

**INVESTORS EXCHANGE LLC
NOTICE OF ACCEPTANCE OF AWC**

Via Certified Mail, Return Receipt Requested

**TO: Seaport Global Securities LLC
Jonathan Silverman
General Counsel
360 Madison Avenue
22nd Floor
New York, NY 10017**

**FROM: Investors Exchange LLC (“IEX”)
c/o Financial Industry Regulatory Authority (“FINRA”)
Department of Enforcement
9509 Key West Avenue
Rockville, MD 20850**

DATE: May 12, 2020

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2017054051801

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent (“AWC”) has been accepted on **May 12, 2020** by the Office of Disciplinary Affairs, on behalf of the IEX Board, pursuant to IEX Rule 9.216. A copy of the AWC is enclosed.

You are again reminded of your obligation, if currently registered, immediately to update your Form BD (Uniform Application for Broker-Dealer Registration) to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA in writing of any change of address or other changes required to be made to your Form BD.

You are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, you are required to notify the Compliance Assistant, Department of Enforcement, 15200 Omega Drive, Suite 300, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by the IEX’s Finance Department regarding the payment of any fine if a fine has been imposed.

If you have any questions concerning this matter, please call me at 240-386-5059.



Carly M. Kostakos
Senior Counsel
Department of Enforcement, FINRA

Signed on behalf of IEX

Enclosure

cc: Bill Bidell, Risk Monitoring Director
(Via E-mail)

Alina Rabinovich, Risk Monitoring Analyst
(Via E-mail)

Ronald G. Blum
Counsel for Respondent
Manatt, Phelps & Phillips, LLP
7 Times Square
New York, NY 10036
(Via Certified Mail)

INVESTORS EXCHANGE LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017054051801

TO: Investors Exchange LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Seaport Global Securities LLC, Respondent
Broker-Dealer
CRD No. 116270

Pursuant to Rule 9.216 of the Investors Exchange LLC (“IEX”) Code of Procedure, Seaport Global Securities LLC (“SPGS” or the “firm”) 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, IEX will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

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

BACKGROUND

The firm is a full-service, mid-sized independent investment bank that offers capital markets advisory, sales, trading, and research services. The firm, which employs approximately 182 registered individuals, maintains headquarters in New York and has 24 branch offices. The firm became a member of FINRA on January 11, 2002 and a member of IEX on September 16, 2016 and its registrations remain in effect. The firm has no prior relevant disciplinary history.

SUMMARY

On April 20, 2017 (the “review date”), the firm received an 85,000 share order in AT&T, Inc. (security symbol “T”) from an institutional customer. To facilitate the order, the firm created a representative proprietary order in its Bloomberg SSEOMS order management system (“Bloomberg”) to send to the street for execution. When entering

the order, the trader entered the symbol "T" and hit the Tab button to move to the next field. When the Tab button was hit, Bloomberg auto-populated the symbol field with the last security that started with the letter T that SPGS had been trading, which was TESO. The trader, not realizing that the incorrect symbol had been auto-populated by Bloomberg, entered a price of \$40.35 and sent the order to IEX for execution. At that time, the National Best Offer ("NBO") in TESO was \$6.75. Immediately after entering the order, the trader realized that the order was erroneously priced nearly 500% above the NBO. He then immediately tried to cancel the entire order, and when he could not do so, he cancelled the remaining outstanding shares. He also immediately notified his supervisor and the firm's Compliance Department. The firm then promptly submitted a clearly erroneous filing with IEX. Based on the clearly erroneous filing and Seaport's notification, IEX, along with other exchanges, subsequently cancelled all trades (15,647 shares in total) in TESO that were executed between 15:36:00 and 15:37:00 at prices at or above \$7.40.

As a result of the erroneous order, the Market Analysis Section of FINRA's Department of Market Regulation, on behalf of IEX, reviewed the firm's compliance with Rule 15c3-5 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that review, and as set forth below, the Department of Enforcement determined that: (i) the firm failed to maintain order price controls and (ii) the firm's order size controls were not reasonably designed to prevent the entry of erroneous orders in violation of Section 15c3-5(c)(3) of the Exchange Act and Rule 15c3-5(c)(1)(ii) thereunder and IEX Rules 3.110 and 5.110.

