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FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022073322301

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

RE: TradeUP Securities, Inc., formerly known as Marsco Investment Corporation (Respondent)
Member Firm
CRD No. 18483

US Tiger Securities, Inc. (Respondent)
Member Firm
CRD No. 120583

Pursuant to FINRA Rule 9216, Respondents TradeUP Securities, Inc. and US Tiger Securities, Inc. submit 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 Respondents alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondents accept and consent to the following findings by FINRA without admitting or denying them:

BACKGROUND

TradeUP Securities, Inc. (TradeUp) has been a FINRA member since November 1986.[1] It has 45 registered representatives and two branch offices, including its headquarters in New York, New York. TradeUP is a self-clearing securities broker.[2]

US Tiger Securities, Inc. (US Tiger) has been a FINRA member since January 2006. It has 36 registered representatives and one branch office in New York, New York. Its principal business is underwriting.[3]

OVERVIEW

US Tiger and TradeUP are affiliated firms owned by an offshore holding company. Both firms serviced foreign financial institution omnibus accounts that transacted in thinly traded low-priced securities. Between November 2019 and March 2021 (US Tiger) and between

[1] In August 2021, TradeUp changed its name from Marsco Investment Corporation to TradeUP Securities, Inc.
[2] For information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.
[3] For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

April 2021 and June 2023 (TradeUP), the firms' AML programs were not reasonably designed to detect and report potentially suspicious transactions given this business. The firms also failed to conduct appropriate due diligence on correspondent accounts for foreign financial institutions. Between January 2019 and November 2021, both firms also failed to retain and review communications on an electronic messaging platform provided by the firms' parent. For their AML violations (FINRA Rules 3310 and 2010) and their communications retention and supervision violations (Exchange Act Rule 17a-4 and FINRA Rules 3110, 4511, and 2010), US Tiger and TradeUP are fined a total of $950,000, and TradeUP has agreed to an undertaking.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a regulatory tip to FINRA regarding US Tiger and a FINRA cycle exam of TradeUP.

I. US Tiger and TradeUP failed to develop and implement reasonably designed AML programs.

A. US Tiger and TradeUP's AML programs were not reasonably designed to detect and cause the reporting of suspicious activity.

FINRA Rule 3310 requires each member to develop and implement a written AML program reasonably designed to achieve and monitor the firm's compliance with the requirements of the Bank Secrecy Act (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 and the implementing regulations." The implementing regulation, 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.

In April 2002, NASD issued Notice to Members 02-21, which advised that each firm's AML program should be tailored to the particular risks of its business model and customer base and explained that firms have an obligation to monitor for and report suspicious transactions, including those that raise "red flags" of suspicious activity. In May 2019, FINRA issued Regulatory Notice 19-18, reminding firms of their suspicious activity reporting obligations and providing a non-exhaustive list of red flags suggestive of money laundering. Red flags specific to securities trading identified in the Regulatory Notice include (i) pre-arranged or non-competitive trading including wash or cross trades; (ii) patterns of placing orders on one side of the market, usually inside the existing National

Best Bid or Offer (NBBO), followed by the customer entering orders on the other side of the market that execute against other market participants that joined the market at the improved NBBO (activity indicative of "spoofing"); (iii) patterns of placing multiple limit orders on one side of the market at various price levels, followed by the customer entering orders on the opposite side of the market that are executed and the customer cancelling the original limit orders (activity indicative of "layering"); and (iv) seemingly unrelated clients opening accounts on or at about the same time, depositing the same low-priced security and subsequently liquidating the security in a manner that suggests coordination.

