NEW YORK STOCK EXCHANGE LLC

NYSE Regulation Complainant, v. QUATTRO M SECURITIES INC. (CRD No. 39289), et al., Respondents.	Proceeding Nos. 2016-07-01288, 2018-06-00079 October 18, 2018

Respondent violated: (i) Section 15(c)(3) of the Exchange Act and Rules 15c3-5(b) and (c)(2) thereunder and NYSE Rules 342, 3110, and 3120 by failing to establish, maintain, and enforce a supervisory system and controls reasonably designed to achieve compliance with applicable laws, regulations, and rules; (ii) NYSE Rules 342, 3110, and 2010 for failing to, among other things, reasonably supervise and implement an adequate supervisory system, including written supervisory procedures, reasonably designed to supervise handling of customer orders in order to achieve compliance with applicable securities laws, regulations, and NYSE Rules; (iii) NYSE Rules 405 and 2090 for failing to use due diligence to learn the essential facts relative to its customers and its customers' orders and order handling instructions; and (iv) Section 15(c)(3) of the Exchange Act and Rule 15c3-5(c)(1)(i) and (ii) thereunder, and NYSE Rules 342, 3110, and 3120 for failures to establish, maintain, and enforce a reasonably designed system of credit limits and pre-trade controls.

Respondents also violated NYSE Rule 345.17 for filing of an inaccurate U-5 form.

Respondents consent to a censure, a $95,000 fine, jointly and severally, and an undertaking.

Appearances

For the Complainant: Laura J. Seamon, Esq., Aaron H. Krieger, Esq., William R. Vanderveer, Esq., Tony M. Frouge, Esq., NYSE Regulation

For the Respondent: Donna H. Clancy, Esq., The Clancy Law Firm, P.C.

DECISION

Disciplinary Proceeding No. 2016-07-01288 was filed on July 30, 2018 by NYSE Regulation, on behalf of the NEW YORK STOCK EXCHANGE, LLC ("NYSE" or the "Exchange"). To resolve these matters, Respondents Quattro M Securities Inc. ("Quattro" or the Firm) and Eugene Louis Mauro (CRD No. 1277777) ("Mauro") (collectively, "Respondents") submitted an Offer of Settlement ("Offer") to Complainant, dated October 12, 2018. The Offer also addresses an additional violation of NYSE rules by Respondents, which arose from a separate investigation conducted by NYSE Regulation and is being resolved concurrently with this matter. Pursuant to NYSE Rule 9270(f), the Complainant and the Chief Regulatory Officer ("CRO") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to NYSE Rule 9270(f)(3).[1] The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the CRO.

Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NYSE, or to which NYSE is a party, to the entry of findings and violations consistent with the allegations of the Offer of Settlement, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by NYSE, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc., or the Chicago Stock Exchange.

FINDINGS OF FACTS AND VIOLATIONS

Overview

1. From June 2012 through December 2016 (the "Relevant Period"), the Firm failed to reasonably establish, document, and maintain an adequate system of risk management controls and supervisory procedures, including certain pre-trade risk controls and post-trade supervision, to ensure compliance with applicable federal securities laws and regulations and Exchange rules. As a result, the Firm failed to reasonably supervise the activities of its market access customers, including with respect to improper trading activity at or near the NYSE Open and Close between approximately June 2012 and December 2014.

2. The Firm, as an NYSE member and market access provider, was required to monitor for potentially manipulative trading, supervise the activities of its employees, guard against erroneous orders, and prevent the entry of orders that exceeded appropriate credit limits.

3. By failing to establish reasonable controls and procedures, and failing to reasonably monitor and supervise the activities of its market access customers, the Firm violated NYSE Rules

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[1] Upon issuance of this order it will be provided to the Exchange Board of Directors ("Board") and the Committee for Review ("CFR") for review. In accordance with NYSE Rule 9270(f)(3) (see also NYSE Rule 9310(a)(1)(B)(i)), any member of the NYSE Board or any member of the NYSE CFR has the right to require a review of any determination or penalty agreed to by a NYSE member, member organization or other person subject to NYSE jurisdiction in an uncontested Offer before a hearing on the merits has begun under NYSE Rule 9270(f).

342 (Offices—Approval, Supervision and Control) (for conduct prior to December 1, 2014), 3110 (Supervision) and 3120 (Supervisory Control System) (for conduct on and after December 1, 2014); 405 (Diligence as to Accounts) (for conduct prior to May 16, 2016); 2090 (Know Your Customer) (for conduct on and after May 16, 2016); 2010 (Standards of Commercial Honor and Principles of Trade); and Rule 15c3-5 of the Exchange Act (the "Market Access Rule" or "Rule 15c3-5").

