

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016051821601**

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

RE: State Street Global Markets, LLC, CRD No. 30107
(Now known in relevant part as State Street Global Markets, LLC, CRD No. 285852)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, State Street Global Markets, LLC, CRD No. 30107 ("SSGM"), now known in relevant part as State Street Global Markets, LLC, CRD No. 285852 ("New SSGM," the "Firm" or "Respondent"), 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 herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

New SSGM (CRD No. 285852), headquartered in Boston, Massachusetts, has been a FINRA member since May 2017. New SSGM is a wholly-owned indirect subsidiary of State Street Corporation ("State Street"). Prior to May 1, 2017, State Street owned only SSGM (CRD No. 30107), which had been a FINRA member since June 1992. On May 1, 2017, SSGM reorganized, splitting its operations into two business lines.

As part of the reorganization, SSGM became a limited purpose broker-dealer, providing only distribution and marketing services with respect to U.S. mutual funds, exchange traded funds and private funds sponsored by State Street Global Advisors. SSGM retained its CRD number and was renamed "State Street Global Advisors Funds Distributors, LLC." State Street registered New SSGM, a new broker-dealer engaging in a general securities business. New SSGM acquired substantially all assets and liabilities of SSGM, including all trading businesses and the BlockCross Alternative Trading System ("ATS"). New SSGM has approximately 128 registered representatives and maintains two branch offices nationwide.

RELEVANT DISCIPLINARY HISTORY

In Letter of Acceptance, Waiver and Consent No. 2006003803901 (April 2007), SSGM consented to findings that, from March 2005 to April 2007, it failed to capture, maintain and preserve all business-related Instant Messages sent and received and by its registered representatives, in violation of Section 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), Rule 17a-4 thereunder and NASD Rule 3110. For these violations, SSGM consented to a censure and a fine of \$100,000.

OVERVIEW

From November 4, 2011 to April 21, 2017 (the "Relevant Period"), SSGM failed to maintain electronic brokerage records in a non-erasable and non-rewritable format, known as WORM format, as required by Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4(f)(2), NASD Rule 3110 and FINRA Rule 4511. WORM stands for "write once, read many," and is intended to prevent the alteration or destruction of records stored electronically. During the Relevant Period, SSGM failed to maintain in WORM format approximately 131.5 million records of orders placed by institutional clients.

SSGM also failed to store separately from the original a duplicate copy of electronic records, in violation of Exchange Act Rule 17a-4(f)(3)(iii), NASD Rule 3110 and FINRA Rule 4511; and failed to implement an audit system for the inputting of records in electronic storage media, in violation of Exchange Act Rule 17a-4(f)(3)(v), NASD Rule 3110 and FINRA Rule 4511. Finally, SSGM's written supervisory procedures failed to have adequate supervisory processes relating to the Firm's compliance with record retention requirements, in violation of NASD Rule 3010 and FINRA Rule 3110.

FACTS AND VIOLATIVE CONDUCT

Over the past decade, the volume of sensitive financial data stored electronically by broker-dealers has risen exponentially. These broker-dealer electronic records must be complete and accurate, not only to assist FINRA and other regulators in their efforts to protect investors through periodic examinations, but also to ensure member firms can carry out their audit functions. Recent years also have seen increasingly aggressive attempts to hack into electronic data repositories, enhancing the need for firms to keep these records in WORM format.

Section 17(a) of the Exchange Act and Rule 17a-3 thereunder require broker-dealers to make certain records relating to its business, including trade blotters, asset and liability ledgers, order tickets, trade confirmations and other records. Rule 17a-4 specifies the manner and length of time that those records must be maintained.

NASD Rule 3110(a) provides, in part, that each member "shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations, and statements of policy promulgated thereunder and...[t]he record keeping format, medium and retention period shall comply with" Rule 17a-4."¹

¹ NASD Rule 3110 was replaced by FINRA Rule 4511, effective December 5, 2011.

FINRA Rule 4511 provides, in part, that each member “shall make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules” ... and all “books and records required to be made pursuant to the FINRA rules shall be preserved in a format and media that complies with” Rule 17a-4.

These requirements are an essential part of the investor protection function because preservation of these records is the “primary means of monitoring compliance with applicable securities laws, including antifraud provisions and financial responsibility standards.”²

1. SSGM Failed to Retain Electronic Records in WORM Format

When broker-dealers use electronic storage media to retain records, Rule 17a-4(f)(2)(ii) requires the firms to “[p]reserve the records exclusively in a non-rewritable, non-erasable” or WORM format. During the Relevant Period, SSGM failed to maintain in WORM format brokerage records pivotal to its business, including approximately 86 million records of orders placed by certain of its institutional clients through one business line and approximately 45.5 million records of orders placed by certain of its institutional clients through another business line. The vast majority of these records were unexecuted orders placed by institutional clients through SSGM’s BlockCross ATS trading platform.