In February 2021, FINRA issued Regulatory Notice 21-03, which provided information to "help FINRA member firms that engage in low-priced securities business assess and, as appropriate, strengthen their controls to identify and mitigate their risk, and the risk to their customers" associated with low-priced securities. Regulatory Notice 21-03 stated that firms that engage in low-priced securities business should be aware of an SEC Staff Bulletin that "highlights for broker-dealers various risks arising from illicit activities associated with transactions in low-priced securities through omnibus accounts, particularly transactions effected on behalf of omnibus accounts maintained for foreign financial institutions." Regulatory Notice 21-03 also provides a non-exhaustive list of "activities that may be red flags of fraud involving low-priced securities." These included: "abrupt or frequent changes of issuer name, ticker symbol or business model, or abrupt expansion of an existing business model, often to benefit from the latest trend"; "multiple new customers opening accounts (particularly if they reside overseas and communicate with the firm only through electronic means) who either deposit shares of the same issuer or were introduced by the same individual to the firm"; and "one or more customers suddenly trading the securities of a thinly traded issuer—often one that makes claims related to the latest trend—on opposite sides of the market, potentially leading to manipulative trading."

A violation of FINRA Rule 3310 is also a violation of FINRA Rule 2010, which requires that a "member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

1. US Tiger

Between November 2019 and March 2021, US Tiger was an introducing broker-dealer whose primary business was servicing 15 omnibus accounts held by foreign financial institutions that were also affiliates of the firm. The omnibus accounts transacted primarily in low-priced securities.

Between November 2019 and March 2021, US Tiger's AML procedures were not reasonably designed to detect and cause the reporting of suspicious transactions given its business model and customer base. The procedures stated that US Tiger's clearing firm would review for suspicious activities and report any red flags to US Tiger—however, the clearing firm had never contractually agreed to do that and did not actually do so. US Tiger's procedures also stated that the firm would obtain, and review exception reports offered by its clearing firm to monitor customer activity. However, the firm did not receive any exception reports from its clearing firm. Further, the firm's procedures did not identify what exception reports would be reviewed or describe how the firm should review those

reports for potential red flags. The firm's procedures set forth a list of red flags of potential money laundering. However, the procedures did not provide any guidance regarding how to detect or investigate those red flags. The procedures also failed to describe how reviews should be documented or in what circumstances staff should escalate potential suspicious activity. The firm's procedures also failed to include appropriate risk-based procedures for conducting ongoing customer due diligence.

Between November 2019 and December 2020, US Tiger relied on a manual review of its daily trade blotter and two daily reports generated from its order management system to detect and review for red flags in securities trading. Neither the blotter nor the daily reports identified patterns for review of potentially suspicious activity. In December 2020, US Tiger began to use exception reports designed to identify patterns of suspicious activity, including wash trades and spoofing. However, these reports generated significant false positives and the firm did not regularly review them. In addition, between November 2019 and March 2021 the firm reviewed outgoing securities and money movements but failed to routinely review incoming securities and money movements. As a result, the firm did not have a reasonable system in place to identify potentially suspicious deposits of low-priced securities.

After March 2021, US Tiger transferred the foreign financial institution omnibus accounts to TradeUP and took steps to update its AML procedures.

2. TradeUP

Between April 2021 and June 2023, TradeUP had online self-directed customer accounts and executed an average of 55,000 orders per day. Those self-directed accounts included 47 omnibus accounts held by the firm's foreign affiliates (including the 15 from US Tiger), all of which transacted in low-priced securities. During this time, TradeUP self-cleared a majority of its accounts, including the foreign financial institution affiliate accounts.

TradeUP's AML procedures between April 2021 and June 2023 stated that the firm would monitor for suspicious activity by conducting a daily manual review of the firm's trade blotter and by reviewing exception reports. However, the procedures did not describe how the firm should review those reports for potential red flags. The firm's procedures set forth a list of red flags of potential money laundering. However, the procedures did not provide any guidance regarding how to detect or investigate those red flags. The procedures also failed to describe how reviews should be documented or in what circumstances staff should escalate potential suspicious activity. In addition, until October 2022, the firm's procedures provided no guidance regarding accepting deposits of low-priced securities. Further, the updated October 2022 procedures relating to the deposit of low-priced securities did not document who should review such securities deposits, what due diligence they should conduct, and how they should document that review. The firm's procedures also failed to include appropriate risk-based procedures for conducting ongoing customer due diligence.

