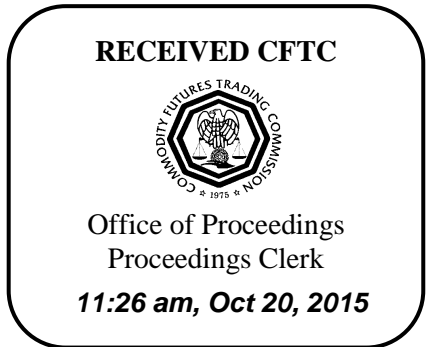


UNITED STATES OF AMERICA
 Before the
 COMMODITY FUTURES TRADING COMMISSION



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In the Matter of:)
)
BNP Paribas Securities Corp.,)
)
Respondent.) **CFTC Docket No. 16-01**
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)
 _____)

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
 SECTIONS 6(c) AND 6(d) OF THE COMMODITY EXCHANGE ACT, MAKING
 FINDINGS AND IMPOSING REMEDIAL SANCTIONS**

I.

The Commodity Futures Trading Commission (“Commission”) has reason to believe that BNP Paribas Securities Corp. (“BNPP” or “Respondent”) violated Commission Regulations (“Regulations”) 1.25(b)(3)(i)(F) and 1.25(b)(3)(ii)(D). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether BNPP engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

II.

In anticipation of the institution of an administrative proceeding, BNPP has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying any of the findings or conclusions herein, BNPP consents to the entry of this Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, Making Findings and Imposing Remedial Sanctions (“Order”) and acknowledges service of this Order.¹

¹ BNPP consents to the entry of this Order and to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that BNPP does not consent to the use of the Offer, or the findings or conclusions in this Order consented to in the Offer, as the sole basis for any other proceeding brought by the Commission, other than in a proceeding in bankruptcy or to enforce the terms of this Order. Nor does BNPP consent to the use of the Offer or this Order, or the findings or conclusions in this Order consented to in the Offer, by any other party in any other proceeding.

III.

The Commission finds the following:

A. SUMMARY

On three occasions in or about November and December 2014 (the “Relevant Period”), BNPP violated the Commission’s Regulations governing concentration limits applicable to the investment of segregated commodity customer funds. BNPP reported two of the violations to the Commission. An additional violation was discovered in connection with a review by BNPP’s designated self-regulatory organization, CME Group Inc. None of the violations resulted in customer losses.

B. RESPONDENT

BNP Paribas Securities Corp. is a financial services firm organized under the laws of Delaware with its principal office located in New York, New York. It is registered with the Commission as a Future Commission Merchant (“FCM”) and is an approved Swap Firm and National Futures Association Member.

C. FACTS

As an FCM, BNPP receives money, securities, and other property from its customers (“customer funds”) to margin, guarantee, or secure the customers’ trades in commodity futures, options and certain derivatives contracts. FCMs are required to segregate customer funds from funds belonging to the FCM, and can only invest customer funds in investments enumerated in Regulation 1.25, 17 C.F.R. § 1.25 (2013). *See* 7 U.S.C. § 6d(a)(2). Regulations 1.25(b)(3)(i)(F) and 1.25(b)(3)(ii)(D), 17 C.F.R. §§ 1.25(b)(3)(i)(F), 1.25(b)(3)(ii)(D) (2013), establish asset-based and issuer-based concentration limits for investments of segregated customer funds in money market mutual funds (“MMMFs”).

During the Relevant Period, BNPP invested segregated customer funds in a manner prohibited by Regulations 1.25(b)(3)(i)(F) and 1.25(b)(3)(ii)(D).