Based on the foregoing, SSGM violated Exchange Act Rule 17a-4(f)(2)(ii), NASD Rule 3110 and FINRA Rules 4511 and 2010.

2. SSGM Failed to Store Separately from the Original a Duplicate Copy of Records Stored on Electronic Media

Exchange Act Rule 17a-4(f)(3)(iii) requires a broker-dealer to “[s]tore separately from the original, a duplicate copy of the record stored on any medium acceptable under Rule 17a-4 for the time required.” During the Relevant Period, SSGM failed to store separately from the original, duplicate copies of approximately 244.5 million records of orders placed by its customers, approximately 778,000 records of orders executed by SSGM and up to approximately 52 million electronic communications.

Based on the foregoing, SSGM violated Exchange Act Rule 17a-4(f)(3)(iii), NASD Rule 3110 and FINRA Rules 4511 and 2010.

3. SSGM Failed to Implement an Audit System Regarding the Inputting of Records in Electronic Storage Media

Exchange Act Rule 17a-4(f)(3)(v) requires a broker-dealer to “have in place an audit system providing for accountability regarding inputting of records required to be maintained and

² Commission Guidance to Broker Dealers on the Use of Electronic Storage Media under the Electronic Signatures in Global and National Commerce Act of 2000 with Respect to Rule 17a-4(f), SEC Interpretation Release No. 34-44238, 17 C.F.R. Part 241, at p. 3 of 15 (May 1, 2001).

preserved pursuant to Rules 17a-3 and 17a-4 to electronic storage media and inputting of any changes made to every original and duplicate record maintained and preserved thereby.” During the Relevant Period, SSGM did not have an audit system as required by Rule 17a-4(f)(3) for those records it failed to maintain in WORM format.

Based on the foregoing, SSGM violated Exchange Act Rule 17a-4(f)(3)(v), NASD Rule 3110 and FINRA Rules 4511 and 2010.

4. SSGM's Supervisory System was not Reasonably Designed

NASD Rule 3010(b) and FINRA Rule 3110(b) require a member firm to “establish, maintain and enforce written procedures to supervise the types of business in which it engages ... that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.”³ During the Relevant Period, SSGM failed to establish, maintain and enforce written supervisory procedures reasonably designed to achieve compliance with Exchange Act Rule 17a-4. Although SSGM’s written supervisory procedures contained provisions for storing electronic records in WORM format, during the Relevant Period SSGM failed to adequately enforce these procedures to ensure that all such records were maintained in WORM format.

Based on the foregoing, SSGM violated NASD Rule 3010(b) and FINRA Rules 3110(b) and 2010.

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

1. Censure; and
2. Fine in the amount of \$1.5 million.

Respondent also consents to the following undertaking:

3. Review of Policies and Procedures:
 - a. Within 60 days of Notice of Acceptance of this AWC, the Chief Compliance Officer of the Firm shall submit to FINRA a written plan of how the Firm will undertake to conduct a comprehensive review of the adequacy of the relevant policies and procedures (written and otherwise), including a description of remedial measures leading to full compliance, relating to the conduct addressed in this AWC.
 - b. FINRA will review the plan submitted by the Firm. In the event FINRA objects to the plan, the Firm shall address FINRA’s objections and resubmit the plan within 30 days of being notified of FINRA’s objections.
 - c. If the Firm’s proposed plan is not unacceptable to FINRA, the Firm shall promptly implement its comprehensive review.
 - d. At the conclusion of the Firm’s comprehensive review, which shall be no

³ FINRA Rule 3110 replaced NASD Rule 3010, effective December 1, 2014.

more than 180 days after the Notice of Acceptance of the AWC, the Firm's Chief Compliance Officer shall certify in writing to FINRA that the Firm has adopted and implemented policies and procedures reasonably designed to ensure compliance with the federal securities laws and FINRA rules addressed in this AWC.

- e. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above.

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 that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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 acceptance or rejection of this AWC.

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

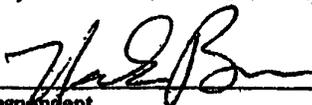
Respondent understands that:

- 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 actions brought by FINRA or any other regulator against it;
 - 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 the subject matter thereof 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: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- 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 or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf

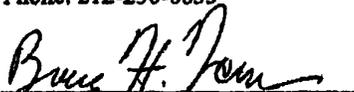
has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondent to submit it.

6-23-17
Date (mm/dd/yyyy)


Respondent
State Street Global Markets, LLC
(CRD No. 285852)

By: NICHOLAS BONN
Chief Executive Officer
Chief Operations Officer

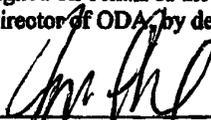
Reviewed by:
Bruce H. Newman
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New York, NY 10007
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Counsel for Respondent

Accepted by FINRA:

6/23/17 21:11/17
Date

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


James E. Day
Vice President & Chief Counsel
FINRA Department of Enforcement
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Rockville, MD 20850
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