



Kimberly Koziara

Principal Counsel

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Via Certified Mail, Return Receipt Requested (7015 0640 0005 9258 6312), First Class Mail and Email (susan.light@katten.com)

November 2, 2023

Electronic Transaction Clearing, Inc.
c/o Susan Light
Katten Muchin Rosenman LLP
50 Rockefeller Center
New York, NY 10020

RE: Payment of Fine in Connection with Executed Letter of Consent
Electronic Transaction Clearing, Inc., Matter No. 2021069322008

Dear Ms. Light:

Enclosed is an executed copy of the Letter of Consent (“LOC”), signed by William Brennan, Chief Executive Officer at Electronic Transaction Clearing, Inc. (the “Firm”), and countersigned by Edward Deitzel, Executive Vice President and Chief Regulatory Officer, for the Business Conduct Committee, at the MIAX PEARL, LLC (“PEARL”) on **November 1, 2023**. Please consider this correspondence as notice to the Firm that this LOC has been accepted, and as a result, the Firm must promptly remit payment of the agreed upon sanction. Please make the payment to MIAX PEARL, LLC.

By Mail:

Make a Firm check or bank check payable to “MIAX PEARL, LLC” and return your payment to the following address:

MIAX PEARL
Attn: Tia Toms
7 Roszel Road, Suite 1A
Princeton, NJ 08540
Reference Number: MIAX PEARL, LLC Matter No. 2021069322008

By Wire:

If payment is by wire, wiring instructions are as follows:

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Pursuant to MIAX PEARL Rule 1011, after seven calendar days' notice in writing, the Exchange may summarily suspend a Member that fails to pay promptly a fine when such fine becomes finally due and payable.

If you have any questions regarding this matter, please contact me at 215-209-2802.

Sincerely,



Kimberly Koziara
Principal Counsel

Enclosure

cc: Larry O'Leary, VP Regulation, Miami International Securities Exchange, LLC
(via e-mail to lolareary@miaxoptions.com)

This letter is issued on behalf of the MIAX PEARL, LLC, by FINRA's Department of Enforcement pursuant to a grant of authority to FINRA. Accordingly, this constitutes a letter by the MIAX PEARL, LLC.

**MIAX PEARL, LLC
LETTER OF CONSENT
NO. 2021069322008**

TO: MIAX PEARL, LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Electronic Transaction Clearing, Inc., Respondent
Broker-Dealer
CRD No. 146122

Pursuant to Rule 1003 of the Rules of MIAX PEARL, LLC (“MIAX PEARL”), Electronic Transaction Clearing, Inc. (“ETC” or the “firm”) submits this Letter of Consent (“LOC”) for the purpose of proposing a settlement of the alleged rule violations described below. This LOC is submitted on the condition that, if accepted, MIAX PEARL will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of MIAX PEARL, or to which MIAX PEARL is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by MIAX PEARL:

BACKGROUND

ETC became a member of MIAX PEARL in September 2020. ETC is headquartered in Dallas, Texas and employs fewer than 25 registered representatives across three branches. During the relevant period, the firm provided execution, clearing and stock lending services to institutional customers and broker-dealers. On March 6, 2023, ETC requested termination of its membership with MIAX PEARL.¹ The firm does not have any relevant disciplinary history.

SUMMARY

1. From September 2020 through December 2021, ETC permitted ten individuals to operate in capacities for which they were not qualified or not properly registered pursuant to MIAX PEARL registration requirements. Additionally, from at least December 2020 through December 2021, ETC failed to establish, maintain and enforce a supervisory system, including written supervisory procedures (“WSPs”), reasonably designed to achieve compliance with MIAX PEARL registration

¹ Pursuant to applicable Exchange rules, MIAX PEARL retains jurisdiction over ETC.

requirements. As a result, the firm violated MIAX PEARL Rules 3100, 3101, and 2300(a) and (b).

FACTS AND VIOLATIVE CONDUCT

2. This matter originated from the 2021 Sales Practice examination of the firm conducted by FINRA on behalf of MIAX PEARL.

ETC Did Not Comply With MIAX PEARL Registration Requirements

3. MIAX PEARL Rule 3100 provides that each person engaged in the securities business of a Member shall be registered with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in Rule 3101.
4. MIAX PEARL Rule 3101(a) defines a “representative” as “any person associated with a Member . . . who is engaged in the Member’s securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a Member for any of these functions.” Each representative is required to pass the Securities Industry Essentials (SIE) examination and the General Securities Representative qualification examination and register as a General Securities Representative, pursuant to MIAX PEARL Rule 3101(c)(1).
5. MIAX PEARL Rule 3101(a) defines a “principal” as any person associated with a Member who is “actively engaged in the management of the Member’s securities business, such as supervision, solicitation, conduct of business in securities” or training of associated persons for such functions. MIAX PEARL Rule 3101(a) further defines “actively engaged in the management of the Member’s securities business” to include “managerial decision-making authority with respect to the Member’s securities business and management-level responsibilities for supervising any aspect of such business.” Subject to exceptions not applicable here, each such principal is required to pass the General Securities Principal qualification examination and register as a General Securities Principal, pursuant to MIAX PEARL Rule 3101(b).
6. MIAX PEARL Rule 3101(b)(3) requires that each member organization designate at least one Financial and Operations Principal, and that each such person pass the Financial and Operations Principal qualification examination and register as a Financial and Operations Principal.
7. During the period between September 2020 and December 2021, ETC permitted ten individuals to operate in capacities for which they were not qualified or not properly registered pursuant to MIAX PEARL Rule 3101. Specifically, at varying times throughout the period, ETC:
 - a. failed to qualify and register one individual as a General Securities Principal, and to register that individual as a General Securities Representative;