4. Respondents also violated NYSE Rule 345.17 by filing a Form U-5 on May 14, 2018 in connection with the termination of a former Firm broker's ("Broker A") employment that was not accurate.

Procedural History

5. This matter arose from separate reviews of conduct related to the Firm. The initial reviews were conducted by the NY Equities Section of FINRA's Department of Market Regulation, FINRA's examination team, and NYSE Regulation.

6. The initial reviews of the Firm related to: (i) monitoring of trading activity under the Firm's direct market access business, including the prevention and detection of potential manipulative trading patterns; (ii) establishing pre-trade risk controls for its direct market access clients, including pre-set credit thresholds and erroneous order checks; and (iii) related supervisory issues. An additional investigation concerned the termination of Broker A's employment at the Firm.

Background and Jurisdiction

7. The Firm has been a registered NYSE member since 1995. The Firm has also been registered with NYSE American LLC since 2008 and with FINRA since 2007. For the last 23 years the Firm has acted as an agent and an executing broker of equities on the NYSE floor on behalf of institutional customers and not the public.

8. Mauro founded the Firm in June 1995 and has served as its President since December 1999. At all relevant times, Mauro was registered with the NYSE and currently remains registered.

Violations

Failure to Establish, Maintain, and Enforce Supervisory System and Controls (Violations of Section 15(c)(3) of the Exchange Act and Rules 15c3-5(b) and (c)(2) thereunder, and Violations of NYSE Rules 342, 3110, 3120)

9. During the Relevant Period, NYSE rules, including former NYSE Rule 342 and current NYSE Rules 3110 and 3120, required NYSE members to establish and maintain a supervisory system, which included written procedures specifically tailored to the types of business in which it engaged (such as providing direct market access), reasonably designed to achieve compliance with applicable laws, regulations, and rules.

10. And, Rule 15c3-5 required that "[a] broker or dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading system through use of its market participant identifier or otherwise, shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity."

11. Rule 15c3-5 systems and procedures should be "specifically tailored to [the broker-dealer's] business model . . . and the types of clients or counterparties with which it does business,"[2] including post-trade surveillance procedures "reasonably designed to identify various potential trading violations such as wash sales, marking, spoofing, layering, quote stuffing, and other potential violations of" securities laws and NYSE rules.[3]

12. During the Relevant Period, the Firm failed to establish reasonably designed controls or procedures to monitor its market access customers for potentially improper trading.

13. For example, the Firm implemented no automated review system, such as surveillances or exception reports, to detect potentially manipulative, disruptive, or violative trading. Rather, the Firm relied on a daily manual review by its CCO of raw trading data. Such a review was not reasonably designed to monitor trading by Firm customers.

14. The Firm's written supervisory procedures ("WSPs") also did not adequately describe the Firm's post-trade monitoring system.

15. By engaging in the aforementioned conduct, the Firm violated Section 15(c)(3) of the Exchange Act and Rule 15c3-5(b) and (c)(2) thereunder, and NYSE Rules 342, 3110, and 3120.

Violations In Connection With a Client's Improper Trading (Violations of NYSE Rules 342, 3110, and 2010)

16. In addition to the required supervisory system described above, since its adoption in November 2014, NYSE Rule 3110(b) has required, in pertinent part, that member organizations establish and maintain written supervisory procedures "to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules." Prior to the adoption of NYSE Rule 3110(b), NYSE Rule 342 imposed similar obligations on member firms.

17. Additionally, NYSE Rule 2010 required all NYSE members to act in accordance with just and equitable principles of trade in the conduct of their business.

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[2] FINRA 2012 Regulatory and Examination Priorities Letter at 6 (January 31, 2012) ("FINRA 2012 Priorities Letter"), *available at* https://www.finra.org/file/2012-regulatory-and-examination-priorities-letter.
[3] FINRA 2012 Priorities Letter at 12.

18. The Firm's failure to establish reasonable supervisory systems and controls, including with respect to preventing and detecting manipulative trading by its customers generally and supervising the activities of employees, enabled one of its clients ("Client A") to engage in improper trading on the NYSE between approximately June 2012 and December 2014.

19. Information memoranda issued by NYSE Regulation prior to the Relevant Period noted that member firms should have in place procedures regarding orders to be executed at or near the close, to ensure that such activity does not improperly impact the market for a security.[4] Specifically, the memoranda directed members not to hold back orders that were unusually large in relation to the average daily volume of the stock (or that otherwise could not be easily absorbed because of prevailing market conditions) until at or near the Close, as such actions could displace the market for a security. The memoranda also noted that members may be subject to regulatory exposure for potentially affecting the Close inappropriately by entering such orders.[5]

20. Between June 2012 and December 2014, the Firm, pursuant to Client A's standing instructions, held orders received from Client A from the marketplace until as late as possible before the Close. At that time, the Firm announced the order publicly in the trading crowd (a manual means of entering an order for the Close on the NYSE Floor) at the last possible time before the Close.

