FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2023077018401

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

RE: Liquidnet, Inc. (Respondent)
Member Firm
CRD No. 103987

Pursuant to FINRA Rule 9216, Respondent Liquidnet, Inc. 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

Liquidnet has been a FINRA member since 2000. Liquidnet is headquartered in New York, New York and employs approximately 100 registered representatives at its two branch offices. Liquidnet trades securities in an agency capacity and engages in the underwriting and private placement of securities.[1]

In February 2022, Liquidnet consented to a censure and fine of $50,000 for violations of Regulation National Market System (NMS) Rule 605 of the Securities Exchange Act of 1934 and FINRA Rule 2010. Specifically, from August 2015 through January 2018, the firm published 30 inaccurate Rule 605 reports as a result of misclassifying marketable limit orders as inside-the-quote limit orders.

OVERVIEW

From February 2018 through March 2024, Liquidnet published 74 inaccurate monthly reports of executions of covered orders in NMS securities required under Regulation NMS Rule 605 of the Securities Exchange Act of 1934. As a result, Liquidnet violated Regulation NMS Rule 605 and FINRA Rule 2010.

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

In addition, from February 2018 through March 2024, Liquidnet's supervisory system, including its written supervisory procedures, was not reasonably designed to achieve compliance with Rule 605. As a result, Liquidnet violated FINRA Rules 3110 and 2010.

For these violations, Liquidnet is censured and fined $250,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA exam of Liquidnet.

A. Liquidnet published 74 inaccurate monthly reports of order executions.

The Securities and Exchange Commission adopted Regulation NMS to establish rules designed to modernize and strengthen the regulatory structure of the U.S. equities markets. Rule 605 facilitates the uniform public disclosure of order execution information by requiring any market center[2] that trades NMS securities to publish standardized monthly electronic reports of statistical information concerning execution of covered orders it receives. Relevant here, Regulation NMS Rule 600(b) defines a "covered order" as "any market order or any limit order (including immediate-or-cancel orders) received by a market center…" during regular trading hours, but excludes any order "for which the customer requests special handling for execution."

Rule 605 requires NMS market centers to report uniform statistical measures of execution quality including categorization of covered orders executed or canceled by security, order type, and order size. Rule 605 also requires the classification of order types, including market orders, marketable limit orders and other limit orders. Within each of the order type categories, the reports are required to include statistics concerning, among other things, the total number of orders and shares submitted, the number of shares executed within different time-to-execution groupings, and the average realized spread.

A violation of Rule 605 is also a violation of FINRA Rule 2010, which requires a member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.

From February 2018 through March 2024, the firm, a market center trading in NMS securities, published 74 inaccurate Rule 605 reports for its market participant identifier LQNT. Specifically, the firm erroneously included in its Rule 605 reports approximately 67 million orders that required special handling because the firm incorrectly classified those orders as covered orders, which caused the reports to contain inaccurate order and execution quality statistics.

FINRA identified these inaccuracies during an exam in March 2023. By April 2024, Liquidnet implemented coding fixes for the erroneously classified orders and no longer reported them in the firm's Rule 605 reports.

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[2] Rule 600(b) defines "market center" as any exchange market maker, OTC market maker, alternative trading system, national securities exchange, or national securities association.

By publishing inaccurate monthly reports, Liquidnet violated Regulation NMS Rule 605 and FINRA Rule 2010.

B. Liquidnet's supervisory system was not reasonably designed to achieve compliance with Rule 605.

FINRA Rule 3110(a) requires member firms 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 rules. FINRA Rule 3110(b) requires member firms 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 rules. A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

From February 2018 through March 2024, Liquidnet failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Rule 605. Specifically, the firm's supervisory system was unreasonable because the firm had no procedures and no supervisory process to determine whether orders were properly classified as covered orders. By April 2024, the firm had updated its WSPs and implemented supervisory reviews addressing the proper classification of orders as covered orders.

By failing to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with Rule 605, Liquidnet violated FINRA Rules 3110(a) and (b) and 2010.

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

- a censure and
- a $250,000 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 understands and acknowledges that it is permitted to retain an attorney at its expense to review and provide legal advice regarding the AWC before agreeing to the language and signing the AWC; that FINRA does not represent or advise it and Respondent cannot rely on FINRA for legal advice; 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.

April 21, 2026
Date

Liquidnet, Inc.
Respondent

Print Name: Robert Bond

Title: Robert Bond - Chief Executive Officer,
COEX and Liquidnet Holdings, Inc.

Accepted by FINRA:

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

May 4, 2026
Date

Isaiah Sakany
Senior Attorney
FINRA, Department of Enforcement
200 Liberty Street
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