

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 84760 / December 10, 2018

ADMINISTRATIVE PROCEEDING
File No. 3-18916

In the Matter of

Natixis Securities Americas 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 Natixis Securities Americas LLC (“Natixis” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept. Respondent admits the facts set forth in Section III below, acknowledges that its conduct violated the federal securities laws, admits the Commission’s jurisdiction over it and the subject matter of these proceedings, and 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

These proceedings arise out of Natixis’ failure to submit to the Commission complete and accurate data in response to Commission staff electronic blue sheets (“EBS”) requests, resulting in the reporting of EBS that was incomplete or deficient.

Commission staff routinely sends requests for securities trading records to market makers, brokers and/or clearing firms in order to identify buyers and sellers of securities, and firms provide the requested records in a universal electronic format known as the EBS format. It is a fundamental obligation of broker-dealers to provide complete and accurate EBS data when requested by representatives of the Commission to do so. The submission of complete and accurate blue sheet data is critical to many aspects of the Commission's operations and its ability to discharge its enforcement and regulatory mandates. The failure of a broker-dealer to provide complete and accurate EBS information in response to a Commission request can impact the Commission's ability to discharge its statutory obligations, undermine the integrity of its investigations and examinations, and ultimately interfere with the Commission's ability to protect investors.

From December 2012 to February 2017, Natixis submitted 1,237 EBS to the Commission, all of which contained inaccurate trade execution times, resulting in incorrect reporting of trade execution time data for approximately 148,763 trades. As a result, Natixis violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 thereunder.

Section 17 of the Exchange Act imposes on broker-dealers recordkeeping and reporting requirements that are essential to the Commission's ability to enforce the federal securities laws and to protect investors. To ensure the continued effectiveness of the Commission's enforcement and regulatory programs, broker-dealers must comply with, among other things: Rule 17a-25, requiring that broker-dealers submit electronically securities transaction information upon request by the Commission; and Rule 17a-4(j), requiring broker-dealers to furnish promptly legible, true, complete, and current copies of required records upon request by a representative of the Commission. Natixis failed to comply with these requirements, as described below.

Respondent

1. **Natixis Securities Americas LLC (“Natixis”)**, is a Delaware limited liability company headquartered in New York, New York. Natixis has been registered with the Commission as a broker-dealer since 1937. Natixis Securities Americas LLC is a subsidiary of Natixis, the international corporate, investment, insurance and financial services arm of Groupe BPCE, France’s second largest banking group.

Facts

A. Natixis’ Deficient EBS Submissions

2. From December 2012 to February 2017 (“the relevant period”) Natixis submitted 1,237 EBS to the Commission, all of which contained inaccurate trade execution times. These deficient submissions resulted in the reporting of inaccurate trade execution time data for approximately 148,763 trades.

3. Natixis reported inaccurate trade execution times during the relevant period because the firm’s EBS system contained an undetected coding error that caused the system to

report the original execution times in Greenwich Mean Time instead of adjusting the reported execution times to Eastern Time, as required. As a result, trade execution time data pulled from the repository to respond to EBS requests reflected the incorrect time zone.

4. Although Natixis had a process for responding to EBS requests, that process was inadequate for ensuring the accuracy of Natixis' EBS submissions. For instance, the firm lacked a system for confirming that feeds from its trade data sources transferred accurately to the firm's trading data repository. It also failed to conduct sufficient periodic sampling or manual validation of its EBS data prior to submission. Because Natixis lacked a process for validating the information provided in its EBS submissions against the firm's source data systems, no one at the firm was able to recognize the systemic coding issues that led to the firm's regular submission of deficient EBS information.

5. During the relevant period, Natixis had additional errors in its EBS reporting, including submissions with code fields that contained either erroneous or missing data. For example, in some instances Natixis reported "Net Amount" fields that included proceeds of sales or costs of purchases, but not commissions or other charges incurred by clients. Natixis also failed to report in its EBS submissions a small number of options trades executed between two of the firm's internal accounts.

B. Natixis' Remedial Efforts

6. Natixis engaged in remedial efforts to correct and improve its EBS systems and control environment. Specifically, Natixis hired an expert regulatory and technology consultant to conduct an in-depth review of its systems and to provide recommendations as to its control structure and improving its EBS processing manual. Further, Natixis revised its blue sheet policies and procedures, increased staffing and employee training, conducted an audit of information technology and corporate compliance, established a system of periodic manual validation of a sample of the firm's EBS prior to submission, conducted post-remediation validation to confirm successful remediation of all issues, and corrected all known issues that had caused its EBS deficiencies and made corrected EBS submissions to the Commission and to the Financial Industry Regulatory Authority.

Violations of the Federal Securities Laws

7. Section 17(a)(1) of the Exchange Act requires, among other things, that broker-dealers make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the securities laws. Exchange Act Rule 17a-4(j), promulgated thereunder, requires, in part, broker-dealers such as Natixis to furnish promptly legible, true, complete, and current copies of those records of the member, broker or dealer that are required to be preserved under Exchange Act Rule 17a-4 and any other records of the member, broker or dealer subject to examination under Section 17(b) of the Exchange Act that are requested by a representative of the Commission. Likewise, Exchange Act Rule 17a-25 requires that broker-dealers such as Natixis

shall, upon request, electronically submit to the Commission the securities transaction information as required in the rule.

8. As described above, Natixis failed to furnish complete records to the Commission staff that were requested by the Commission in its blue sheet requests. Therefore, Natixis willfully¹ violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rule 17a-4(j) thereunder by failing to furnish promptly true and complete trading information as requested by Commission staff over a period of more than four years. In addition, Natixis willfully violated Exchange Act Rule 17a-25 by failing to submit electronically certain securities transaction information to the Commission through the EBS system in response to requests made by the Commission.

Natixis' Remedial Efforts

9. In determining to accept the Offer, the Commission considered remedial acts undertaken by Respondent and cooperation afforded the Commission staff.

IV.

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

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

A. Respondent Natixis cease and desist from committing or causing any violations and any future violations of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 promulgated thereunder.

B. Respondent Natixis is censured.

C. Respondent Natixis shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$1.25 million 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;

¹ A willful violation of the securities laws means merely “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.” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

- (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 Natixis 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 G. Jeffrey Boujoukos, Regional Director, Philadelphia Regional Office, Securities and Exchange Commission, One Penn Center, 1617 John F. Kennedy Blvd., Suite 520, Philadelphia, Pennsylvania 19103-1844.

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.

Brent J. Fields
Secretary