

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2020067553301**

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

RE: Northern Trust Securities, Inc. (Respondent)  
Member Firm  
CRD No. 7927

Pursuant to FINRA Rule 9216, Respondent Northern Trust Securities, Inc. (Northern Trust 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, 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**

Northern Trust has been a member of FINRA since May 1979, and is headquartered in Chicago, Illinois. Among other things, the firm provides brokerage execution services. The firm has 57 branch offices and approximately 380 registered representatives.<sup>1</sup>

**OVERVIEW**

From August 2016 to December 2024, Northern Trust violated FINRA Rules 6730 and 2010 by failing to report its commissions to the Trade Reporting and Compliance Engine (TRACE) for certain transactions in TRACE-eligible securities. During the same period, the firm violated FINRA Rules 3110 and 2010 by failing to establish and maintain a supervisory system reasonably designed to achieve compliance with FINRA Rule 6730. For these violations, Northern Trust is censured and fined \$150,000.

**FACTS AND VIOLATIVE CONDUCT**

This matter originated from FINRA's review of the firm's compliance with TRACE reporting rules.

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<sup>1</sup> For more information about the firm, including prior regulatory events, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

**Northern Trust failed to report its commissions for certain transactions in TRACE-eligible securities.**

TRACE facilitates the mandatory reporting of over-the-counter transactions in eligible fixed income securities and provides increased price transparency to market participants and investors. Pursuant to FINRA Rule 6730(a), a firm “must report a transaction in a TRACE-Eligible Security as soon as practicable, but no later than within 15 minutes of the Time of Execution.”<sup>2</sup> FINRA Rule 6730(c)(11) states that “[e]ach TRACE trade report shall contain . . . [t]he commission (total dollar amount), if applicable.” FINRA Rule 6730(d)(1)(A) further provides that a firm must “[r]eport the total dollar amount of the commission if one is assessed on the transaction,” but not “where the amount is not known at the time the trade report is due.” A failure to report commission to TRACE affects price transparency as well as the audit trail, and it can result in either false alerts or the inability to detect problematic transactions.

A violation of FINRA Rule 6730 constitutes a violation of FINRA Rule 2010, which provides that a “member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

From August 2016 to December 2024, the firm failed to include commission information when it reported 89,427 transactions in TRACE-Eligible Corporate Debt Securities, Agency Debt Securities, Securitized Products, and U.S. Treasury Securities to TRACE. The incomplete reporting was caused by delays associated with the firm’s manual calculation of commissions. During periods of large transaction volume, the firm was unable to calculate all of its commissions within 15 minutes of execution, and it erroneously determined that it was not required to report its commissions for these transactions because the firm was unable to timely calculate the commissions.

Therefore, the firm violated FINRA Rules 6730 and 2010.

**Northern Trust’s supervisory system was not reasonably designed to achieve compliance with the requirements of FINRA Rule 6730.**

FINRA Rule 3110(a) provides that “[e]ach member shall 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 FINRA rules.” A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

From August 2016 to December 2024, the firm’s supervisory system was not reasonably designed to achieve compliance with FINRA Rule 6730. Although the firm performed

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<sup>2</sup> FINRA Rule 6710(a) defines TRACE-Eligible Security to mean “a debt security that is United States (‘U.S.’) dollar-denominated and is: (1) issued by a U.S. or foreign private issuer, and, if a ‘restricted security’ as defined in Securities Act Rule 144(a)(3), sold pursuant to Securities Act Rule 144A; (2) issued or guaranteed by an Agency as defined in paragraph (k) or a Government-Sponsored Enterprise as defined in paragraph (n); (3) a U.S. Treasury Security as defined in paragraph (p); or (4) a Foreign Sovereign Debt Security as defined in paragraph (kk). ‘TRACE-Eligible Security’ does not include a debt security that is a Money Market Instrument as defined in paragraph (o).”

supervisory reviews of its TRACE reporting for accuracy and timeliness, the firm failed to address known delays associated with the firm's manual calculation of commissions to ensure the firm timely reported its commissions during periods of heavy trading volume. This issue was resolved in December 2024 when the firm automated the commission calculation process.

By failing to establish and maintain a supervisory system reasonably designed to achieve compliance with FINRA Rule 6730, the firm violated FINRA Rules 3110 and 2010.

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

- a censure and
- a \$150,000 fine.

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 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.

March 3, 2025

Date

*Jon Cherry*

Northern Trust Securities, Inc.  
Respondent

Print Name: Jon Cherry

Title: President

Accepted by FINRA:

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

March 17, 2025

Date

*Jeffery Ding*

Jeffery Ding  
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