

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 95764 / September 14, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-21075

In the Matter of

**LOOP CAPITAL
MARKETS, LLC**

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTIONS 15(b), 15B(c) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b), 15B(c) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Loop Capital Markets, LLC (“Loop Capital” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over Respondent and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b), 15B(c) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. This matter involves unregistered municipal advisory activity by Loop Capital Markets, LLC ("Loop Capital"), a registered broker-dealer located in Chicago, Illinois.
2. Beginning in September 2017 and continuing through February 2019, Loop Capital provided advice to a municipal entity regarding the investment of municipal securities proceeds.
3. During this period, Loop Capital was not registered as a municipal advisor, and was not subject to any exemptions or exclusions from registration while providing advice to the municipal entity regarding the investment of municipal proceeds.
4. In addition, Loop Capital failed to reasonably supervise the conduct of the municipal securities activities of its associated persons for compliance with Section 15B(a)(1)(B) of the Exchange Act.
5. As a result of the conduct described herein, Loop Capital willfully² violated Section 15B(a)(1)(B) of the Exchange Act, Municipal Securities Rulemaking Board ("MSRB") Rule G-27, and by reason of that violation, Section 15B(c)(1) of the Exchange Act.

Respondent

6. **Loop Capital Markets LLC** is a Delaware Limited Liability Company formed in 2004, located in Chicago, Illinois. The firm has been registered with the Commission as a broker-dealer since 1997. Loop Capital was temporarily registered as a municipal advisor prior to July 1, 2014. Loop Capital has not been registered with the Commission as a municipal advisor since that time.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

² "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

Facts

7. Loop Capital provides institutional brokerage services to certain municipal entities, including a Midwest City (“Municipal Entity”). Municipal Entity executes securities transactions through Loop Capital, including transactions involving municipal bond proceeds. Loop Capital knew that Municipal Entity purchased securities using municipal bond proceeds.

8. Beginning in September 2017 and continuing through February 2019, a Loop Capital registered representative (“Registered Representative”) provided advice to Municipal Entity regarding securities that were purchased with municipal bond proceeds. Specifically, Loop Capital and Registered Representative recommended that Municipal Entity purchase specific financial products which were ultimately acquired by the Municipal Entity with municipal bond proceeds. For example, Registered Representative identified particular fixed income products for Municipal Entity, described the terms of the products (yield and maturity), and urged Municipal Entity to purchase them. The communications from Loop Capital and Registered Representative included subjective opinions or views, conveying more than mere general information.

9. Loop Capital was not registered as a municipal advisor during the time period that it and Registered Representative provided advice to Municipal Entity.

10. Loop Capital did not maintain a system to supervise the municipal securities activities of its associated persons that was reasonably designed to achieve compliance with applicable securities laws, regulations, and MSRB rules. During the relevant period, Loop Capital’s written supervisory procedures (“WSPs”) required it to “conduct its public finance and municipal securities-related business in a manner so as to not subject the firm to registration and regulation as a Municipal Advisor.” However, Loop Capital had inadequate procedures to enable its registered representatives to identify circumstances where a customer seeks advice with respect to the investment of municipal bond proceeds, inadequate training relating to the municipal advisor registration requirements, and inadequate electronic communication surveillance procedures to identify potential violations of the municipal advisor registration rules.

11. As a result, Loop Capital failed to reasonably prevent or detect Registered Representative’s municipal advice to Municipal Entity. Under these circumstances, Loop Capital failed to maintain a system to supervise the municipal securities activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules.

Violations

Loop Capital Violated Section 15B(a)(1)(B) of the Exchange Act

12. Section 15B(a)(1)(B) of the Exchange Act makes it unlawful for “a municipal advisor to provide advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities,” without being registered under the Commission’s final municipal advisor rules.

13. The Exchange Act defines “municipal advisor” to include persons that provide “advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues[.]” Exchange Act, Section 15B(e)(4)(A)(i). Rule 15Ba1- 1(d)(1)(ii) provides that “advice excludes, among other things, the provision of general information that does not involve a recommendation regarding municipal financial products. . . .” For example, the Commission has stated that advice does not include the provision of general information of a factual nature without subjective assumptions, opinions, or views. *See* Exchange Act Release No. 70462, Registration of Municipal Advisors, at 45-46 (Sept. 20, 2013). However, advice does include “without limitation, a recommendation that is particularized to the specific needs, objectives, or circumstances of a municipal entity. . .with respect to municipal financial products. . .based on all the facts and circumstances. *Id.*”

14. Through the conduct described above, Loop Capital willfully violated Section 15B(a)(1)(B) of the Exchange Act by failing to register as a municipal advisor with the Commission.