21. Handling the orders in this manner was not in accordance with NYSE guidance,[6] and had the risk of improperly impacting the NYSE close by concealing the true order interest for the Closing Auction and creating an artificial closing imbalance. This provided Client A an opportunity to profit off of the informational advantage that it had created.

22. As a result of the aforementioned conduct, the Firm violated NYSE Rules 342, 3110, and 2010.

Failures to Exercise Due Diligence Regarding Customers and Customer Orders (Violations of NYSE Rules 405 and 2090)

23. During the Relevant Period, NYSE Rule 405 required members to use due diligence to learn the essential facts relative to every customer, every order, every cash or margin account accepted or carried by such organization, and to supervise diligently all accounts handled by registered representatives of the organization, in regard to the opening and maintenance of every account, to know (and retain) the essential facts concerning every customer and concerning the authority of each person acting on behalf of such customer.

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[4] *See* NYSE Regulation Information Memorandum 09-29 "Entering and Effecting Orders at or Near the Close" (June 19, 2009).

[5] *See, e.g.*, NYSE Regulation Information Memorandum 09-26 "Trading Near or on the Close - Frequently Asked Questions" (June 18, 2009)

[6] *See* NYSE Regulation Information Memorandum 09-29 "Entering and Effecting Orders at or Near the Close" (June 19, 2009); NYSE Regulation Information Memorandum 09-26 "Trading Near or on the Close - Frequently Asked Questions" (June 18, 2009).

24. NYSE Rule 2090 further required members to "use reasonable diligence, in regard to the opening and maintenance of every account, to know (and retain) the essential facts concerning every customer and concerning the authority of each person acting on behalf of such customer," including the facts essential to "comply with all applicable laws, regulations, and rules."

25. During the Relevant Period, the Firm failed to know its customers, including, for example, Client A, by failing to use due diligence to understand the origins of Client A and the individuals behind it, and the reasons for its structure and the terms of its operation, both in the course of onboarding Client A and in the maintenance of its account.
26. The Firm further failed to learn the essential facts of the orders it processed, including in connection with the orders described above.

27. As a result, the Firm violated NYSE Rules 405 and 2090 by failing to use due diligence to learn the essential facts relative to its customers and its customers' orders and order-handling instructions, including Client A.

Failures to Establish, Maintain, and Enforce a Reasonably Designed System of Credit Limits and Pre-Trade Risk Controls (Violations of Section 15(c)(3) of the Exchange Act and Rule 15c3-5(c)(1)(i) and (ii) thereunder, and NYSE Rules 342, 3110, and 3120)

28. During the Relevant Period, Rule 15c3-5(c) required broker-dealers to establish, document, and maintain financial risk management controls and supervisory procedures "reasonably designed to systematically limit the financial exposure of the broker or dealer that could arise as a result of market access."

29. Specifically, Rule 15c3-5(c)(1)(i) required that a broker-dealer's risk management controls and supervisory procedures be reasonably designed to prevent the entry of orders that exceeded appropriate pre-set credit or capital thresholds.

30. And, Rule 15c3-5(c)(1)(ii) required that a broker-dealer's risk management controls and supervisory procedures be reasonably designed to prevent the entry of erroneous orders.

31. For example, as the SEC has explained, credit thresholds should be based on "appropriate due diligence as to the customer's business, financial condition, trading patterns, and other matters," and broker-dealers must document their determinations.[7] A market access provider must also "be prepared to show why it selected a particular [credit] threshold, [and] how that threshold meaningfully limits the financial exposure potentially generated by the customer."[8]

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[7] *Risk Management Controls for Brokers or Dealers with Market Access*, 75 Fed. Reg.69792, 69802 (Nov. 15, 2010) ("Adopting Release").

[8] Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access, Response to Question 8 (Apr. 15, 2014) (the "SEC FAQs"), *available at* https://www.sec.gov/divisions/marketreg/faq-15c-5-risk-management-controls-bd.htm.

32. Failure to establish reasonable credit limits enables clients to incur financial exposure beyond their means, and can result in (among other things) errors that could be catastrophic to market participants, individual stocks, and the securities markets. The controls required by Rule 15c3-5 are critical to guarding against these risks.

33. During the Relevant Period, the Firm established client credit limits without conducting adequate due diligence into, among other things, its customers' business or financial condition and relied on documentation received from clients that was incomplete.