The firm primarily relied on a manual review of the daily trade blotter to identify suspicious trading. However, the daily blotter review was not reasonably designed because it did not identify patterns for review of potentially suspicious activity across accounts or multiple

days. The firm had access to exception reports including alerts specific to wash trades and spoofing. However, these reports generated significant false positives and did not allow for review of potentially suspicious trading patterns across accounts or days. These reports also failed to flag escalating buy order patterns within and across the foreign financial institution omnibus accounts. The firm did not have procedures or guidance for reviewing the available reports, and as a result, any review performed was *ad hoc* and not comprehensive.

As a result, TradeUP failed to detect potentially suspicious trading activity in thinly traded low-priced securities. For example, in July 2021, TradeUP's wash trade and spoofing reports failed to identify that an omnibus account had placed multiple buy orders at increasing and varied prices inside the NBBO spread before canceling the orders within a minute and placing and executing sell-side orders at higher prices. The reports also did not flag that, in October 2021, another foreign affiliate omnibus account placed multiple buy orders in a thinly traded security at increasing and varied prices, which were subsequently cancelled.

Further, the firm failed to timely review the wash trade and spoofing reports and investigate any potential red flags identified in those reports. For example, the firm received approximately 2,500 spoofing alerts between June 1, 2021, and February 9, 2022. On February 9, 2022, TradeUP batch-closed approximately 1,200 of those alerts without any investigation. Over 420 of the alerts dated back to June 2021. Similarly, the firm closed over 380 wash trade alerts on one day in January 2022. Over 120 of those alerts dated back to January 2021 or earlier. The firm did not document the substance of any investigation into these alerts.

In addition, between April 2021 and June 2022, TradeUP failed to conduct any AML review of deposits of low-priced securities in the omnibus accounts of its foreign affiliates. In June 2022, the firm developed proprietary in-house exception reports to surveil activity in low-priced securities. However, the reports provided inaccurate information regarding trade volume and quantities of stock transfers and money movements due to coding errors.

As a result, TradeUP failed to detect and investigate potentially suspicious securities deposits. For example, between May 2021 and May 2022, the firm accepted nearly 100 deposits totaling more than three million shares of a low-priced security in twelve different foreign financial institution omnibus accounts held by two of its affiliates. The issuer had recently changed its business model and its name and was the subject of a shareholder fraud litigation.

Therefore, Respondents violated FINRA Rules 3310(a), 3310(f), and 2010.

B. US Tiger and TradeUP failed to establish due diligence programs specific to foreign financial institution correspondent accounts.

FINRA Rule 3310(b) requires each member to establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the BSA and the implementing regulations thereunder, including 31 C.F.R. § 1010.610. Under 31 C.F.R. § 1010.610, covered financial institutions, including broker-dealers, must establish a due diligence program for correspondent accounts they establish, maintain, administer, or

manage for foreign financial institutions. The due diligence program must include appropriate, specific, and risk-based policies, procedures, and controls reasonably designed to enable the broker-dealer to detect and report, on an ongoing basis, any known or suspected money laundering conducted through or involving such correspondent accounts. The due diligence program must also include, among other things, an assessment of the money laundering risk posed by the correspondent account, based on a consideration of relevant risk factors, including, as appropriate: (1) the nature of the foreign financial institution's business and the markets it serves; (2) the type, purpose, and anticipated activity of such correspondent account; (3) the nature and duration of the broker-dealer's relationship with the foreign financial institution (and any of its affiliates); (4) the AML and supervisory regime of the jurisdiction that issued the charter or license to the foreign financial institution, and its company owners if applicable, to the extent that such information is reasonably available; and (5) information known or reasonably available to the broker-dealer about the foreign financial institution's AML record. The due diligence program must also include the application of risk-based procedures and controls to each such correspondent account reasonably designed to detect and report known or suspected money laundering activity, including a periodic review of the correspondent account activity sufficient to determine consistency with information obtained about the type, purpose, and anticipated activity of the account.