Loop Capital Violated MSRB Rule G-27

15. MSRB Rule G-27(a) obligates brokers, dealers, and municipal securities dealers to “supervise the conduct of the municipal securities activities of the firm and its associated persons to ensure compliance with [MSRB] rules and the applicable provisions of the [Exchange] Act and rules thereunder.” MSRB Rule G-27(b) obligates brokers, dealers, and municipal securities dealers to establish and maintain a system to supervise the municipal securities activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules. MSRB Rule G-27(e) obligates brokers, dealers, and municipal securities dealers to establish procedures for the review by a designated principal of incoming and outgoing written (i.e. non-electronic) and electronic correspondence of its municipal securities representatives with the public relating to the municipal securities activities of such dealer.” In addition, it requires that such procedures must be in writing and must be designed to reasonably supervise each municipal securities representative.

16. As described above, Loop Capital did not maintain a system to supervise the municipal securities activities of its associated persons that was reasonably designed to achieve compliance with applicable securities laws, regulations, and MSRB rules. Loop Capital had inadequate written supervisory procedures to identify municipal bond proceeds accounts for its registered representatives, inadequate training relating to the municipal advisor registration requirements, and inadequate electronic communication surveillance procedures to identify violations of the municipal advisor registration rules. Therefore, Loop Capital failed to maintain a system to supervise the municipal securities activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations, and MSRB rules.

17. Through the conduct described above, Loop Capital willfully violated MSRB Rule G-27.

Loop Capital Violated Section 15B(c)(1) of the Exchange Act

18. Section 15B(c)(1) of the Exchange Act provides that “[n]o broker, dealer, or municipal securities dealer shall make use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any municipal security, and no broker, dealer, municipal securities dealer, or municipal advisor shall make use of the mails or any means or instrumentality of interstate commerce to provide advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products, the issuance of municipal securities, or to undertake a solicitation of a municipal entity or obligated person, in contravention of any rule of the [MSRB].”

19. As discussed above, Loop Capital willfully violated MSRB Rule G-27. As a result, Loop Capital willfully violated Section 15B(c)(1) of the Exchange Act.

Disgorgement and Civil Penalties

The disgorgement and prejudgment interest ordered in paragraph IV.C. is consistent with equitable principles, does not exceed Respondent’s net profits from its violations, and returning the money to Respondent would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.C shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

Loop Capital’s Remedial Efforts

In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent, including the following:

- Improvements to written supervisory procedures: Loop Capital has implemented measures intended to improve its written supervisory procedures as well as its compliance and supervisory processes.
- Improvements to training: Loop Capital conducts and continues to provide enhanced training programs for its employees in connection with the municipal advisor rule.
- Improvements to surveillance: Loop Capital has revised its surveillance procedures to include a more robust review of electronic communications and a post-trade review process.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Loop Capital's Offer.

Accordingly, it is hereby ORDERED that:

- A. Respondent Loop Capital is censured.
- B. Pursuant to Section 21C of the Exchange Act, Respondent Loop Capital cease and desist from committing or causing any violations and any future violations of Sections 15B(a)(1)(B), and 15B(c)(1) of the Exchange Act Exchange Act and MSRB Rule G-27.
- C. Respondent Loop Capital shall, within 10 (ten) days of the entry of this Order, pay disgorgement of \$4,555.37 and prejudgment interest of \$901.36 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.
- D. Respondent Loop Capital shall, within 10 (ten) days of the entry of this Order, pay a civil money penalty in the amount of \$100,000.00 to the Securities and Exchange Commission, of which \$16,666.50 shall be transferred to the Municipal Securities Rulemaking Board in accordance with Section 15B(c)(9)(A) of the Exchange Act. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.
- E. Payment must be made in one of the following ways:
 - (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
 - (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
 - (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Loop Capital as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Brian D. Fagel, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, IL 60604.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary