

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 102157 / January 10, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22396

In the Matter of

SpeedRoute LLC,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTIONS 15(b) 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) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against SpeedRoute LLC (“Respondent” or “SpeedRoute”).

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 it 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) 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 finds that:

Summary

1. This matter concerns SpeedRoute's failure to file Suspicious Activity Reports ("SARs") from at least January 1, 2020 through December 31, 2023 (the "Relevant Period"), relating to suspicious transactions conducted through its agency routing business.
2. SpeedRoute is a registered broker-dealer that specializes in routing U.S. equities orders for broker-dealer clients to various trading platforms for execution – including exchanges, dark pools, and other liquidity providers. As a registered broker-dealer, SpeedRoute was required to comply with the Bank Secrecy Act ("BSA") and its implementing regulations, which require SpeedRoute to file SARs relating to suspicious transactions that it knew, suspected, or had reason to suspect involved the use of these trading platforms to facilitate fraudulent activity or that had no business or apparent lawful purpose.
3. During the Relevant Period, SpeedRoute failed to surveil for, recognize, and investigate numerous red flags regarding suspicious trading activity related to order flow received from SpeedRoute's broker-dealer clients. These red flags included possible forms of market manipulation, such as orders representing a substantial percentage of the daily trading volume in low-priced securities, orders involving a sudden spike in investor demand for, coupled with a rising or decreasing price in, a thinly-traded or low-priced security, and pre-arranged trading (including wash trading). SpeedRoute repeatedly ignored these red flags even though its anti-money laundering ("AML") policies ("AML Policies") identified such red flags and laid out procedures to surveil broker-dealer client orders for them.
4. As a result, SpeedRoute failed to file SARs as required, in violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

Respondent

5. **SpeedRoute LLC** is a limited liability company formed in Delaware in 2000, with its headquarters in Jersey City, New Jersey. During the Relevant Period, its headquarters were in New York, New York and Jersey City, New Jersey. SpeedRoute has been registered with the Commission and the Financial Industry Regulatory Authority ("FINRA") as a broker-dealer since 2000. It is an agency-only routing broker-dealer that provides routing services to market destinations for execution on behalf of its broker-dealer clients.

Background

6. The BSA and implementing regulations promulgated by the Financial Crimes Enforcement Network ("FinCEN") require that broker-dealers such as SpeedRoute file SARs with FinCEN to report, among other things, a transaction (or pattern of transactions of which the transaction is a part) conducted or attempted by, at, or through the broker-dealer involving or aggregating to at least \$5,000 that the broker-dealer knows, suspects, or has reason to suspect: (1) involves funds derived from illegal activity or is conducted to disguise funds derived from illegal activities as part of a plan to violate or evade any Federal law or regulation or to avoid any transaction reporting requirement; (2) is designed to evade any requirement of the BSA; (3) has no

business or apparent lawful purpose and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts; or (4) involves use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 1023.320(a)(2) (“SAR Rule”).

7. Exchange Act Rule 17a-8 requires broker-dealers to comply with the reporting, record-keeping, and record retention requirements of the BSA. The failure to file a SAR as required by the SAR Rule is a violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

Facts

A. SpeedRoute’s AML Policies

8. As noted above, during the Relevant Period, SpeedRoute had in place specific AML Policies to monitor for and where appropriate report certain address “red flags” associated with its order routing business. Its AML Policies included monitoring transactions by its broker-dealer clients for “unusual size, volume, pattern, or type of transactions, taking into account risk factors and red flags that [were] appropriate to its business.” The firm’s AML Policies specifically mentioned “spoofing,” “layering,” and “wash trading” as types of market manipulation of particular concern to SpeedRoute. The AML Policies also incorporated each of the red flags listed in Section III of FINRA Regulatory Notice 19-18, which includes orders representing a substantial percentage of the daily trading volume in low-priced securities, pre-arranged trading (including wash trading), and spoofing. The AML Policies also outlined procedures for identifying (manually and through automated surveillance), investigating, and filing SARs for transactions indicative of suspicious activity.

9. However, during the Relevant Period, SpeedRoute’s AML Policies were deficient, and as a result, SpeedRoute failed to file numerous SARs where it was required to do so. Although SpeedRoute had in place surveillance systems intended to monitor for red flags, these surveillance systems were not reasonably designed to identify many of the suspicious securities transactions detailed in the AML Policies, despite the risks presented by SpeedRoute’s broker-dealer clients’ transactions. Whereas the systems surveilled for certain forms of potential market manipulation, including pre-arranged trading and spoofing, they were not designed to generate alerts for all of the red flags listed in SpeedRoute’s AML Policies, which incorporated the red flags listed in Section III of FINRA Notice 19-18, including orders representing a substantial percentage of the daily trading volume in low-priced securities.

