

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Membership
of
SpeedTrader, Inc.
(CRD No. 107403)

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934

SD-2445

May 8, 2025

I. Introduction

On November 5, 2024, SpeedTrader, Inc. (“SpeedTrader” or the “Firm”) submitted a Membership Continuance Application (“MC-400A” or “Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”) Department.¹ The Application seeks to permit the Firm, a FINRA member, to continue its membership with FINRA notwithstanding its statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

II. The Statutorily Disqualifying Event

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(D), due to a September 23, 2024 FINRA Letter of Acceptance, Waiver and Consent (the “Disqualifying AWC”).² The Disqualifying AWC found that SpeedTrader willfully violated Section 17(a)(1) of the Exchange Act and Rule 17a-14 thereunder by filing and delivering to

¹ See MC-400A and related attachments compiled by CRED, with a cover memorandum dated November 11, 2024, attached as Exhibit 1.

² See FINRA AWC for Matter No. 20170562245 accepted on September 23, 2024, attached as Exhibit 2. The AWC included other violations relating to the Firm’s failure to: 1) comply with its best execution obligations; 2) establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with its best execution obligations; 3) disclose material aspects of its relationship with markets to which it routed orders in its quarterly reports; and 4) establish and implement a written anti-money laundering program that was reasonably designed to achieve and monitor the Firm’s compliance with the requirements of the Bank Secrecy Act and its implementing regulations. These violations do not subject the Firm to statutory disqualification.

customers its customer relationship summary (“Form CRS”) containing inaccurate information.³ Despite disclosing several disciplinary actions on its Form BD, from June 30, 2020 to August 22, 2023, SpeedTrader falsely responded “No” on Form CRS to the question relating to its legal or disciplinary history, when the Firm was required to respond “Yes.”⁴

The Firm was censured and ordered to comply with certain undertakings.⁵ The Firm represented that it is in compliance with the undertakings, including having retained an independent compliance consultant.⁶

III. Remedial Measures

According to the Firm, when FINRA implemented the Form CRS requirements in June 2020, it was undergoing significant personnel changes that led to the error noted on its Form CRS.⁷ The Firm became aware of the error during its December 2022 routine examination, and promptly updated its Form CRS on January 20, 2023.⁸ The Firm then published the revised Form CRS on its website, and provided a corrected Form CRS to its clients that contained accurate disclosures.⁹ In January 2025, the Firm hired a compliance officer to assist the Chief Compliance Officer in enhancing, implementing and enforcing its supervisory and compliance procedures and controls.¹⁰ The Firm also noted that since November 2020, it has made significant changes and improvements to its supervisory and compliance program, including devoting additional resources to compliance, enhancing its market access risk management controls, improving its technology, and updating its written supervisory procedures (“WSPs”).¹¹

IV. Firm Background

SpeedTrader became a FINRA member on April 23, 2001.¹² The Firm is headquartered in

³ *Id.* at pp. 10-11.

⁴ *Id.*

⁵ *Id.* at pp. 12-15.

⁶ *See* Firm’s Discovery Response dated January 31, 2025, attached as Exhibit 3 at FINRA pp. 7-8.

⁷ *Id.* at FINRA p. 3.

⁸ *Id.* at FINRA p. 4.

⁹ *Id.*

¹⁰ *Id.* at FINRA p. 6.

¹¹ *Id.* at FINRA pp. 8-9.

¹² *See* Central Registration Depository (“CRD”) Excerpt – Organization Registration Status, attached as Exhibit 4.

Katonah, New York, with one branch, which is an Office of Supervisory Jurisdiction.¹³ The Firm employs approximately 10 registered representatives (seven of which are registered principals), and one non-registered fingerprint employee.¹⁴ The Firm does not currently employ any statutorily disqualified individuals.¹⁵

SpeedTrader is approved to engage in the following lines of business:¹⁶ exchange member engaged in exchange commission business other than floor activities; broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; mutual fund retailer; broker or dealer selling variable life insurance or annuities; put and call broker or dealer or option writer; non-exchange member arranging for transactions in listed securities by exchange member; and trading securities for own account.