34. The Firm also failed to adequately document its credit limit determinations. For instance, the Firm attributed changes to credit limits to an "increase in trading," without further explanation.

35. The Firm failed to demonstrate that its pre-trade erroneous order controls meaningfully limited the financial risk to the Firm, setting its thresholds for single order controls without a sufficiently documented rationale.

36. As a result, the Firm violated Section 15(c)(3) of the Exchange Act and Rule 15c3-5(c)(1)(i) and (ii) thereunder, and NYSE Rules 342, 3110, and 3120.

Filing of Inaccurate U-5 Form (Violation of NYSE Rule 345.17)

37. At all relevant times, NYSE Rule 345.17 required members to promptly report the discharge or termination of employment of a registered person, together with the reasons therefore, on the registered person's Form U-5.

38. The Form U-5 serves, among other things, as a source of information to other firms when they are considering hiring a potential employee, and can assist a prospective employer in conducting due diligence on an applicant.

39. On February 13, 2018, Mauro contacted NYSE Operations Staff and requested the suspension of Broker A's access to the Exchange's premises and systems. Broker A never returned to work for the Firm because of the suspension, and became registered with another NYSE floor broker firm in April 2018.

40. On May 14, 2018, the Firm filed a Form U-5 for Broker A, stating that Broker A had "voluntarily" left the Firm.

41. By directing that the Form U-5 state that Broker A had "voluntarily" left the Firm, rather than disclosing that he had been permitted to resign, with the reasons therefore, the Firm and Mauro violated NYSE Rule 345.17.

Relevant Disciplinary History

42. Neither Respondent has relevant prior formal disciplinary history.

Other Factors Considered

43. The Firm has no previous formal disciplinary history.

44. Following the events as described above, the Firm retained a new vendor that provides electronic surveillance to assist in the compliance functions described above and updated its WSPs.

ORDER

Respondent violated: (i) Section 15(c)(3) of the Exchange Act and Rules 15c3-5(b) and (c)(2) thereunder and NYSE Rules 342, 3110, and 3120 by failing to establish, maintain, and enforce a supervisory system and controls reasonably designed to achieve compliance with applicable laws, regulations, and rules; (ii) NYSE Rules 342, 3110, and 2010 for failing to, among other things, reasonably supervise and implement an adequate supervisory system, including written supervisory procedures, reasonably designed to supervise handling of customer orders in order to achieve compliance with applicable securities laws, regulations, and NYSE Rules; (iii) NYSE Rules 405 and 2090 for failing to use due diligence to learn the essential facts relative to its customers and its customers' orders and order handling instructions; and (iv) Section 15(c)(3) of the Exchange Act and Rule 15c3-5(c)(1)(i) and (ii) thereunder, and NYSE Rules 342, 3110, and 3120 for failures to establish, maintain, and enforce a reasonably designed system of credit limits and pre-trade controls.

Respondents also violated NYSE Rule 345.17 for filing of an inaccurate U-5 form.

SANCTIONS

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondents from any future misconduct, and represent a proper discharge by NYSE of its regulatory responsibility under the Securities Exchange Act of 1934.

It is ordered that Respondents be censured and fined in the amount of $95,000 for which the Firm and Mauro are jointly and severally liable (to be paid according to payment plan agreed to by NYSE Regulation).

It is further ordered that: Respondent Quattro shall complete an undertaking to remediate the Market Access Rule and supervisory deficiencies identified herein; Respondent Quattro shall undertake to require its CCO to complete, by the one-year anniversary of the settlement, 40 hours of securities compliance and regulatory courses as approved by NYSE Regulation; and, Respondent Mauro shall complete an undertaking to complete, by the one-year anniversary of the settlement, 40 hours of securities compliance and regulatory courses as approved by NYSE Regulation.

SO ORDERED.

Anthony J. Albanese
Chief Regulatory Officer
New York Stock Exchange LLC

Dated: October 18, 2018

NEW YORK STOCK EXCHANGE LLC
OFFICE OF HEARING OFFICERS

NYSE REGULATION, on behalf of NEW YORK STOCK EXCHANGE, LLC, Complainant, v. QUATTRO M SECURITIES INC. (CRD No. 39289), et al., Respondents.	NYSE Proceeding Nos. 2016-07-01288 & 2018-06-00079 Hearing Officer—DRS

OFFER OF SETTLEMENT

To resolve this proceeding pursuant to New York Stock Exchange LLC ("NYSE" or "Exchange") Rule 9270, Respondents Quattro M Securities Inc. ("Quattro" or the "Firm") and Eugene Louis Mauro (CRD No. 1277777) ("Mauro") (together, "Respondents") hereby submit this Offer of Settlement in the above-captioned matters. Such Offer of Settlement is submitted for the sole purpose of settling this disciplinary proceeding, without adjudication of any issues of law or fact, and without admitting or denying any allegations or findings referred to herein. Respondents consent to the Stipulation of Facts and Violations and to the Sanctions set forth below.