10. Moreover, SpeedRoute did not have sufficient resources devoted to its compliance function to adequately review and address the suspicious activity identified by its surveillance systems. SpeedRoute failed to properly review and document alerts generated by its surveillance tools indicative of suspicious trading activity. Indeed, only a sampling of alerts were reviewed by compliance staff, instead of all such alerts, as required by SpeedRoute’s AML Policies. For those alerts that were reviewed and logged to determine whether a SAR should be filed, the logged entries were deficient in that they lacked summaries of discussions about potentially filing SARs, as required by the AML Policies.

B. SpeedRoute's Failure to File SARs

11. During the Relevant Period, SpeedRoute failed to identify or investigate numerous instances of the following red flags of potentially suspicious trading indicative of market manipulation, which were included in its AML Policies, and it ultimately failed to file numerous SARs on these transactions:

- a. Trading activity involving a significant proportion of the daily trading volume in a thinly traded or low-priced security;
- b. Trading activity involving a sudden spike in investor demand for, coupled with a rising or decreasing price in, a thinly-traded or low-priced security; and
- c. Trading activity involving pre-arranged or other non-competitive securities trading, including wash or cross trades, with no apparent business purpose (pre-arranged or wash trading).

12. For example, during the Relevant Period, SpeedRoute's broker-dealer clients routed large-volume orders in many low-priced securities that should have alerted SpeedRoute to the possibility that potentially fraudulent activity such as "pump-and-dump" and manipulation schemes may have been occurring. In one example, a broker-dealer client sold through SpeedRoute more than 69 million shares in 13 securities. Seven of these 13 securities later became subject to trading suspensions because of the adequacy and accuracy of claims about business lines related to COVID-19. In a different issuer, the same broker-dealer client represented more than 21% of the total daily volume on a day in which the price rose by more than 77%. In a third issuer, the broker-dealer client sold more than 12.7 million shares and on seven trading days, the broker-dealer client was more than 25% of the issuer's total daily trading volume. Despite the presence of these red flags, SpeedRoute did not investigate the broker-dealer client's trading, and, as a result, failed to file any SARs relating to transactions involving these issuers.

13. Finally, in August 2020, SpeedRoute informed its broker-dealer clients that it would cease routing orders in securities of issuers that met all of the following three conditions: (1) securities trading over-the-counter; (2) securities trading below \$5.00 per share; and (3) securities with a market capitalization below \$300 million. In 2021, SpeedRoute revised its AML Policies to reflect this updated low-priced securities policy, documenting that it relied on its clearing firm to generate a daily list of securities meeting these three conditions (hereinafter, "Restricted List"), based on the data generated from the prior trading day. SpeedRoute integrated the Restricted List into its order management system such that the system would screen for and reject orders in Restricted List securities. However, SpeedRoute failed to properly monitor whether the Restricted List was accurate during the Relevant Period, and, due to a technical issue with its market data provider, in certain instances, SpeedRoute routed broker-dealer client orders in securities that should have been on the Restricted List, including orders that should have been flagged for possible pre-arranged trading, because they met SpeedRoute's definition of low-priced securities, leading to SpeedRoute's failure to file SARs about potentially manipulative broker-dealer client trading.

Violations

14. By engaging in the conduct described above, SpeedRoute willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

Remedial Efforts

15. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent, including revisions to SpeedRoute's AML Policies to specifically require review of broker-dealer client trading activity associated with (1) trading suspensions due to potentially manipulative activity, and (2) inquiries from regulators related to potentially manipulative activity, as well as the development of, among other things, a surveillance tool to identify broker-dealer client trading activity that contributes to a sudden spike in investor demand for, coupled with a rising or decreasing price in, a thinly-traded or low-priced security.

IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest, to impose the sanctions agreed to in Respondent SpeedRoute's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

B. Respondent is censured.

C. Respondent shall, within twenty (20) days of the entry of this Order, pay a civil money penalty in the amount of \$600,000 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 31 U.S.C. § 3717. 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 SpeedRoute 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 Sheldon L. Pollock, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 100 Pearl Street, Suite 20-100, New York, NY 10004.

D. 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