The Firm is a member of the following self-regulatory organizations (“SROs”): Cboe EDGA Exchange, Inc. (“EDGA”), Cboe EDGX Exchange, Inc. (“EDGX”), and NYSE Arca, Inc. (“NYSE Arca”).¹⁷

Recent Examinations

In the past two years, FINRA completed one routine examination and one non-routine examination of SpeedTrader, which resulted in a Cautionary Action Letter (“CAL”). The SEC has not completed an examination of the Firm in the past two years.

A. FINRA Routine Examination

In January 2023, FINRA completed a routine examination of the Firm that resulted in a CAL for one of the six exceptions noted, and the remaining five exceptions were referred to FINRA’s Enforcement Department (“Enforcement”) for further review and disposition.¹⁸ The exception for which the Firm was cautioned pertained to the Firm’s failure to implement its WSPs, requiring outside brokerage statements to be obtained and reviewed.¹⁹ Specifically, the Firm failed to obtain and review outside brokerage statements

¹³ FINRA confirmed this through analysis of the Firm’s information contained in CRD, last performed on April 4, 2025.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ See CRD Excerpt – Types of Business, attached as Exhibit 5.

¹⁷ Membership in these organizations was verified by FINRA staff through a search of public member directories, last performed on April 4, 2025.

¹⁸ See Disposition Letter for Examination No. 20220734243 dated January 31, 2023, the Examination Report dated December 22, 2022, and the Firm’s Response dated January 23, 2023, collectively attached as Exhibit 6.

¹⁹ *Id.* at FINRA pp. 9-10.

for two registered representatives at the Firm.²⁰ The exceptions referred to Enforcement related to the Firm's failure to (1) implement an Anti-Money Laundering Compliance Program ("AMLCP") reasonably designed to monitor for potential suspicious activity and to supervise trades of customers who opened accounts through multiple clearing firms, (2) deliver Form CRS to new retail customers clearing through Apex Pro that opened retail brokerage accounts, (3) timely file Form CRS, (4) follow the SEC Instructions when creating Form CRS, and (5) establish and implement a supervisory system reasonable designed to conduct adequate due diligence and ongoing supervision over outsourced functions.²¹ The Firm responded in writing that it established and implemented an AMLCP, revised its new account opening process, updated its Form CRS, and revised its WSP Manual to address the issues.²² In October 2024, Enforcement issued a CAL to the Firm based on two exceptions pertaining to the Firm's failure to 1) timely file its initial Form CRS, timely file its Form CRS dated January 20, 2023, failure to timely deliver, document delivery, and maintain records of its delivery of its Form CRS to all customers of the Firm from June 30, 2020 to March 2022, and 2) conduct reasonable ongoing supervision of an outsourced vendor from at least March 2021 to August 2023.²³

B. FINRA Non-Routine Examination

In November 2024, FINRA issued a CAL to the Firm for one exception relating to the Firm conducting a securities business while it was net capital deficient on August 31, 2022 and September 1, 2022 and its failure to file notice of the deficiency until seven days later in violation of Exchange Act Sections 15(c) and 17(a) and FINRA Rules 4110 and 2010.²⁴

Regulatory Actions

In the past five years, SpeedTrader has been the subject of one disciplinary matter resulting in Letters of Acceptance, Waiver and Consent ("AWCs") entered into with FINRA, Nasdaq, and NYSE Arca, and a related Disciplinary Decision entered into with EDGX, in addition to the AWC that led to the Application.

A. FINRA, Nasdaq and NYSE Arca AWCs and EDGX Disciplinary Decision

Between July 12 and July 31, 2024, the Firm entered into AWCs with FINRA, NYSE Arca, and Nasdaq, and was the subject of an EDGX Disciplinary Decision for violations of

²⁰ *Id.*

²¹ *Id.* at FINRA pp. 5-9.

²² *Id.* at FINRA pp. 12-16.

²³ See CAL for Matter No. 20220734243 dated October 4, 2024, attached as Exhibit 7. No response was required from the Firm.

