

**NATIONAL FUTURES ASSOCIATION  
BEFORE THE  
BUSINESS CONDUCT COMMITTEE**

FILED  
JUN - 1 2021  
NATIONAL FUTURES ASSOCIATION  
LEGAL DOCKETING

In the Matter of: )  
)  
TULLETT PREBON FINANCIAL )  
SERVICES LLC )  
(NFA ID #333185), )  
)  
Respondent. )

NFA Case No. 21-BCC-008

**COMPLAINT**

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association (NFA), and having reason to believe that NFA Compliance Rules (NFA Requirements) are being, have been, or are about to be violated and that the matter should be adjudicated, this Committee issues this Complaint against Tullett Prebon Financial Services LLC (TPFS).

**ALLEGATIONS**

**JURISDICTION**

1. At all times relevant to this Complaint, TPFS was registered with the Commodity Futures Trading Commission (CFTC) as an introducing broker (IB) and approved as a swap firm and NFA Member. As such, TPFS was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

**BACKGROUND**

2. TPFS has been an NFA Member since August 25, 2003. The firm has operated continually as an IB, except for an approximate one-year period from December

2012 to December 2013 when the firm was registered as a futures commission merchant.

3. TPFS's main office is in New York, New York, with branch offices in Colorado, Connecticut, Florida, and New Jersey. TPFS has approximately 70 registered associated persons (APs).
4. TPFS provides intermediary services to institutional customers by, among other things, brokering swaps and block futures transactions in fixed income securities and their derivatives, financial index securities and their derivatives, and other products.
5. TP ICAP Americas Holdings Inc. (TP ICAP Holdings) and six individuals are listed in NFA's Online Registration System (ORS) as principals of TPFS. TP ICAP Holdings and four of TPFS's individual principals are also principals of Tullett Prebon Americas Corp. (TPAC), an affiliate of TPFS.
6. Like TPFS, TPAC is an IB Member and approved swaps firm that brokers swaps and block futures transactions.
7. TPFS and TPAC also utilize the same compliance procedures manual and share compliance personnel. To illustrate, the individual who serves as the head of futures compliance for TPFS is a compliance officer of TPAC. Similarly, the individual identified as Americas head of compliance for TPFS holds the same position at TPAC.
8. TPFS has not been charged previously in an NFA or CFTC disciplinary action. However, in September 2019, TPAC was the subject of a CFTC order that levied an \$11 million civil monetary penalty and imposed certain undertakings on the

firm for its failure to implement procedures reasonably designed to supervise voice brokers' conduct on an interest rate swaps desk at the firm.

9. As alleged below, NFA commenced an exam of TPFS in early 2020 that found recordkeeping and supervisory deficiencies, where the nature of TPFS's supervisory shortcomings resembled certain findings that were the subject of the CFTC's 2019 order against the firm's affiliate, TPAC.

#### **APPLICABLE RULES**

10. NFA Compliance Rule 2-10(a) requires Members to maintain adequate books and records necessary and appropriate to conduct their business including, without limitation, the records required to be kept under CFTC Regulations 1.18, 1.32 through 1.37, and 1.71 for the period required under CFTC Regulation 1.31.
11. CFTC Regulation 1.35 requires certain IBs to keep full, complete, and systematic records of all transactions relating to its business of dealing in commodity interests, and to keep all written and oral communications provided or received concerning quotes, solicitations, bids, offers, instructions, trading, and prices that lead to the execution of a transaction in an commodity interest whether transmitted by telephone, voicemail, instant messaging, chat rooms, electronic mail, mobile device or other digital or electronic media.
12. CFTC Regulation 1.31 requires, in pertinent part, IBs and other CFTC registrants that are required to retain oral communications to keep regulatory records of oral communications for a period of not less than one year from the date of the communication.

13. NFA Compliance Rule 2-9(a) requires each NFA Member to diligently supervise its employees and agents in the conduct of their commodity interest activities for or on behalf of the Member.
14. NFA Interpretive Notice 9037 (hereafter referred to as the "Interpretive Notice") addresses, among other things, the supervision of electronic communications and other technology systems Members use to promote and conduct business with customers. According to the Interpretive Notice, a Member's supervisory procedures for electronic communications—like other supervisory procedures—must be in writing; identify by title or position the person responsible for conducting the review; specify how and with what frequency electronic communications will be reviewed and how that review will be documented; and specify how electronic communications will be maintained and made available upon request by NFA and the CFTC.

#### **COUNT I**

**VIOLATION OF NFA COMPLIANCE RULE 2-10(a): FAILURE TO KEEP FULL, COMPLETE, AND SYSTEMATIC RECORDS OF ALL TRANSACTIONS RELATING TO TPFS' BUSINESS OF DEALING IN COMMODITY INTERESTS.**

15. The foregoing paragraphs are realleged as if fully stated herein.
16. NFA commenced an examination of TPFS in March 2020. As part of the exam, NFA requested voice recordings of telephone calls associated with a January 7, 2020 block trade, where one TPFS AP brokered the "buy" side and another TPFS AP brokered the "sell" side of the trade.

