

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023077021801**

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

RE: International Assets Advisory, LLC (Respondent)
Member Firm
CRD No. 10645

Pursuant to FINRA Rule 9216, Respondent International Assets Advisory, LLC 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

IAA has been a FINRA member firm since 1982 and an MSRB registrant since 1992. IAA is located in Orlando, Florida and has approximately 155 registered representatives and 100 branch offices. IAA is a retail brokerage firm and operates on an independent contractor model.¹

OVERVIEW

From May 2021 through July 2023, IAA failed to report approximately 290 transactions in Trade Reporting and Compliance Engine (TRACE)-eligible securities to TRACE. Therefore, IAA violated FINRA Rules 6730 and 2010. From May 2021 through July 2023, IAA failed to report approximately 270 municipal securities transactions to the MSRB's Real-time Transaction Reporting System (RTRS). Furthermore, from July 2023 through November 2023, the firm reported approximately 40 canceled transactions to RTRS that should not have been reported. Therefore, IAA violated MSRB Rule G-14. IAA has consented to a censure and a \$20,000 fine (\$10,000 of which pertains to the violations of MSRB Rule G-14).

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2023 cycle exam of IAA.

IAA failed to report certain transactions in TRACE-eligible securities as required by TRACE reporting rules.

FINRA Rule 6730 (Transaction Reporting) sets out the requirements that apply to firms when reporting transactions in TRACE-eligible securities. TRACE facilitates the mandatory reporting of over-the-counter transactions in certain fixed-income securities and provides increased price transparency to market participants and investors. Inaccurate trade reporting of disseminated trades directly impacts investors and other market participants by depriving them of meaningful information necessary to make trading and valuation decisions. Inaccurate information also affects the regulatory audit trail and can result in either false alerts or the inability to detect problematic transactions.

FINRA Rule 6730(a) requires member firms that are a party to a transaction in a TRACE-eligible security to report the transaction to TRACE, and to do so promptly, accurately, and completely. FINRA Rule 6730(b) identifies the party responsible for reporting transactions to TRACE. In transactions between two members, both members shall submit a trade report to TRACE. In transactions involving a member and non-member, including a customer, the member shall submit a trade report to TRACE.

Therefore, for back-to-back principal transactions, FINRA member firms must report all trades involved, including both (i) the firm's trades with other broker-dealers in the marketplace to fill customer orders, and (ii) the firm's offsetting trades with customers. The firm's reporting obligations do not change if the firm delivers the securities to, or receives securities from, the customer's account at another broker-dealer (*e.g.*, the firm participates in a "step-out" transaction).²

A violation of FINRA Rule 6730 also constitutes a violation of FINRA Rule 2010, which requires members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

From May 2021 through July 2023, for approximately 290 back-to-back principal transactions in TRACE-eligible securities, IAA only reported the trades it conducted with other broker-dealers to TRACE and failed to report the off-setting trades, which were step-out transactions for a customer who was an independent investment adviser. These reporting failures constituted approximately 2 percent of the total security reports the firm submitted to TRACE during the same period. In July 2023, IAA began reporting the off-setting customer trades, or step-out transactions, to TRACE as required.

Therefore, IAA violated FINRA Rules 6730 and 2010.

² See Frequently Asked Questions (FAQ) about the Trade Reporting and Compliance Engine (TRACE), Q 3.1.24, available at: <https://www.finra.org/filing-reporting/trace/faq>.

IAA failed to report certain municipal securities transactions to RTRS as required by MSRB reporting rules and reported other transactions in error.

MSRB Rule G-14 sets out the transaction reporting requirements for purchases and sales of municipal securities to RTRS. RTRS increases price transparency in the municipal securities markets and enhances regulatory surveillance. Accurate and timely reporting to RTRS is critical to the accurate dissemination of transaction information, price transparency, and regulatory oversight of municipal securities trading.

MSRB Rule G 14(b)(i) requires each broker, dealer, and municipal securities dealer to report “information about each purchase and sale transaction effected in municipal securities to the [RTRS] in the manner prescribed by Rule G 14 RTRS Procedures and the RTRS Users Manual.” MSRB Rule G-14(b)(ii) requires each broker, dealer, and municipal securities dealer to report the information in the Rule G-14 RTRS Procedures promptly, accurately, and completely.

MSRB Notice 2005-22 (April 1, 2005) provides guidance to MSRB registered dealers on reporting step-out transactions. Specifically, when a municipal dealer executes a trade on behalf of an independent investment adviser and that adviser “instructs the executing dealer to deliver the securities to another dealer (the ‘custody dealer’) for unnamed clients of the investment advisor,” the municipal dealer must “report its execution of the investment advisor’s order to the MSRB as a dealer sale to a customer.”

From May 2021 through July 2023, for approximately 270 back-to-back principal transactions in municipal securities, IAA only reported the trades it conducted with other broker-dealers to RTRS and did not report the customer side of the step-out transactions for a customer who was an independent investment adviser. These reporting failures constituted approximately 8 percent of the municipal security reports the firm submitted to RTRS during the same period. In July 2023, IAA began reporting the customer-side of the step-out transactions in municipal securities to RTRS.

From July 2023 through November 2023, IAA reported approximately 40 municipal securities transactions to RTRS that should not have been reported because the firm canceled the transactions. These reports constituted approximately 7 percent of the municipal security reports the firm submitted to RTRS during the same period.

Therefore, IAA violated MSRB Rule G-14(b).

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

- a censure and
- a \$20,000 fine (\$10,000 of which pertains to the violations of MSRB Rule G-14).

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an

Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

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 prejudice 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.

12/11/2024
Date


International Assets Advisory, LLC
Respondent


Print Name: Richard Weiss

Title: CCO

Accepted by FINRA:

January 6, 2025
Date

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


Katherine Florio
Principal Counsel
FINRA
Department of Enforcement
Brookfield Place
200 Liberty Street
New York, NY 10281