On November 20, 2014, BNPP invested more than 10 percent of segregated customer funds in an individual MMMF in violation of Regulation 1.25(b)(3)(ii)(D) and more than 50 percent of segregated customer funds in MMMFs in violation of Regulation 1.25(b)(3)(i)(F). BNPP maintained books and records reflecting total assets held in segregation as well as investments into MMMFs. BNPP’s employees manually entered MMMF investments into its books and records, and BNPP had a process to calculate whether BNPP was compliant with Regulations 1.25(b)(3)(i)(F) and 1.25(b)(3)(ii)(D). BNPP’s employee erroneously entered the amount of the investment into MMMFs as an amount less than the amount actually invested. The manual error caused BNPP’s books and records to reflect incorrectly that the investment was compliant with applicable concentration limits. At the end of the day, BNPP discovered that it

was in violation of Regulation 1.25(b)(3)(ii)(D), and on the following day, November 21, BNPP reported its violation to the Commission.²

On November 28, 2014, BNPP invested segregated customer funds in an individual MMMF, and the investment exceeded 10 percent of total assets held in segregation in violation of Regulation 1.25(b)(3)(ii)(D). BNPP's employee entered the total assets held in segregation as approximately \$1.158 billion when, in fact, the segregated account only held assets of approximately \$1.054 billion. This error caused BNPP's books and records to reflect incorrectly that BNPP's prior investment of \$110 million of customer segregated funds in an MMMF was still allowable, whereas the maximum allowable investment was \$105.4 million. BNPP maintained an investment of customer segregated funds in an individual MMMF which breached the applicable concentration limits. BNPP failed to discover this violation. BNPP's designated self-regulatory organization, CME Group, discovered this violation on or about December 19, 2014.

On December 5, 2014, BNPP invested more than 50 percent of segregated customer funds in MMMFs in violation of Regulation 1.25(b)(3)(i)(F). The assets held in segregation and BNPP's investments in the MMMFs were entered correctly into BNPP's books and records, and BNPP's existing process reflected non-compliance with applicable concentration limits. However, BNPP's employee making the investments failed to detect that the investments in MMMFs exceeded the applicable concentration limits contained in Regulation 1.25(b)(3)(i)(F). On the next business day, December 8, BNPP discovered that it was non-compliant and reported it to the Commission.

In accepting BNPP's Offer, the Commission recognizes BNPP's cooperation during the investigation by the staff of the Division of Enforcement. The Commission also recognizes that BNPP voluntarily undertook remedial action to strengthen its policies and procedures related to compliance with Regulations 1.25(b)(3)(i)(F) and 1.25(b)(3)(ii)(D).

The Commission also notes that the civil monetary penalty imposed on BNPP reflects BNPP's early resolution of this matter.

IV.

LEGAL DISCUSSION

Section 4d(a)(2) of the Commodity Exchange Act ("Act"), 7 U.S.C. § 6d(a)(2) (2013), provides that customer funds "may be invested in obligations of the United States, in general obligations of any State or of any political subdivision thereof, and in obligations fully guaranteed as to principal and interest by the United States, such investments to be made in accordance with such rules and regulations and subject to such conditions as the Commission may prescribe." Regulation 1.25(a) contains a list of permissible investments in which FCMs

² During the CFTC's investigation, BNPP discovered that it was in violation of Regulation 1.25(b)(3)(ii)(D) at the time of the manual error by BNPP's employee.

may lawfully invest customer funds, including MMMFs, and Regulation 1.25(b) sets forth the requirements for managing “permitted investments consistent with the objectives of preserving principal and maintaining liquidity,” including establishing asset-based and issuer-based concentration limits. 17 C.F.R. § 1.25 (2013).

Regulation 1.25(b)(3)(i)(F) establishes an asset-based concentration limit for direct investment of segregated customer funds in MMMFs, stating in relevant part, that “investments in money market mutual funds . . . may not exceed 50 percent of the total assets held in segregation by the [FCM].” 17 C.F.R. § 1.25(b)(3)(i)(F).

Regulation 1.25(b)(3)(ii)(D) establishes issuer-based concentration limits for direct investments of segregated customer funds in MMMFs, stating in relevant part, that “[i]nterests in any individual money market mutual fund described in paragraph (b)(3)(i)(F) of this section may not exceed 10 percent of total assets held in segregation by the [FCM].” 17 C.F.R. § 1.25(b)(3)(ii)(D).