I. STIPULATION OF FACTS AND VIOLATIONS

Overview

1. From June 2012 through December 2016 (the "Relevant Period"), the Firm failed to reasonably establish, document, and maintain an adequate system of risk management controls and supervisory procedures, including certain pre-trade risk controls and post-trade supervision, to ensure compliance with applicable federal securities laws and regulations and Exchange rules. As a result, the Firm failed to reasonably supervise the activities of its market access customers, including with respect to improper trading activity at or near the NYSE Open and Close between approximately June 2012 and December 2014.

2. The Firm, as an NYSE member and market access provider, was required to monitor for potentially manipulative trading, supervise the activities of its employees, guard against erroneous orders, and prevent the entry of orders that exceeded appropriate credit limits.

3. By failing to establish reasonable controls and procedures, and failing to reasonably monitor and supervise the activities of its market access customers, the Firm violated NYSE Rules 342 (Offices—Approval, Supervision and Control) (for conduct prior to December 1, 2014), 3110 (Supervision) and 3120 (Supervisory Control System) (for conduct on and after December 1, 2014); 405 (Diligence as to Accounts) (for conduct prior to May 16, 2016); 2090 (Know Your Customer) (for conduct on and after May 16, 2016); 2010 (Standards of Commercial Honor and Principles of Trade); and Rule 15c3-5 of the Exchange Act (the "Market Access Rule" or "Rule 15c3-5").

4. Respondents also violated NYSE Rule 345.17 by filing a Form U-5 on May 14, 2018 in connection with the termination of a former Firm broker's ("Broker A") employment that was not accurate.

5. Respondents consent to: (i) a censure; (ii) a $95,000 sanction (for which Respondents shall be jointly and severally liable); (iii) an undertaking to address Market Access Rule and supervisory deficiencies identified herein; and (iv) an undertaking for Mauro and the Firm's Chief Compliance Officer ("CCO") to each successfully complete, by the one-year anniversary of this Offer of Settlement, 40 hours of securities compliance and regulatory courses, as approved by NYSE Regulation.

Background and Jurisdiction

6. The Firm has been a registered NYSE member since 1995. The Firm has also been registered with NYSE American LLC since 2008 and with FINRA since 2007. For the last 23 years the Firm has acted as an agent and an executing broker of equities on the NYSE floor on behalf of institutional customers and not the public.

7. Mauro founded the Firm in June 1995 and has served as its President since December 1999. At all relevant times, Mauro was registered with the NYSE and currently remains registered.

Procedural History

8. This matter arose from separate reviews of conduct related to the Firm. The initial reviews were conducted by the NY Equities Section of FINRA's Department of Market Regulation, FINRA's examination team, and NYSE Regulation.

9. The initial reviews of the Firm related to: (i) monitoring of trading activity under the Firm's direct market access business, including the prevention and detection of potential manipulative trading patterns; (ii) establishing pre-trade risk controls for its direct market access clients, including pre-set credit thresholds and erroneous order checks; and (iii) related supervisory issues. An additional investigation concerned the termination of Broker A's employment at the Firm.

Violative Conduct

Failure to Establish, Maintain, and Enforce Supervisory System and Controls

10. During the Relevant Period, NYSE rules, including former NYSE Rule 342 and current NYSE Rules 3110 and 3120, required NYSE members to establish and maintain a supervisory system, which included written procedures specifically tailored to the types of business in which it engaged (such as providing direct market access), reasonably designed to achieve compliance with applicable laws, regulations, and rules.

11. And, Rule 15c3-5 required that "[a] broker or dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading system through use of its market participant identifier or otherwise, shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity."

12. Rule 15c3-5 systems and procedures should be "specifically tailored to [the broker-dealer's] business model . . . and the types of clients or counterparties with which it does business,"[1] including post-trade surveillance procedures "reasonably designed to identify various potential trading violations such as wash sales, marking, spoofing, layering, quote stuffing, and other potential violations of" securities laws and NYSE rules.[2]

13. During the Relevant Period, the Firm failed to establish reasonably designed controls or procedures to monitor its market access customers for potentially improper trading.

14. For example, the Firm implemented no automated review system, such as surveillances or exception reports, to detect potentially manipulative, disruptive, or violative trading. Rather, the Firm relied on a daily manual review by its CCO of raw trading data. Such a review was not reasonably designed to monitor trading by Firm customers.

