

**NASDAQ ISE, LLC  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
2017052473702**

TO: Nasdaq ISE, LLC  
c/o Department of Enforcement  
Financial Industry Regulatory Authority (“FINRA”)

RE: Louis Capital Markets, LP (n/k/a Louis Capital Markets, LLC), Respondent  
Broker-Dealer  
CRD No. 48013

Pursuant to Rule 9216 of the Nasdaq ISE, LLC (“ISE”) Code of Procedure,<sup>1</sup> Louis Capital Markets, LP (“LCM” 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, ISE will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. The firm 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 ISE, or to which ISE 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 ISE:

**BACKGROUND**

LCM became a member of FINRA in January 2000 and ISE in April 2006. The firm is a broker-dealer offering services in cash equities, equity derivatives, commodities, currencies, corporate finance, and fixed income products for institutional customers. The firm employs approximately 16 registered representatives across its three branch offices. LCM has no relevant prior disciplinary history.

**SUMMARY**

For various time periods from May 20, 2013 through April 10, 2017 (the “2017 exam review period”), the firm failed to appropriately register certain employees with ISE, in violation of ISE Rules 313(a), 313.07, 313.08, and 602(d), and failed to establish, maintain, and enforce written supervisory procedures that were reasonably designed to achieve compliance with ISE registration requirements, in violation of ISE Rules 401 and

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<sup>1</sup> Series 9000 of The Nasdaq Stock Market, LLC (“Nasdaq”) Rules are incorporated by reference into the Nasdaq ISE Rules Chapter 90, and are thus Nasdaq ISE Rules and thereby applicable to Nasdaq ISE Members, Associated Persons, and other persons subject to Nasdaq ISE’s jurisdiction.

400.<sup>2</sup> Additionally, during the period August 4, 2017 through February 5, 2018 (the “2018 exam review period”), the firm failed to prepare and maintain order tickets and failed to maintain accurate and complete information on order tickets, in violation of Exchange Act Rule 17a-3 and ISE Rule 1400,<sup>3</sup> and failed to establish and maintain written supervisory procedures that were reasonably designed to achieve compliance with books and records requirements, in violation of ISE Rules 401 and 400.

### **FACTS AND VIOLATIVE CONDUCT**

These matters resulted from routine examinations by the staff of the Department of Member Regulation and Market Regulation that were conducted, in part, on behalf of ISE.

#### **Registration**

1. ISE Rule 313(a)(1) requires associated persons engaged in the securities business of a member to be registered with ISE in the category of registration appropriate to the function to be performed by the individual, as prescribed by ISE.
2. Supplementary Material to ISE Rule 313.07 requires members to register with ISE all individuals acting in the capacity of officer; partner; director; supervisor of proprietary trading, market-making, or brokerage activities; and/or supervisor of those engaged in proprietary trading, market-making, or brokerage activities.
3. Supplementary Material to ISE Rule 313.08(a)(1) requires individual associated persons who are engaged in proprietary trading, market-making, and/or effecting transactions on behalf of a broker-dealer to qualify and register as a Securities Trader (“TD”).<sup>4</sup>
4. Supplementary Material to ISE Rule 313.08(a)(2) requires individual associated persons who: (i) supervise or monitor proprietary trading, market-making, and/or brokerage activities for broker-dealers; (ii) supervise or train those engaged in proprietary trading, market-making, and/or effecting transactions on behalf of a broker-dealer, with respect to those activities; and/or (iii) is an officer, partner, or director of a member to qualify and register as a Securities Trader Principal (“TP”).<sup>5</sup>
5. ISE Rule 602(d) states that a person who accepts orders from non-member customers is required to be qualified by passing the Series 7 General Securities Representative (“GS”) examination and must register with ISE.

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<sup>2</sup> ISE Rule 313 has been superseded and replaced by ISE Rule General 4, Section 1.1210. ISE Rules 602(d), 400, and 401 have been renumbered and relocated to ISE Rules Options 10, Section 3; Options 9, Section 1; and Options 9, Section 2, respectively.

<sup>3</sup> ISE Rule 1400 has been renumbered and relocated to Options 6E, Section 1.

<sup>4</sup> The TD registration became effective on January 4, 2016. Prior to this date, the Proprietary Trader (“PT”) and/or Equity Trader (“ET”) registration was required.

<sup>5</sup> The TP registration became effective on January 4, 2016. Prior to this date, the PT registration was required.

6. From at least April 2016 through April 2017, four employees of the firm's foreign affiliate, LCM UK, were not qualified nor registered in any capacity with ISE, but engaged in transactions for LCM that were executed on ISE. These individuals entered orders into ISE, but were not qualified to do so because they did not maintain the General Securities Representative license. The conduct described in this paragraph constitutes separate and distinct violations of ISE Rule 313(a)(1) and 602(d).
7. During the period May 20, 2013 through March 28, 2018, the firm employed a trader who was responsible for effecting transactions for LCM that were executed on ISE. The firm failed to qualify and register this trader, however, as a Securities Trader with ISE. The conduct described in this paragraph constitutes a violation of ISE Rule 313.08.
8. During the 2017 exam review period, the firm employed two individuals who were responsible for directing its trader to enter transactions into ISE, as well as monitoring the resulting executions, and supervising the trader. Engaging in this activity requires an individual to qualify and be registered as a Securities Trader and Securities Trader Principal with ISE; however, these two individuals were not qualified nor registered in these capacities. The conduct described in this paragraph constitutes separate and distinct violations of ISE Rule 313.07 and 313.08.