17. However, TPFS was unable to produce the voice recordings NFA requested because the firm had failed to retain the voice recordings for either AP involved in the January 7, 2020 block trade.
18. According to TPFS, the firm set the recording retention period for these two APs and three other APs of the firm – each of whom broker futures and securities transactions – to 96 hours when TPFS moved brokers in September 2018 from offices in Jersey City, New Jersey to its current New York City office.
19. TPFS failed to detect this recordkeeping violation until early 2020, after NFA requested the January 7, 2020 voice recordings in connection with its exam of the firm.
20. By reason of the foregoing acts and omissions, TPFS is charged with violating NFA Compliance Rule 2-10(a).

## COUNT II

### VIOLATIONS OF NFA COMPLIANCE RULE 2-9(a): FAILURE TO SUPERVISE.

21. The foregoing paragraphs are realleged as if fully stated herein.
22. Each Member is obligated to diligently supervise the Member's employees in the conduct of their commodity interest activities for or on behalf of the Member. However, NFA's 2020 exam found that TPFS failed to establish and maintain an adequate system to supervise its APs' recordkeeping activities and communications.
23. The retention error alleged in Count I illustrates deficiencies with TPFS's supervision of its APs' recordkeeping activities since the issue went undetected by TPFS for approximately 18 months, until the firm discovered it during NFA's 2020 exam.

24. The duration of the error demonstrates that TPFS failed to perform adequate testing after completing the 2018 office move to ensure the firm properly retained voice recordings for the five affected APs or perform any other review of the APs' recordings during this 18-month period.
25. The firm also failed to detect or ignored an error on a telecommunication report the IT Department utilized during the 2018 office move since the report listed the incorrect retention period of 96 hours for one of the affected APs.
26. According to the January 2020 compliance procedures manual that TPFS, TPAC, and their affiliated IBs utilize, the IT Department is responsible for monitoring the operation of the voice recording system to ensure proper functionality. However, the procedures manual is silent on which department is responsible for ensuring that employees who are required to keep voice recordings under CFTC and NFA Requirements make and retain those recordings.
27. TPFS also acknowledged that the firm did not have a written policy to check voice systems regularly until around January 2020.
28. In addition to TPFS's deficient program to oversee employees' recordkeeping activities, the firm utilized inadequate procedures to review and supervise APs' communications.
29. For APs' oral communications, TPFS only reviews voice recordings if an issue is noticed in a written communication (e.g., IM, chat). Otherwise, the firm does not perform periodic independent reviews of APs' oral communications.

30. TPFS's policy presumes incorrectly that detecting no issues in an AP's written communications means there are no issues with the AP's oral communications.
31. In addition, the firm's policy disregards an undertaking imposed against TPFS's affiliate (i.e., TPAC) in the CFTC's 2019 order, discussed above, which required increased random reviews of voice-brokering activities to enhance TPAC's supervisory program of the desk involved in the order.
32. NFA's exam also found that TPFS utilized inadequate supervisory procedures to review APs' electronic communications since the firm failed to adopt and implement written procedures regarding the oversight of those communications, to include the identity of the person responsible for conducting the review, and a description of the process, scope, and frequency for reviewing communications.
33. TPFS represented to NFA during the exam that the firm and its "TP ICAP" affiliated IBs began drafting revised written supervisory procedures in December 2019. However, TPFS apparently has not yet adopted and implemented the revised procedures since NFA has not received a copy of the procedures, despite instructing TPFS more than one year ago to provide them within 10 days after implementation.
34. By reason of the foregoing acts and omissions, TPFS is charged with violating NFA Compliance Rule 2-9(a).

### **PROCEDURAL REQUIREMENTS**

#### **ANSWER**

You must file a written Answer to the Complaint with NFA within thirty (30) days of the date of the Complaint. The Answer shall respond to each allegation in the

Complaint by admitting, denying or averring that you lack sufficient knowledge or information to admit or deny the allegation. An averment of insufficient knowledge or information may only be made after a diligent effort has been made to ascertain the relevant facts and shall be deemed to be a denial of the pertinent allegation.

The place for filing an Answer shall be:

National Futures Association  
300 South Riverside Plaza  
Suite 1800  
Chicago, Illinois 60606  
Attn: Legal Department-Docketing

Email: [Docketing@nfa.futures.org](mailto:Docketing@nfa.futures.org)

Failure to file an Answer as provided above shall be deemed an admission of the facts and legal conclusions contained in the Complaint. Failure to respond to any allegation shall be deemed an admission of that allegation. Failure to file an Answer as provided above shall be deemed a waiver of hearing.

#### **POTENTIAL PENALTIES, DISQUALIFICATION, AND INELIGIBILITY**

At the conclusion of the proceedings conducted in connection with the issuance of this Complaint, one or more of the following penalties may be imposed:

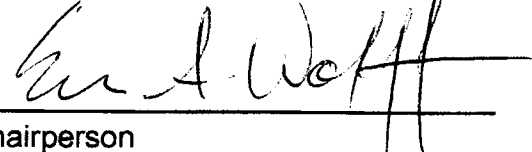
- (a) expulsion or suspension for a specified period from NFA membership;
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$500,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.



The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. The Respondent in this matter who applies for registration in any new capacity may be denied registration based on the pendency of this proceeding.

**NATIONAL FUTURES ASSOCIATION  
BUSINESS CONDUCT COMMITTEE**

Dated: 6/1/21

By:   
Chairperson

M/TDK/BCC/TPFS/TPFS Complaint