

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023078259101**

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

RE: SEI Investments Distribution Co. (Respondent)
Member Firm
CRD No. 10690

Pursuant to FINRA Rule 9216, Respondent SEI Investments Distribution Co. (SIDCO) 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

SIDCO has been a FINRA member since 1982. The firm, which is headquartered in Oaks, Pennsylvania, has approximately 160 registered representatives located at three branch offices. The firm provides institutional introducing brokerage services to banks and other financial intermediaries and principal underwriting services to affiliated and non-affiliated mutual funds and exchange-traded funds.¹

OVERVIEW

FINRA's Trade Reporting and Compliance Engine (TRACE) facilitates the mandatory reporting of certain securities transactions and provides increased price transparency to market participants and investors. From August 2013 to September 2021, SIDCO failed to report to TRACE approximately 19,160 transactions between itself and another member, Firm A, which acted as an executing broker to fill SIDCO's customers' orders. For approximately 17,130 of these transactions, SIDCO inaccurately reported to TRACE, and in customer trade confirmations, its execution capacity. And from August 2013 to at least September 2021, SIDCO failed to reasonably supervise compliance with TRACE reporting rules. SIDCO thus violated Exchange Act Rule 10b-10, promulgated under §

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

10(b) of the Securities Exchange Act of 1934, Exchange Act § 17(a), Exchange Act Rule 17a-3, NASD Rule 3010, and FINRA Rules 2232, 4511, 3110, 6730, and 2010.

SIDCO 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.

- A. SIDCO failed to report to TRACE over 19,000 interdealer transactions and failed to accurately report the execution capacity for over 17,000 related transactions with customers.**

FINRA Rule 6730 (Transaction Reporting) sets out the requirements that apply to firms when reporting transactions in TRACE-eligible securities. A failure to report trades to TRACE, or a failure to do so accurately, directly impacts investors and other market participants by depriving them of meaningful information necessary to make trading and valuation decisions. Failing to report trades, or reporting inaccurate information, can affect the audit trail and result in either false alerts or the inability to detect problematic transactions.

FINRA Rule 6730(a)(6) requires members to report transaction information to TRACE promptly, accurately, and completely. Members may employ an agent for the purpose of submitting transaction information. However, the primary responsibility for timely, accurate and complete reporting of transaction information remains the non-delegable duty of the member that is obligated to report the transaction.

FINRA Rules 6730(b) and (c) specify the party responsible for reporting a transaction to TRACE, and the transaction information that must be reported. As applicable here, FINRA Rule 6730(b)(1) provides that, "[i]n transactions between two members, both members shall submit a trade report to TRACE." FINRA Rule 6730(c)(7) requires that each TRACE trade report specify the capacity (principal or agent) in which the member acted.

A violation of FINRA Rule 6730 also constitutes 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."

From August 2013 to September 2021, SIDCO failed to report to TRACE approximately 19,160 interdealer transactions between itself and Firm A in TRACE-eligible fixed income securities. SIDCO transmitted customer orders to Firm A for execution and employed an agent to submit transaction information in TRACE-eligible securities to TRACE. SIDCO incorrectly believed that its agent reported the interdealer transactions between Firm A and SIDCO to TRACE. However, its agent did not report to TRACE those interdealer transactions and SIDCO also did not report those transactions to

TRACE. In September 2021, SIDCO ceased trading TRACE-eligible securities with Firm A.

For most of these customer orders, SIDCO also inaccurately reported to TRACE that it executed the approximately 17,130 transactions between itself and customers in a principal capacity, when it in fact executed those transactions in an agency capacity. SIDCO utilized Delivery versus Payment (DVP)/Receive versus Payment (RVP) accounts to facilitate these trades with customers, rather than a firm principal account. In October 2020, SIDCO began using a firm principal account for these customer transactions, thus rendering accurate its reporting to TRACE that the firm acted in a principal capacity.

Therefore, SIDCO violated FINRA Rules 6730 and 2010.

B. SIDCO failed to report the correct capacity in customer trade confirmations associated with over 17,000 transactions.

Trade confirmations protect investors who buy or sell securities through broker-dealers by, among other things, alerting them to potential conflicts of interest with their broker-dealers and providing them the means to verify the terms of their transactions and evaluate transaction costs and the quality of their broker-dealers' executions.

Exchange Act Rule 10b-10, promulgated under § 10(b) of the Exchange Act, requires broker-dealers that effect securities transactions for customers to provide those customers with a confirmation, at or before completion of each transaction, disclosing certain basic terms of the transaction, such as the identity, price, and number of shares of the security bought or sold, and the execution capacity of the broker-dealer.

FINRA Rule 2232(a) requires members, at or before the completion of any transaction in any security effected for or with an account of a customer, to provide such customer with written confirmations that conform with the requirements of Exchange Act Rule 10b-10.

Exchange Act § 17(a) and Exchange Act Rule 17a-3(a)(8) require broker-dealers to make and keep current copies of confirmations of all purchases and sales of securities.

FINRA Rule 4511 requires members to make and preserve records as required under FINRA Rules, Exchange Act § 17(a), and Exchange Act Rule 17a-3. Confirmation records must be accurate to comply with these requirements.

A violation of the Exchange Act, an Exchange Act rule, or any FINRA rule also is a violation of FINRA Rule 2010.

As discussed above, SIDCO improperly recorded approximately 17,130 customer trades that the firm effected in an agency capacity as principal transactions. From August 2013 to October 2020, the firm provided customers with trade confirmations for those

transactions, which incorrectly indicated that the trades were executed in a principal capacity.

Therefore, SIDCO violated Exchange Act Rule 10b-10, Exchange Act § 17(a), Exchange Act Rule 17a-3(a)(8), and FINRA Rules 2232, 4511, and 2010.

C. SIDCO failed to reasonably supervise the firm's compliance with TRACE reporting rules.

FINRA Rule 3110(a) and its predecessor, NASD Rule 3010(a),² require a member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA and NASD rules. FINRA Rule 3110(b) and its predecessor, NASD Rule 3010(b), require a member firm to establish, maintain, and enforce written 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 FINRA and NASD rules. A violation of FINRA Rule 3110 or NASD Rule 3010 also is a violation of FINRA Rule 2010.

From August 2013 through at least September 2021, SIDCO failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with TRACE reporting rules. During this period, the firm had no system or procedures to surveil for, or to otherwise identify, potential: (1) failures to report transactions to TRACE; or (2) errors in the firm's reporting of its execution capacity to TRACE.

Therefore, SIDCO violated NASD Rule 3010 and 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.

² FINRA Rule 3110 superseded NASD Rule 3010 on December 1, 2014.

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

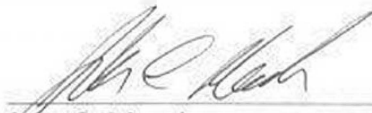
C. If accepted:

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.

6/5/25
Date



John C. Munch
General Counsel
SEI Investments Distribution Co.
Respondent

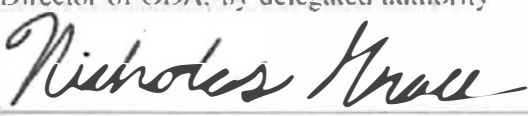
Reviewed by:



Todd M. Beaton
Counsel for Respondent
McGuire Woods
1251 Avenue of the Americas
New York, NY 10020

Accepted by FINRA:

June 24, 2025
Date

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


Nicholas Grace
Counsel
FINRA
Department of Enforcement
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Woodbridge, NJ 07095