1. US Tiger

Between November 2019 and March 2021, US Tiger failed to establish and implement a reasonable due diligence program designed to assess the money laundering risk posed by foreign financial institution correspondent accounts. The firm's procedures both failed to set forth any guidelines specific to the due diligence or review of correspondent accounts of foreign financial institutions and incorrectly stated that US Tiger did not have or intend to open any correspondent accounts for foreign financial institutions. As discussed above, US Tiger carried 15 accounts for foreign financial institutions during the relevant period. Further, the firm designated three correspondent accounts held by a foreign financial institution that had received a formal warning from its local regulator for AML deficiencies as "low-risk."

2. TradeUP

Between April 2021 and June 2023, TradeUP failed to implement a reasonable due diligence program designed to assess the money laundering risk posed by foreign financial institution correspondent accounts. TradeUP's procedures provided for conducting due diligence of foreign financial institution correspondent accounts. However, TradeUP failed to conduct that due diligence. TradeUP carried 47 foreign financial institution correspondent accounts, including several such accounts for the foreign affiliate that had been warned by its local regulator regarding AML program deficiencies. Among the foreign financial institution correspondent accounts that TradeUP carried for the foreign affiliates were accounts actively trading in low-priced securities, and accounts that included as customers other foreign financial institutions, offshore banks, money service businesses, and politically exposed persons. TradeUP did not assess the risks posed by these accounts until early 2023, at which

point it identified the accounts as "high-risk." After identifying the accounts as high-risk, the firm did not implement risk-based controls or procedures specific to these accounts.

Therefore, Respondents violated FINRA Rules 3310(b) and 2010.

II. TradeUP and US Tiger failed to establish a supervisory system reasonably designed to supervise and retain electronic communications.

FINRA Rule 4511 requires member firms to "make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules." Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4(b)(4), require member firms to maintain, for a period of three years, originals of all communications received, and copies of all communications sent relating to the member's business.

FINRA Rule 3110 requires member firms to establish, maintain, and enforce a system, including WSPs, that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b)(4) provides that the firm's supervisory procedures shall include procedures for review of incoming and outgoing written (including electronic) correspondence and internal communications relating to the member's investment banking or securities business.

A violation of Exchange Act § 17(a), Exchange Act Rule 17a-4(b)(4), or FINRA Rule 3110, is also a violation of FINRA Rule 2010.

Between January 2019 and November 2021, US Tiger and TradeUP's parent entity made available to employees of its affiliated firms—including US Tiger and TradeUP as well as their foreign affiliates—an electronic instant messaging and document sharing platform. Employees of US Tiger and TradeUP used the platform to communicate internally, with employees of the other broker-dealer, and with their foreign affiliates (who were also firm customers) for business-related purposes such as back-office and operational matters. The platform had an automatic-deletion feature that deleted messages within weeks of their being sent.

Between January 2019 and November 2021, the firms' WSPs did not address the use of the messaging platform, describe how associated persons could use the platform, or set forth how the firms would review and preserve communications made or documents shared through the platform. Neither firm performed any supervisory review of communications made through the platform. And neither firm took any steps to preserve communications or documents shared through the platform. As a result of the automatic-deletion feature, internal and external communications to or from the firms' employees were deleted prior to the expiration of the three-year retention period prescribed in Exchange Act Rule 17a-4(b)(4). Both firms stopped using the platform in November 2021.

Therefore, Respondents violated Exchange Act § 17(a), Exchange Act Rule 17a-4, and FINRA Rules 3110, 4511, and 2010.

B. Respondents also consent to the imposition of the following sanctions:

US Tiger:

- a censure; and
- a $250,000 fine.

TradeUP:

- a censure;
- a $700,000 fine; and
- an undertaking to retain an independent consultant as described below.

1. Respondent TradeUP Securities, Inc., has undertaken to do the following:

   a. Retain at its own expense and within 90 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 FINRA Rule 3310 and the requirements of the Bank Secrecy Act, 31 USC §5311, et. seq., and the regulations promulgated thereunder.