On November 20 and 28, 2014, BNPP violated the concentration limit set forth in Commission Regulation 1.25(b)(3)(ii)(D) relating to its investment of segregated customer funds in an individual MMMF, and on November 20 and December 5, 2014, BNPP violated the concentration limit set forth in Commission Regulation 1.25(b)(3)(i)(F) relating to its investment of segregated customer funds in MMMFs. Each and every day that BNPP maintained segregated customer funds in an individual MMMF or in MMMFs in violation of Commission Regulation 1.25(b)(3)(i)(F) or 1.25(b)(3)(ii)(D) constitutes a separate and distinct violation.

V.

FINDINGS OF VIOLATION

Based on the foregoing, the Commission finds that, during the Relevant Period, BNPP violated Commission Regulations 1.25(b)(3)(i)(F) and 1.25(b)(3)(ii)(D), 17 C.F.R. §§ 1.25(b)(3)(i)(F), 1.25(b)(3)(ii)(D) (2013).

VI.

OFFER OF SETTLEMENT

BNPP has submitted the Offer in which it, without admitting or denying the findings and conclusions herein:

- A. Acknowledges receipt of service of this Order;
- B. Admits the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- C. Waives:
 1. The filing and service of a complaint and notice of hearing;

2. A hearing;
 3. All post-hearing procedures;
 4. Judicial review by any court;
 5. Any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
 6. Any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504, and 28 U.S.C. § 2412, and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Commission's Regulations, 17 C.F.R. §§ 148.1-30, relating to, or arising from, this proceeding;
 7. Any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-253, 110 Stat. 847, 857-868 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this proceeding; and
 8. Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;
- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which BNPP has consented in the Offer;
- E. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. Makes findings by the Commission that BNPP violated Commission Regulations 1.25(b)(3)(i)(F) and 1.25(b)(3)(ii)(D), 17 C.F.R. 1.25(b)(3)(i)(F), 1.25(b)(3)(ii)(D) (2013).
 2. Orders BNPP to cease and desist from violating Commission Regulations 1.25(b)(3)(i)(F) and 1.25(b)(3)(ii)(D), 17 C.F.R. 1.25(b)(3)(i)(F), 1.25(b)(3)(ii)(D) (2013).
 3. Orders BNPP to pay a civil monetary penalty in the amount of one hundred and forty thousand dollars (\$140,000), plus post-judgment interest.

Upon consideration, the Commission has determined to accept the Offer.

VII.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A. BNPP shall cease and desist from violating Commission Regulations 1.25(b)(3)(i)(F) and 1.25(b)(3)(ii)(D), 17 C.F.R. §§ 1.25(b)(3)(i)(F), 1.25(b)(3)(ii)(D) (2013).

- B. BNPP shall pay a civil monetary penalty in the amount of one hundred and forty thousand dollars (\$140,000) (“CMP Obligation”), plus post-judgment interest. Post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012).

BNPP shall pay the CMP Obligation by electronic funds transfer, U.S. postal money order, certified check, bank cashier’s check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Accounts Receivables
DOT/FAA/MMAC/AMZ-341
CFTC/CPSC/SEC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
(405) 954-7262 office
(405) 954-1620 fax
nikki.gibson@faa.gov

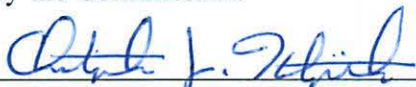
If payment is to be made by electronic funds transfer, BNPP shall contact Nikki Gibson or her successor at the above address to receive payment instructions and shall fully comply with those instructions. BNPP shall accompany payment of the CMP Obligation with a cover letter that identifies BNPP and the name and docket number of this proceeding. BNPP shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

- C. BNPP and its successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:
1. BNPP agrees that neither it nor any of its successors and assigns or agents or employees under their authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect BNPP’s: (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. BNPP and its successors and assigns shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.
 2. BNPP undertakes to regularly review its policies and procedures and to provide training to ensure compliance with applicable regulations.

- D. BNPP understands and agrees that any acceptance by the Commission of any partial payment of BNPP's CMP Obligation shall not be deemed a waiver of its obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.
- E. Until such time as BNPP satisfies in full its CMP Obligation as set forth in this Order, BNPP shall provide written notice to the Commission by certified mail of any change to their telephone number and mailing address within ten (10) calendar days of the change.

The provisions of this Order shall be effective as of this date.

By the Commission.



Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: October 20, 2015