FACTS AND VIOLATIVE CONDUCT

1. SEC Rule 15c3-5(c)(1)(ii) of the Exchange Act requires broker-dealers with market access to establish written supervisory procedures and financial risk management controls that are reasonably designed to "[p]revent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders."
2. In pertinent part, IEX Rule 5.110 requires members 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 with applicable IEX Rules."

Price Controls

3. On the review date, the firm did not maintain any limit price controls for orders that it routed to the market. Instead, the firm relied on the limit price controls that were in place at the destination to which orders were routed. As a result of the firm's failure to implement a limit price control, the erroneous TESO order, which was priced nearly 500% above the security's NBO, was sent to the market for execution.

Size Controls

4. On the review date, the firm maintained a Single Order Size (“SOQ”) threshold of 5,000,000 shares and a Single Order Market Value (“SOV”) threshold of \$750,000,000. Any orders that exceeded these thresholds were automatically rejected. A review of the firm’s order flow for a four-month period, however, revealed that the firm’s SOQ threshold was 67% higher than the largest sized order the firm received and the firm’s SOV threshold was more than 31 times higher than the highest valued order the firm received. The use of SOQ and SOV controls, at the levels set by the firm, although not involved in the clearly erroneous order giving rise to this review, could not reasonably be expected to prevent erroneous-sized orders, as the parameters did not reasonably take into account the nature of the firm’s client base or order flow.
5. As a result of the firm’s failure to establish and maintain risk management controls reasonably designed to prevent the entry of erroneous orders by rejecting orders that exceed appropriate price or size parameters, the firm violated Exchange Act Section 15(c)(3) and Rule 15c3-5(c)(1)(ii) thereunder, and IEX Rules 3.110 and 5.110.

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

A censure, a fine of \$10,000, and an undertaking to revise the firm’s written supervisory procedures and risk management controls with respect to the areas described in paragraph I.A., above.

Within 30 days of acceptance of this AWC, a registered principal of the firm shall submit to the **COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 15200 OMEGA DRIVE, SUITE 300, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures and/or risk management controls to address the deficiency described in paragraph I.A.; and (3) the date the revised procedures and/or controls were implemented.

The firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under IEX's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the IEX Appeals Committee and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudice of the General Counsel, Chief Regulatory Officer, the IEX Appeals Committee, or any member of the IEX Appeals Committee, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9.143 or the separation of functions prohibitions of Rule 9.144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by FINRA's Department of Enforcement and the Office of Disciplinary Affairs ("ODA"), pursuant to IEX Rule 9.216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and

C. If accepted:

1. This AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by IEX or any other regulator against the firm;
2. IEX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with IEX Rule 8.340; and
3. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of IEX, or to which IEX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which IEX is not a party.

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

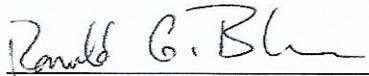
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat,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

April 23, 2020
Date

Seaport Global Securities LLC
Respondent

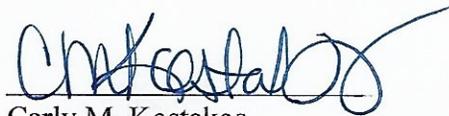
By: 
Name: Jonathan Silverman
General Counsel
Title: _____

Reviewed by:


Ronald G. Blum
Counsel for Respondent
Manatt, Phelps & Phillips, LLP
7 Times Square
New York, NY 10036
(212) 830-7186

Accepted by IEX:

5/12/20
Date


Carly M. Kostakos
Senior Counsel
Department of Enforcement
Signed on behalf of IEX, by delegated authority
from the Director of ODA

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

A firm check or bank check for the full amount

Wire transfer

Respectfully submitted,

Seaport Global Securities LLC
Respondent

April 23, 2020
Date

By: _____
Name: Jonathan Silverman
Title: General Counsel