15. The Firm's written supervisory procedures ("WSPs") also did not adequately describe the Firm's post-trade monitoring system.

16. By engaging in the aforementioned conduct, the Firm violated Section 15(c)(3) of the Exchange Act and Rule 15c3-5(b) and (c)(2) thereunder, and NYSE Rules 342, 3110, and 3120.

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1 FINRA 2012 Regulatory and Examination Priorities Letter at 6 (January 31, 2012) ("FINRA 2012 Priorities Letter"), *available at* https://www.finra.org/file/2012-regulatory-and-examination-priorities-letter.

2 FINRA 2012 Priorities Letter at 12.

Violations In Connection With a Client's Improper Trading

17. In addition to the required supervisory system described above, since its adoption in November 2014, NYSE Rule 3110(b) has required, in pertinent part, that member organizations establish and maintain written supervisory procedures "to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules." Prior to the adoption of NYSE Rule 3110(b), NYSE Rule 342 imposed similar obligations on member firms.

18. Additionally, NYSE Rule 2010 required all NYSE members to act in accordance with just and equitable principles of trade in the conduct of their business.

19. The Firm's failure to establish reasonable supervisory systems and controls, including with respect to preventing and detecting manipulative trading by its customers generally and supervising the activities of employees, enabled one of its clients ("Client A") to engage in improper trading on the NYSE between approximately June 2012 and December 2014.

20. Information memoranda issued by NYSE Regulation prior to the Relevant Period noted that member firms should have in place procedures regarding orders to be executed at or near the close, to ensure that such activity does not improperly impact the market for a security.[3] Specifically, the memoranda directed members not to hold back orders that were unusually large in relation to the average daily volume of the stock (or that otherwise could not be easily absorbed because of prevailing market conditions) until at or near the Close, as such actions could displace the market for a security. The memoranda also noted that members may be subject to regulatory exposure for potentially affecting the Close inappropriately by entering such orders.[4]

21. Between June 2012 and December 2014, the Firm, pursuant to Client A's standing instructions, held orders received from Client A from the marketplace until as late as possible before the Close. At that time, the Firm announced the order publicly in the trading crowd (a manual means of entering an order for the Close on the NYSE Floor) at the last possible time before the Close.

22. Handling the orders in this manner was not in accordance with NYSE guidance[5], and had the risk of improperly impacting the NYSE close by concealing the true order interest for

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3 *See* NYSE Regulation Information Memorandum 09-29 "Entering and Effecting Orders at or Near the Close" (June 19, 2009).

4 *See, e.g.*, NYSE Regulation Information Memorandum 09-26 "Trading Near or on the Close - Frequently Asked Questions" (June 18, 2009).

5 *See* NYSE Regulation Information Memorandum 09-29 "Entering and Effecting Orders at or Near the Close" (June 19, 2009); NYSE Regulation Information Memorandum 09-26 "Trading Near or on the Close - Frequently Asked Questions" (June 18, 2009).

the Closing Auction and creating an artificial closing imbalance. This provided Client A an opportunity to profit off of the informational advantage that it had created.

23. As a result of the aforementioned conduct, the Firm violated NYSE Rules 342, 3110, and 2010.

Quattro's Failures to Exercise Due Diligence Regarding its Customers and Customer Orders

24. During the Relevant Period, NYSE Rule 405 required members to use due diligence to learn the essential facts relative to every customer, every order, every cash or margin account accepted or carried by such organization, and to supervise diligently all accounts handled by registered representatives of the organization, in regard to the opening and maintenance of every account, to know (and retain) the essential facts concerning every customer and concerning the authority of each person acting on behalf of such customer.

25. NYSE Rule 2090 further required members to "use reasonable diligence, in regard to the opening and maintenance of every account, to know (and retain) the essential facts concerning every customer and concerning the authority of each person acting on behalf of such customer," including the facts essential to "comply with all applicable laws, regulations, and rules."

26. During the Relevant Period, the Firm failed to know its customers, including, for example, Client A, by failing to use due diligence to understand the origins of Client A and the individuals behind it, and the reasons for its structure and the terms of its operation, both in the course of onboarding Client A and in the maintenance of its account.

27. The Firm further failed to learn the essential facts of the orders it processed, including in connection with the orders described above.

28. As a result, the Firm violated NYSE Rules 405 and 2090 by failing to use due diligence to learn the essential facts relative to its customers and its customers' orders and order-handling instructions, including Client A.

Failure to Establish, Maintain, and Enforce a Reasonably Designed System of Credit Limits and Pre-Trade Risk Controls

29. During the Relevant Period, Rule 15c3-5(c) required broker-dealers to establish, document, and maintain financial risk management controls and supervisory procedures "reasonably designed to systematically limit the financial exposure of the broker or dealer that could arise as a result of market access."