   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 150 days after the date of the notice of acceptance of this AWC. The initial report shall, at a minimum, (i) evaluate and address the adequacy of Respondent's compliance with FINRA Rule 3310 and the requirements of the Bank Secrecy Act and the regulations promulgated thereunder; (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 FINRA Rule 3310 and the requirements of the Bank Secrecy Act, 31 USC §5311, et. seq., and the regulations promulgated thereunder; and

   i. Within 60 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 60 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.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have submitted an Election of Payment form showing the method by which each proposes to pay the fines imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

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

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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents; and

C. If accepted:

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

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. 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 AWC or create the impression that the AWC is without factual basis. Respondents 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 Respondents' 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 Respondents' testimonial obligations in any litigation or other legal proceedings.

D. Respondents may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 Respondents, certifies that a person duly authorized to act on Respondents' 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 Respondents have 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 Respondents to submit this AWC.

April 22, 2025
Date

Guanwu (Jack) Ye
TradeUP Securities, Inc.
Respondent

Print Name: Guanwu (Jack) Ye

Title: CCO

April 22, 2025
Date

Guanwu (Jack) Ye
US Tiger Securities, Inc.
Respondent

Print Name: Guanwu (Jack) Ye

Title: CCO

Reviewed by:

Lara Thyagarajan
Lara Thyagarajan
Counsel for Respondents
Sidley Austin LLP
787 Seventh Avenue
New York, NY 10019

Accepted by FINRA:

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

April 25, 2025
Date

Jessica Moran
Jessica Moran
Principal Counsel
FINRA
Department of Enforcement
99 High Street, Suite 900
Boston, MA 02110

[redacted]

TradeUp Securities, Inc and US Tiger Securities, Inc., AWC No. 2022073322301
Statement of Corrective Action

1. In July 2023, TradeUP implemented formal Stock Movement Procedures to assess security deposits, establishing specific processes and requirements for deposits of low-priced securities, covering those to the foreign financial institution ("FFI") omnibus accounts. The review process for share acceptance involves a comprehensive analysis of the customer, the customer's past activity, the stock's historical data, the operations of the issuer, and manner of share acquisition.
2. In July 2023, TradeUP enhanced its transaction monitoring program through the implementation of an automated trade surveillance system, Nasdaq SMARTS, which assists in reviews of potentially suspicious activity. Following the implementation of Nasdaq SMARTS, TradeUP's investigations into unusual trading activity increased substantially and the number of SAR filings increased by over 100% year over year in 2024.
3. In 2024, US Tiger and TradeUP established independent Customer Due Diligence ("CDD"), Enhanced Due Diligence ("EDD"), and Politically Exposed Persons ("PEP") procedures separate from their respective AML Policies. These procedures enumerate the steps for account opening, including a formal "four-eyes" check to review account opening documentation, and apply to all customer accounts, including FFI correspondent accounts and omnibus accounts. In addition, TradeUP introduced a separate AML Questionnaire tailored for its FFI omnibus account and correspondent clearing customers.
4. In April 2024, TradeUP developed and implemented its Foreign Financial Institutions Due Diligence Procedures, which include specific due diligence measures for the Firm's FFI correspondent accounts and omnibus accounts. Incorporated in these procedures are explicit measures to ensure compliance with Section 312 of the USA PATRIOT Act. As part of its annual EDD reviews for each of these customers, TradeUP also requests and reviews updated account documentation, including updated AML Policies and Procedures, AML audit reports, and AML risk assessments each year. The EDD review includes a wholistic analysis of the customer relationship.
5. After March 2021, US Tiger transferred the FFI omnibus accounts to TradeUP, and since then, US Tiger does not carry FFI correspondent accounts or FFI omnibus accounts. In 2024, US Tiger re-assessed the alert parameters in FIS Protegent Surveillance for transaction surveillance alerts to ensure the system properly monitored transaction activity for all categories of its customers.
6. In 2024, US Tiger and TradeUP revised their customer risk rating methodologies to better reflect the risk profile of each customer. As part of the revisions, the FFI correspondent accounts and omnibus accounts were assigned high risk ratings and subject to increased scrutiny with respect to their trading activity.

THIS CORRECTIVE ACTION STATEMENT IS SUBMITTED BY RESPONDENT. IT DOES CONSTITUTE LEGAL FINDINGS BY FINRA, NOR DOES IT REFLECT THE VIEWS OF FINRA OR ITS STAFF.