- b. failed to qualify and register two individuals as General Securities Representatives;
 - c. failed to register four individuals as General Securities Principals and General Securities Representatives;
 - d. failed to register one individual as a General Securities Principal;
 - e. failed to register one individual as a Financial and Operations Principal; and
 - f. failed to register one individual as a General Securities Representative.
8. Accordingly, the firm violated MIAX PEARL Rules 3100 and 3101.

ETC Failed To Reasonably Supervise for Compliance with MIAX PEARL Registration Requirements

9. MIAX PEARL Rule 2300(a) requires that each Member “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange Rules.”
10. MIAX PEARL Rule 2300(b) requires that each Member “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange Rules.”
11. From at least December 2020 to December 2021, ETC failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with the registration and qualification requirements of the MIAX PEARL Rules. ETC’s supervisory system was unreasonable in multiple respects. First, ETC’s ongoing supervisory process relied on annual reviews that were not reasonably designed to identify changes in individuals’ job functions and registration statuses that occurred throughout the year. Moreover, ETC had no WSPs that addressed exchange-specific qualification and registration requirements, or any process designed to ensure that individuals were properly registered with MIAX PEARL. Additionally, ETC’s WSPs did not provide reasonable guidance regarding how the annual reviews should be conducted, such as what qualification and registration information would be reviewed, how such information would be verified, or what steps would be taken if a missing qualification or registration were identified. ETC revised its supervisory system, including its WSPs, relating to the registration and qualification of its associated persons in or around January 2022.
12. Accordingly, the firm violated MIAX PEARL Rules 2300(a) and (b).

B. The firm also consents to the imposition of the following sanctions:

- a censure, and
- a \$100,000 fine, of which \$6,000 shall be paid to MIAX PEARL.¹

The firm agrees to pay the monetary sanction upon notice that this LOC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by MIAX PEARL.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under MIAX PEARL Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a Hearing Panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to MIAX PEARL's Board of Directors and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer ("CRO"), as well as the Business Conduct Committee ("BCC"), in connection with participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including acceptance or rejection of this LOC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of MIAX PEARL Rule 1006, in connection with such person's or body's participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including its acceptance or rejection.

¹ The remainder will be paid to Cboe BYX Exchange, Inc. (BYX); Cboe BZX Exchange, Inc. (BZX); Cboe EDGA Exchange, Inc. (EDGA); Cboe EDGX Exchange, Inc. (EDGX); MEMX LLC (MEMX); Investors Exchange LLC (IEX); NYSE American LLC (NYSE American); NYSE Arca, Inc. (NYSE Arca); NYSE Chicago, Inc. (NYSE Chicago); NYSE National, Inc. (NYSE National); New York Stock Exchange LLC (NYSE); and FINRA.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this LOC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO and the BCC, pursuant to MIAX PEARL Rule 1003;
- B. If this LOC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. This LOC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by MIAX PEARL or any other regulator against the firm;
 - 2. This AWC will be published on a website maintained by MIAX PEARL; and
 - 3. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this LOC or create the impression that the LOC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of MIAX PEARL, or to which MIAX PEARL is a party, that is inconsistent with any part of this LOC. Nothing in this provision affects the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which MIAX PEARL is not a party.
- D. The firm may attach a Corrective Action Statement to this LOC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the LOC in this Statement. This Statement does not constitute factual or legal findings by MIAX PEARL, nor does it reflect the views of MIAX PEARL or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this LOC and has been given a full opportunity to ask questions about it; that it has agreed to the LOC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect

of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

September 29, 2023

Date

Respondent
Electronic Transaction Clearing, Inc.

By: William Brennan

Name: William Brennan

Title: Chief Executive Officer

Reviewed by:

Susan Light

Susan Light
Katten Muchin Rosenman LLP
50 Rockefeller Plaza
New York, NY 10020-1605
212.940.8599
Counsel for Respondent

Accepted by MIAX PEARL, LLC:

November 1, 2023

Date

Ed Deitzel

Edward Deitzel
Executive Vice President and
Chief Regulatory Officer
MIAX PEARL, LLC

Decision of the Business Conduct Committee:

Accept Decline

November 1, 2023

Date

Ed Deitzel

By: Edward Deitzel
For the Business Conduct Committee

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Consent by the following method (check one):

- A firm check or bank check for the full amount
- Wire transfer

Respectfully submitted,
Respondent
Electronic Transaction Clearing, Inc.

September 29, 2023

Date

By: William Brennan

Name: William Brennan

Title: Chief Executive Officer