30. Specifically, Rule 15c3-5(c)(1)(i) required that a broker-dealer's risk management controls and supervisory procedures be reasonably designed to prevent the entry of orders that exceeded appropriate pre-set credit or capital thresholds.

31. And, Rule 15c3-5(c)(1)(ii) required that a broker-dealer's risk management controls and supervisory procedures be reasonably designed to prevent the entry of erroneous orders.

32. For example, as the SEC has explained, credit thresholds should be based on "appropriate due diligence as to the customer's business, financial condition, trading patterns, and other matters," and broker-dealers must document their determinations.[6] A market access provider must also "be prepared to show why it selected a particular [credit] threshold, [and] how that threshold meaningfully limits the financial exposure potentially generated by the customer."[7]

33. Failure to establish reasonable credit limits enables clients to incur financial exposure beyond their means, and can result in (among other things) errors that could be catastrophic to market participants, individual stocks, and the securities markets. The controls required by Rule 15c3-5 are critical to guarding against these risks.

34. During the Relevant Period, the Firm established client credit limits without conducting adequate due diligence into, among other things, its customers' business or financial condition and relied on documentation received from clients that was incomplete.

35. The Firm also failed to adequately document its credit limit determinations. For instance, the Firm attributed changes to credit limits to an "increase in trading," without further explanation.

36. The Firm failed to demonstrate that its pre-trade erroneous order controls meaningfully limited the financial risk to the Firm, setting its thresholds for single order controls without a sufficiently documented rationale.

37. As a result, the Firm violated Section 15(c)(3) of the Exchange Act and Rule 15c3-5(c)(1)(i) and (ii) thereunder, and NYSE Rules 342, 3110, and 3120.

Filing of Inaccurate U-5 Form

38. At all relevant times, NYSE Rule 345.17 required members to promptly report the discharge or termination of employment of a registered person, together with the reasons therefore, on the registered person's Form U-5.

39. The Form U-5 serves, among other things, as a source of information to other firms when they are considering hiring a potential employee, and can assist a prospective employer in conducting due diligence on an applicant.

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6 *Risk Management Controls for Brokers or Dealers with Market Access*, 75 Fed. Reg.69792, 69802 (Nov. 15, 2010) ("Adopting Release").

7 Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access, Response to Question 8 (Apr. 15, 2014) (the "SEC FAQs"), *available at* https://www.sec.gov/divisions/marketreg/faq-15c-5-risk-management-controls-bd.htm.

40. On February 13, 2018, Mauro contacted NYSE Operations Staff and requested the suspension of Broker A's access to the Exchange's premises and systems. Broker A never returned to work for the Firm because of the suspension, and became registered with another NYSE floor broker firm in April 2018.

41. On May 14, 2018, the Firm filed a Form U-5 for Broker A, stating that Broker A had "voluntarily" left the Firm.

42. By directing that the Form U-5 state that Broker A had "voluntarily" left the Firm, rather than disclosing that he had been permitted to resign, with the reasons therefore, the Firm and Mauro violated NYSE Rule 345.17.

PRIOR RELEVANT DISCIPLINARY HISTORY

43. Neither Respondent has relevant prior formal disciplinary history.

OTHER FACTORS CONSIDERED

44. The Firm has no previous formal disciplinary history.

45. Following the events as described above, the Firm retained a new vendor that provides electronic surveillance to assist in the compliance functions described above and updated its WSPs.

II. SANCTIONS

1. Respondents consent to the following sanctions:

    a. a censure;

    b. a fine in the amount of $95,000, for which the Firm and Mauro are jointly and severally liable, to be paid according to payment plan agreed to by NYSE Regulation;

    c. an undertaking to remediate the Market Access Rule and supervisory deficiencies identified herein;

    d. an undertaking for Mauro to complete, by the one-year anniversary of the settlement, 40 hours of securities compliance and regulatory courses as approved by NYSE Regulation; and

    e. an undertaking for the Firm to require its CCO to complete, by the one-year anniversary of the settlement, 40 hours of securities compliance and regulatory courses as approved by NYSE Regulation.