²⁴ See CAL for Matter No. 20220762561 dated November 29, 2024, attached as Exhibit 8. No response was required from the Firm.

analogous rules.²⁵ Each action related to the Firm’s failure to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with applicable securities laws, rules, regulations, and rules prohibiting potentially manipulative trading.²⁶ The Firm also failed to ensure credit controls and failed to comply with annual certification requirements. Thus, violating Section 15(c)3-5 of Securities Exchange Act of 1934, Exchange Act Rule 15c3-5, and FINRA Rule 2010.²⁷ Additionally, the Firm failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial and regulatory risks of its business activity.²⁸ The Firm consented to a censure, a combined \$165,000 fine to be divided amongst the four regulators involved, and the Firm agreed to certify that it has remediated the issues identified in the AWC.²⁹

V. Prior SEA Rule 19h-1 Notices

SpeedTrader has not been subject to any prior SEA Rule 19h-1 or 19d-1 Notices.

VI. The Firm’s Proposed Continued Membership with FINRA and Plan of Heightened Supervision

The Firm seeks to continue its membership with FINRA notwithstanding its status as a disqualified member. The Firm proposed a Plan of Heightened Supervision (“Supervision Plan” or “Plan”)³⁰ and has agreed to the following Plan as a condition of its continued membership with FINRA:³¹

SpeedTrader, Inc (the “Firm”) is subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934 (“Exchange Act”), which incorporates by reference Section 15(b)(4)(D), due to FINRA’s acceptance, on September 23, 2024, of a Letter of Acceptance, Waiver and Consent (the “Disqualifying AWC”), which found that the Firm willfully violated Section 17(a)(1) of the Exchange Act and Rule 17a-14

²⁵ See FINRA AWC for Matter No. 2018060986401 accepted on July 31, 2024, Nasdaq AWC for Matter No. 2018060986402 accepted on July 31, 2024, NYSE Arca AWC for Matter No. 2018060986403 accepted on July 12, 2024, and EDGX Disciplinary Decision for Star No. 20180609864-04 effective as of July 16, 2024, collectively attached as Exhibit 9.

²⁶ *Id.* at FINRA pp. 3-4, 15, 26, and 38-40.

²⁷ *Id.* at FINRA p. 2.

²⁸ *Id.*

²⁹ *Id.* at FINRA pp. 7, 18-19, 30, and 40-41.

³⁰ See Exhibit 3 at pp. 3-5.

³¹ See Executed Consent to Plan of Heightened Supervision dated February 13, 2025, attached as Exhibit 10.

thereunder by filing and delivering to customers its customer relationship summary (“Form CRS”) containing inaccurate information.

In consenting to this Supervision Plan, the Firm agrees to the following:

1. The Firm will implement a system that requires both legal counsel and compliance personnel to verify that all disclosure sections, including legal and disciplinary history, are complete and accurate. Additionally, the Chief Compliance Officer (“CCO”) of the Firm and a designated compliance principal must review and approve all future Form CRS filings before submission. The Firm shall retain a record of such approvals and keep said record in a readily accessible place for ease of review by FINRA staff.
2. The Firm will conduct a quarterly compliance review to ensure ongoing accuracy in its disclosures. The Firm shall retain a record of such reviews, as well as any discrepancies found, and keep said record in a readily accessible place for ease of review by FINRA staff.
3. Within three months of the SEC’s Letter of Acknowledgement (“LOA”) in this matter, to the extent that it has not already been done within the past six months, and on at least an annual basis thereafter, all employees of the Firm involved in the preparation, review or distribution of Form CRS must complete mandatory compliance training. The Firm shall maintain a record of individual completion of said training and a copy of said training materials in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall conduct the training described in Paragraph 3 above for all new hires involved in the preparation, review or distribution of Form CRS, within 90 days from the date of hire. The Firm shall retain a record of all new hire training, including a copy of all written training materials, and keep said record(s) in a readily accessible place for ease of review by FINRA staff.
5. The Firm will conduct a quarterly internal audit to ensure complete and accurate Form CRS disclosures. Any discrepancies found will be reported to senior management and the SEC. Further, the Firm must document the reported discrepancies and any corrective actions taken. The Firm shall keep the documentation in a readily accessible place for ease of review by FINRA staff.
6. In the event that an employee is responsible for failing to disclose legal or disciplinary history on Form CRS, the Firm shall document each instance and the outcome of disciplinary action taken. Records pertaining to the disciplining of employees for disclosure failures on Form CRS must be retained in a readily accessible place for ease of review by FINRA staff.
7. The Firm shall obtain written approval from FINRA’s Statutory Disqualification Group prior to changing any provision of the Supervision Plan.

8. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.

VII. Discussion

After carefully reviewing the entire record in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating SpeedTrader's Application, FINRA assessed whether the Firm has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See* FINRA By-Laws, Art. III, Sec. 3(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on FINRA's assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firm's regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firm's continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the Disqualifying AWC identified a serious violation of a securities law, the Firm was not expelled or suspended, nor were any limitations placed on SpeedTrader's securities activities. Moreover, the Firm updated its Form CRS,³² and hired an independent compliance consultant who completed a report and made recommendations for enhancements to the Firm's AML processes.³³ The Department is further reassured by the prompt remedial actions taken by the Firm, including hiring a compliance officer, enhancing its risk management controls, improving its technology, and updating its WSPs.

In evaluating the Firm's Application, FINRA notes that SpeedTrader's regulatory history is limited and should not prevent the Firm from continuing in FINRA membership. Additionally, in response to SpeedTrader's recent examination findings and regulatory actions, the Firm took immediate corrective action by updating its Form CRS, enhancing its controls and procedures, hiring a new chief compliance officer, and updating its WSPs. Following the approval of the Firm's continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

FINRA is further reassured by the controls set in place by the Firm's Supervision Plan which bolster the undertakings outlined in the Disqualifying AWC and will continue to

³² *See* Exhibit 3 at pp. 3-4.

³³ *Id.* at pp. 7-8.

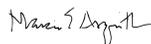
provide oversight of the Firm. In accordance with the Plan, the Firm agreed to have the CCO and a designated compliance principal at the Firm review and approve all future Form CRS filings before submission. The Plan also requires the Firm to conduct a quarterly compliance review to ensure ongoing accuracy in its disclosures, and mandatory annual training for all employees involved in the preparation, review or distribution of Form CRS. Further, the Plan calls for the Firm to conduct a quarterly internal audit to ensure complete and accurate Form CRS disclosures and to report any discrepancies found to senior management and the SEC. Additionally, the Plan mandates that the Firm have a disciplinary process for any employee responsible for failing to disclose legal or disciplinary history on Form CRS and that the Firm segregate all reports and records for ease of review by FINRA staff to ensure ongoing compliance.

Thus, FINRA is satisfied, based on the foregoing and on the Firm's representations made pursuant to the Supervision Plan, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves SpeedTrader's Application to continue its membership with FINRA.

FINRA certifies that the Firm meets all qualification requirements and represents that the Firm is registered with the following SROs: EDGA, EDGX, NYSE-Arca, and NSCC. These SROs have been provided with the terms and conditions of SpeedTrader's proposed continued membership and concur with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,



Marcia E. Asquith
Executive Vice President & Corporate Secretary

EXHIBITS

SD-2445

1. MC-400A and related attachments compiled by CRED, with a cover memorandum dated November 11, 2024.
2. FINRA AWC for Matter No. 20170562245 accepted on September 23, 2024.
3. Firm's Discovery Response dated January 31, 2025.
4. Central Registration Depository ("CRD") Excerpt – Organization Registration Status.
5. CRD Excerpt – Types of Business.
6. Disposition Letter for Examination No. 20220734243 dated January 31, 2023, Examination Report dated December 22, 2022, and the Firm's Response dated January 23, 2023.
7. CAL for Matter No. 20220734243 dated October 4, 2024.
8. CAL for Matter No. 20220762561 dated November 29, 2024.
9. FINRA AWC for Matter No. 2018060986401 accepted on July 31, 2024, Nasdaq AWC for Matter No. 2018060986402 accepted on July 31, 2024, NYSE Arca AWC for Matter No. 2018060986403 accepted on July 12, 2024, and EDGX Disciplinary Decision for Star No. 20180609864-04 effective as of July 16, 2024.
10. Executed Consent to Plan of Heightened Supervision dated February 13, 2025.