#### Books and Records

9. ISE Rule 1400 requires members to "make, keep current and preserve such books and records" that are prescribed by the federal recordkeeping requirements.
10. Section 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 17a-3 thereunder requires broker-dealers to make and keep current records required by the SEC including order tickets and information regarding the time orders are received, transmitted, and executed. As detailed in Exchange Act Rule 17a-3(a)(6)(i), broker-dealers are required to create an order ticket of each brokerage order, whether executed or unexecuted. In relevant part, the rule requires order tickets to show, among other things, the terms and conditions of the order or instructions, the time the order was received, the time the order was entered, the time the order is transmitted for execution, and the time of execution or cancellation. Such records are required to be accurate.
11. During the 2018 exam review period, the firm failed to prepare and maintain accurate and complete information on its order tickets. A review of all of the firm's order tickets (a total of 27) revealed that 22 of the tickets had incorrect order receipt and/or execution timestamps. Additionally, on all 27 order tickets the firm failed to record the time that the orders were transmitted to another broker-dealer for execution. Finally, on all 27 order tickets the firm failed to record any modifications that were made to the orders. The conduct described in this paragraph constitutes separate and distinct violations of Exchange Act Rule 17a-3 and ISE Rule 1400.

12. During the 2018 exam review period, the firm manually entered and executed 22 orders in the PrecISE system.<sup>6</sup> The firm also manually entered additional orders in the PrecISE system that were not executed. The firm failed to prepare and maintain order tickets for each of the orders that it entered into the PrecISE system. The conduct described in this paragraph constitutes separate and distinct violations of Exchange Act Rule 17a-3 and ISE Rule 1400.

#### Supervision

13. ISE Rule 401 provides that “[n]o Member shall engage in conduct in violation of the Exchange Act, the By-Laws or the Rules of the Exchange. . .or any written interpretation thereof. Every Member shall so supervise persons associated with the Member as to assure compliance therewith.”
  14. ISE Rule 400 provides, in pertinent part, that “[n]o Member shall engage in acts or practices inconsistent with just and equitable principles of trade. . . .”
  15. During the 2017 exam review period, the firm was required to supervise its associated persons to assure compliance with ISE registration rules. The firm failed to do so, as its written supervisory procedures were not reasonably designed to assure compliance with ISE’s registration requirements. While the firm’s Compliance Manual discusses an annual review “to ensure that all Associated Persons are properly registered with respect to their business activities,” there is no explanation of how the review should be performed, what steps are taken if a registration issue is identified, or how completion of the review is evidenced. The conduct described in this paragraph constitutes a violation of ISE Rules 401 and 400.
  16. During the 2018 exam review period, the firm was required to supervise its associated persons to assure compliance with ISE books and records rules. The firm failed to do so, as its written supervisory procedures were not reasonably designed to assure compliance with federal and ISE books and records requirements. While the firm’s Compliance Manual contains a list of books and records the firm is required to prepare and maintain, it does not set forth a supervisory review to ensure the accuracy of these records. The conduct described in this paragraph constitutes a violation of ISE Rules 401 and 400.
- B. The firm also consents to the imposition of the following sanctions:
1. A censure;
  2. A fine of \$40,000 (comprised of \$15,000 for the registration violations, \$15,000 for the books and records violations, and \$10,000 for the supervision violations); and
  3. An undertaking to revise the firm’s written supervisory procedures with respect to the areas of deficiencies in paragraphs I.A.13 through I.A.16, above. Within 30 calendar days of acceptance of this AWC, a registered principal of the firm shall submit an

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<sup>6</sup> The PrecISE system is ISE’s front-end order management execution system.

email from a work-related account of the registered principal to [MarketRegulationComp@finra.org](mailto:MarketRegulationComp@finra.org), providing the following information: (i) a reference to this matter; (ii) a representation that the firm has addressed and corrected the deficiencies described in paragraph I.A.13 through I.A.16, above; and (iii) the date the deficient procedures were addressed and corrected by the firm.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted a Payment Information form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

The firm specifically and voluntarily waives the following rights granted under ISE's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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 Exchange Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, 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.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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

The firm 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 FINRA's Department of Enforcement and the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to ISE Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
  - 1. This AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by ISE or any other regulator against the firm;
  - 2. ISE may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with ISE Rule 8310 and IM-8310-3;<sup>7</sup> and
  - 3. The firm 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. The firm may not take any position in any proceeding brought by or on behalf of ISE, or to which ISE is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which ISE is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 ISE, nor does it reflect the views of the Exchange or its staff.

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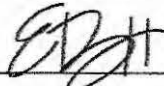
<sup>7</sup> Series 8000 of Nasdaq Rules are incorporated by reference into the Nasdaq ISE Rules Chapter 80, and are thus Nasdaq ISE Rules and thereby applicable to Nasdaq ISE Members, Associated Persons, and other persons subject to Nasdaq ISE's jurisdiction.



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 it 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

Jan 6th 2021  
Date


Louis Capital Markets, LP  
Respondent

By:   
Name: Erin Baskett  
Title: CCO

Reviewed by:  
  
Jeff Kern  
Counsel for Respondent  
Sheppard Mullin  
30 Rockefeller Plaza  
New York, NY 10112  
(212) 634-3075

Accepted by ISE:

1/8/21  
Date

  
Carly M. Kostakos  
Senior Counsel  
Department of Enforcement

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