III. WAIVER OF PROCEDURAL RIGHTS

1. In connection with the submission of this Offer of Settlement, and subject to the provisions herein, Respondents specifically waive the following rights provided by NYSE's Code of Procedure:

    a. any right to a hearing before an Adjudicator (as defined in NYSE Rule 9120(a)), and any right of appeal to the Exchange's Board of Directors, the U.S. Securities and Exchange Commission, or the U.S. Court of Appeals, or any right otherwise to challenge or contest the validity of the Order issued, if the Offer of Settlement and the Order are accepted;

    b. any right 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;

    c. any right to claim bias or prejudgment by the Chief Hearing Officer, Hearing Officer, a hearing panel or, if applicable, an extended hearing panel, a panelist on a hearing panel, or, if applicable, an extended hearing panel; and

    d. any right to claim a violation by any person or body of the ex parte prohibitions of NYSE Rule 9143, or the separation functions prohibitions of NYSE Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the Offer of Settlement and the Order or other considerations of the Offer of Settlement and Order, including acceptance or rejection of such Offer of Settlement and Order.

2. Further, Respondents specifically and voluntarily waive any right to claim bias or prejudgment of the Chief Regulatory Officer of NYSE; the Exchange's Board of Directors, Disciplinary Action Committee ("DAC"), and Committee for Review ("CFR"); any Director, DAC member, or CFR member; Counsel to the Exchange Board of Directors or CFR; any other NYSE employee; or any Regulatory Staff as defined in NYSE Rule 9120 in connection with such person's or body's participation in discussions regarding the terms and conditions of this Offer of Settlement, or other consideration of this Offer of Settlement, including acceptance or rejection of this Offer of Settlement.

IV. OTHER MATTERS

Respondents understand that:

1. Submission of this Offer of Settlement is voluntary and Respondents have agreed to its provisions voluntarily, and that no offer, promise, threat or inducement of any kind has been made to Respondents by the Exchange or its staff, or NYSE Regulation or its staff to induce Respondents to enter into this Offer of Settlement, apart from the prospect of settling this disciplinary proceeding on the terms and conditions set forth in this Offer of Settlement rather than adjudicating this matter;

2. Submission of this Offer of Settlement will not resolve this matter unless and until it has been reviewed by NYSE Regulation, and accepted by the Chief Regulatory Officer of NYSE, Hearing Officer, a hearing panel or, if applicable, an extended hearing panel, pursuant to NYSE Rule 9270;

3. If this Offer of Settlement is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents;

4. If accepted:

    a. the Offer of Settlement shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, where they will have 25 days after it is sent to each Director and each member of the Committee for Review to request review pursuant to NYSE Rule 9310(a)(1)(B) (*see* NYSE Rule 9270(f)(3));

    b. after the expiry of the 25 day period, the Offer of Settlement shall then be provided to FINRA's Office of Hearing Officers, for a final decision to be issued;

    c. this Offer of Settlement will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by the Exchange, or any other regulator against Respondents;

    d. NYSE shall publish a copy of the Offer of Settlement on its website in accordance with NYSE Rule 8313;

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

    f. Respondents 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 Offer of Settlement or create the impression that the Offer of Settlement is without factual basis. Respondents may not take any position in any proceeding brought by or on behalf of the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this Offer of Settlement. Nothing in this provision affects Respondents' (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.

5. A signed copy of this Offer of Settlement delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy; and

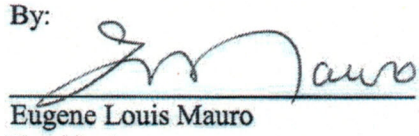
6. Respondents may attach a Corrective Action Statement to this Offer of Settlement that is a statement of demonstrable corrective steps taken to prevent future misconduct.

Respondents understand that it may not deny the charges or make any statement that is inconsistent with the Offer of Settlement in this Statement. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

Respondent Mauro, acting on behalf of the Firm and Mauro's behalf, certifies that he has read and understands all of the provisions of this Offer of Settlement and has been given a full opportunity to ask questions about it.

10/12/2018
Date

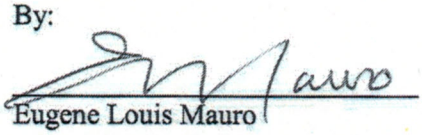
Quattro M Securities, Inc.
Respondent

By: 

Eugene Louis Mauro
President
Quattro M Securities, Inc.

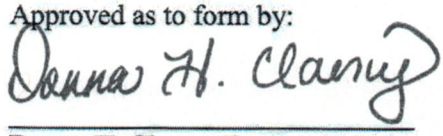
10/12/2018
Date

Eugene Louis Mauro
Respondent

By: 

Eugene Louis Mauro

10/12/2018
Date

Approved as to form by:


Donna H. Clancy, Esq.
The Clancy Law Firm, PC
Counsel for Respondents

Accepted by NYSE Regulation:

October 12, 2018

Date

Laura J. Seamon
Aaron Krieger
William Vanderveer
Tony Frouge
NYSE Regulation

Signed on behalf of NYSE LLC,
by delegated authority from its
Chief Regulatory Officer