

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 89975 / September 23, 2020**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20050**

**In the Matter of**

**JONESTRADING INSTITUTIONAL  
SERVICES 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 JonesTrading Institutional Services LLC (“JonesTrading” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, JonesTrading has submitted an Offer of Settlement (“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**

These proceedings arise out of the failure of JonesTrading, a registered broker-dealer, to preserve business-related text messages sent or received by several of its registered representatives,

including senior management, in violation of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) promulgated thereunder.

### **Respondent**

1. JonesTrading, a Delaware limited liability company with its principal offices in Westlake Village, California, is a broker-dealer that has been registered with the Commission pursuant to Section 15(b) of the Exchange Act since 1981.

### **Facts**

2. JonesTrading maintains policies and procedures to ensure it was retaining business-related records, including communications, in conformance with the federal securities laws and the Commission's regulations thereunder. Among other things, JonesTrading's Electronic Communications Policy stated: "Electronic business communications must be accessed and transmitted only through firm sponsored systems." The policy noted, "Regulators require retention of business communications and firm systems are designed to comply with retention requirements." JonesTrading's policies expressly prohibited its registered representatives from using text messaging to conduct business-related correspondence. The policy stated, "Text messaging is not approved to conduct business related correspondence" and "Home computers or other personal devices and external systems may not be used for business purposes."

3. JonesTrading relied on annual employee compliance attestations and trainings to monitor its employees' adherence to its policies, including the firm's policy prohibiting the use of unauthorized methods of electronic communication.

4. In late 2019, Commission staff requested certain records from JonesTrading in connection with an ongoing enforcement investigation into a third party. JonesTrading produced communication records referencing the existence of text message communications between JonesTrading registered representatives and a firm customer that were responsive to the staff's request. But because the text messages were not retained on one of JonesTrading's firm-sponsored systems, JonesTrading failed to produce the referenced text messages to Commission staff.

5. Upon further investigation, Commission staff learned that in 2018 and 2019, several JonesTrading registered representatives exchanged business-related text messages with each other, with JonesTrading customers, and with other third parties. Among other things, the business-related text messages concerned the size of orders and the timing of trades; product offerings; updates on markets and certain securities prices; and the timing of certain administrative filings with the Commission. JonesTrading did not preserve copies of these text messages in its books and records.

6. JonesTrading's senior management knew that the firm's employees were communicating with each other and the firm's customers in text messages. Indeed, JonesTrading's senior management, including compliance personnel, themselves sent and received business-related text messages with others at JonesTrading.

7. After the Commission staff alerted JonesTrading to this issue, JonesTrading took certain remedial measures. Among these actions, JonesTrading required additional compliance

training. In addition, in November 2019, JonesTrading sent emails to all employees reminding them of JonesTrading's obligations to record and retain all electronic business communications and reiterating that "employees are not permitted to communicate via text messaging either with colleagues or customers if the content of the message involves business related communications." The email also stated that, for employees interested in using their personal devices for business purposes, JonesTrading would provide a firm-sponsored software solution that preserves text messages sent or received for business purposes on employees' personal devices.

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

8. As a result of the conduct described above, JonesTrading willfully<sup>1</sup> violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) promulgated thereunder. Section 17(a) of the Exchange Act and Rule 17a-4 require that brokers or dealers make and keep current various records relating to their business and preserve those records for specified periods of time. Rule 17a-4(b)(4) requires broker-dealers to preserve for three years originals of all communications received and copies of all communications sent relating to their business as such.

### **IV.**

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

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

A. Respondent JonesTrading cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-4 promulgated thereunder.

B. Respondent JonesTrading is censured.

C. Respondent JonesTrading shall, within 10 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 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;

---

<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).

- (2) Respondent may make direct payment from a bank account via [Pay.gov](https://www.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 JonesTrading 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 Lara Shalov Mehraban, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, New York 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