

Elizabeth C. Stainton
Counsel
FINRA
Department of Enforcement
Brookfield Place | 200 Liberty Street
11th Floor
New York, NY 10281