

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 89143 / June 24, 2020**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-19833**

**In the Matter of**

**SG Americas Securities, 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 SG Americas Securities, LLC (“SGAS” 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

1. These proceedings arise out of SGAS's failure to submit to the Commission true and complete data in response to Commission staff electronic blue sheets ("EBS") requests, resulting in the reporting of EBS that was incomplete or deficient.

2. 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.

3. From January 1, 2014 through July 31, 2019 (the "relevant period"), SGAS submitted 16,442 EBS to the Commission, 13,656 of which included inaccurate information, resulting in the misreporting of certain trade data for approximately 27.6 million transactions. As a result, SGAS violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 thereunder.

4. 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. SGAS failed to comply with these requirements, as described below.

## Respondent

5. **SGAS Americas Securities, LLC** ("SGAS") is a Delaware limited liability company and has been registered with the Commission as a broker-dealer since 2004. SGAS has its principal place of business in New York, New York and is an indirect wholly owned subsidiary of Societe Generale S.A., a financial services company headquartered in Paris, France.

## Facts

### **A. SGAS's Deficient EBS Submissions**

6. From January 1, 2014 through July 31, 2019, SGAS made 16,442 EBS submissions to the Commission, 13,656 of which contained deficient trade data for approximately 27.6 million transactions.

7. SGAS's submissions during the relevant period contained inaccurate EBS fields related to information about the securities transactions reported, such as the transaction type for certain average price account transactions and opposing broker identifiers. For example, for approximately 12,432,392 transactions associated with average price accounts (e.g., house accounts used to incrementally execute orders over time and then transfer the shares between the customers' accounts and the average price account in one transaction) SGAS misreported trades as "P" for proprietary instead of "A" for agency. The opposing broker field was either blank or not properly populated for approximately 8,946,133 securities transactions. SGAS's failure to provide correct information, such as transaction type and opposing broker identifiers, resulted from an undetected coding error relating to its process of transmitting data to a vendor for production to the Commission or resulted from undetected coding errors in the vendor's system.

8. SGAS also provided EBS data with missing or inaccurate fields related to firm or customer identifying information, such as large trader identifiers and tax identification numbers. For example, SGAS reported to the Commission incorrect large trader identifiers for certain accounts held by its parent company for approximately 5,743,236 securities transactions. SGAS also reported incorrect data in the average price account fields when it erroneously reported SGAS's large trader identifier instead of its clients' large trader identifiers for approximately 9,507,272 securities transactions. Additionally, SGAS erroneously included SGAS's tax identification number instead of its clients' tax identification numbers for approximately 9,459,215 average price account securities transactions. These deficient securities transaction fields, as well as other deficient fields, resulted from an undetected coding error relating to SGAS's process for identifying data to transmit for production to the Commission or resulted from undetected coding errors in the vendor's system.

9. SGAS did not detect the errors in its EBS submissions, at least in part, because it did not have a reasonable process to verify that the information it was reporting was accurate. SGAS did not, for example, conduct adequate periodic sampling, manual validation, or have proper quality controls in place designed to ensure the completeness and accuracy of its EBS data prior to submission, including comparison against the firm's own data. Given the firm's lack of adequate processes for validating the accuracy of the information provided in its EBS submissions, the firm did not detect the systemic coding issues that led to the submission of deficient EBS information.

### **B. SGAS's Remedial Efforts**

10. SGAS engaged in remedial efforts to address the causes of its deficient EBS submissions. Specifically, SGAS retained a consultant to assess its procedures, controls and

infrastructure for EBS reporting. Based on this consultant’s findings and recommendations, SGAS implemented new controls and procedures over its EBS reporting process intended to ensure the completeness and accuracy of its EBS submissions – including establishing new governance structures to improve trade reporting and creating new committees that meet at least quarterly to manage and oversee the new controls and processes. SGAS also retained a regulatory and technology consultant to conduct further review of its EBS reporting process and to implement specialty software that serves as a data validation and reconciliation platform intended to ensure the accuracy and completeness of EBS submissions. Additionally, SGAS implemented a pre-submission process where it reconciles the trade data inputted in its EBS system with its books and records before the data is transmitted to the Commission. SGAS also implemented post-submission controls and quality checks, including quarterly manual sampling, to identify any reporting deficiencies.

### **Violations of the Federal Securities Laws**

11. 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 SGAS 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 (*i.e.*, non-required) 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 SGAS shall, upon request, electronically submit to the Commission the securities transaction information as required in the rule.

12. As described above, SGAS failed to furnish complete and accurate records to the Commission staff that were requested by the Commission in its blue sheet requests. Therefore, SGAS willfully 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 almost five years.<sup>1</sup> In addition, SGAS willfully violated Exchange Act Rule 17a-25 by failing to submit electronically

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<sup>1</sup> “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).

certain securities transaction information to the Commission through the EBS system in response to requests made by the Commission.

### **SGAS's Remedial Efforts**

In determining whether 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 and in the public interest to impose the sanctions agreed to in Respondent SGAS's Offer.

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

A. Respondent SGAS 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 SGAS is censured.

C. Respondent SGAS shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$1,550,000 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 to the Securities and Exchange Commission 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 SGAS 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 Joseph G. Sansone, Chief, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281.

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