

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019063972801**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Santander Investment Securities Inc. (Respondent)
Member Firm
CRD No. 37216

Pursuant to FINRA Rule 9216, Respondent Santander Investment Securities Inc. (SIS) submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

SIS has been a FINRA member since 1994. It is an institutional broker-dealer whose activities encompass debt and equity capital markets, equity and fixed income sales, and trading with a specialty in Latin America and Europe. It currently employs 165 registered persons in its one branch in New York, New York. SIS is indirectly owned by Banco Santander, S.A., a Spanish company whose multinational subsidiaries and affiliates conduct business as “Grupo Santander.”¹

OVERVIEW

Between January 2016 and August 2019, all equity and debt research reports published by SIS omitted required disclosures or included inaccurate disclosures. Specifically, SIS published 411 equity research reports with a total of 656 disclosure omissions or inaccuracies in violation of FINRA Rules 2241(c) and 2010. Similarly, between July 16, 2016 and August 2019, SIS published 60 debt research reports with a total of 333 disclosure omissions in violation of FINRA Rules 2242(c) and 2010. SIS’s omissions were the result of the firm’s failure to establish and maintain a supervisory system

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

reasonably designed to achieve compliance with the disclosure requirements of FINRA Rules 2241(c) and 2242(c), as well as its failure to enforce its relevant written supervisory procedures. As a result, SIS also violated FINRA Rules 3110(a)-(b) and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a disclosure to FINRA by SIS in September 2019 pursuant to FINRA Rule 4530(b).

FINRA Rules 2241(c) and 2242(c) set forth content and disclosure requirements for, respectively, equity and debt research reports published or distributed by member firms.

All 411 equity research reports SIS published and distributed to the firm's institutional customers from January 2016 to August 2019 omitted required disclosures or included inaccurate disclosures required by FINRA Rule 2241(c). In total, there were at least 656 disclosure omissions or inaccuracies. Specifically:

- In all 411 equity research reports, SIS provided inaccurate disclosures under FINRA Rule 22421(c)(2)(B), which requires firms to disclose in each equity report the percentage of subject companies within each rating category for which it provided investment banking services within the previous twelve months;
- In at least 97 instances across 77 equity research reports, SIS failed to disclose that SIS or any of its affiliates expected to receive or intended to seek compensation for investment banking services from a subject company in the subsequent three months, as required by FINRA Rule 2241(c)(4)(C)(iii);
- In 71 instances across 61 equity research reports, SIS failed to disclose that SIS or any of its affiliates managed or co-managed a public offering of securities for a subject company in the past twelve months, as required by FINRA Rule 2241(c)(4)(C)(i);
- In 37 instances across 33 equity research reports, SIS failed to disclose that SIS or any of its affiliates received compensation for investment banking services from a subject company in the past twelve months, as required by FINRA Rule 2241(c)(4)(C)(ii);
- In 34 instances across 33 equity research reports, SIS failed to disclose that a subject company was a SIS client in the twelve-month period preceding the report and the types of services provided by SIS, as required by FINRA Rule 2241(c)(4)(E); and
- In six instances across six equity research reports, SIS failed to disclose that SIS or its affiliates had received compensation for products or services other than investment banking services from a subject company in the previous twelve months, as required by FINRA Rule 2241(c)(4)(D).

Therefore, SIS violated FINRA Rules 2241(c)(2) and (4), as well as FINRA Rule 2010, which requires a member firm to observe high standards of commercial honor and just and equitable principles of trades in the conduct of its business.

Similarly, all 60 debt research reports SIS published and distributed to the firm's institutional customers from July 16, 2016, when FINRA Rule 2242 first came into effect, and August 2019 omitted required disclosures. In total, there were at least 333 disclosure omissions. Specifically:

- In all 60 debt research reports, SIS failed to disclose the definition of each SIS rating (*i.e.*, overweight, market weight, underweight), as required by FINRA Rule 2242(c)(2);
- In all 60 debt research reports, SIS failed to disclose the percentage of all subject companies SIS rated with each rating, as required by FINRA Rule 2242(c)(2)(A);
- In all 60 debt research reports, SIS failed to disclose the percentage of subject companies with each rating that SIS provided investment banking services to within the previous twelve months, as required by FINRA Rule 2242(c)(2)(B);
- In all 60 debt research reports, SIS failed to disclose the historical ratings for a subject company for which SIS had assigned a rating for at least one year, as required by FINRA Rule 2242(c)(3);
- In 31 instances across 19 debt research reports, SIS failed to disclose that SIS or its affiliates received compensation for investment banking services from a subject company in the past twelve months, as required by FINRA Rule 2242(c)(4)(C)(ii);
- In at least 30 instances across 19 debt research reports, SIS failed to disclose that SIS or its affiliates expected to receive or intended to seek compensation for investment banking services from a subject company in the subsequent three months, as required by FINRA Rule 2242(c)(4)(C)(iii);
- In 24 instances across 14 debt research reports, SIS failed to disclose that SIS or any of its affiliates managed or co-managed a public offering of securities for a subject company in the past twelve months, as required by FINRA Rule 2242(c)(4)(C)(i);
- In seven instances in seven debt research reports, SIS failed to disclose that a subject company was a client of SIS in the twelve-month period preceding the report and the types of services provided by SIS, as required by FINRA Rule 2241(c)(4)(E); and
- In one instance in one debt research report, SIS failed to disclose that SIS or its affiliates had received compensation for products or services other than

investment banking services from a subject company in the previous twelve months, as required by FINRA Rule 2242(c)(4)(D).

Therefore, SIS violated FINRA Rules 2242(c)(2)-(4) and 2010.

FINRA Rule 3110(a) requires member firms to “establish and maintain a system to supervise the activities of each associated person that is reasonable designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” FINRA 3110(b) requires member firms to “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 FINRA rules.”

SIS failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the disclosure requirements of FINRA Rules 2241(c) and 2242(c). For example, the firm had no procedures, testing, or other mechanisms to review and confirm, at the time of publishing or on a periodic basis, that disclosures in its equity and debt research reports were complete and accurate. Consequently, the firm failed to detect for over three-and-a-half years that required disclosures were not appearing in its equity research reports or that newly required disclosures were not added to its debt research reports after FINRA Rule 2242 came into effect in July 2016. SIS also failed to enforce its written supervisory procedures, which required that all disclosures required by FINRA Rule 2241 and, after it became effective, FINRA Rule 2242 be made in each applicable research report and also specifically required that certain information be submitted to the firm’s research department to ensure compliance with certain of those disclosure requirements. After identifying the issue, SIS reported it pursuant to FINRA Rule 4530. SIS furthermore immediately ceased the production of all debt research and suspended the issuance of equity research until it could remediate these issues in future reports.

As a result of the conduct above, SIS violated FINRA Rules 3110(a)-(b) and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and
- a \$175,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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 an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the complaint 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 the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent 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 AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

August 25th, 2021

Date

Mr A Achon

Santander Investment Securities Inc.
Respondent

Print Name: Marco Achon

Title: Chief Executive Officer

Reviewed by:

Michelle Moosally

Michelle Moosally
Counsel for Respondent

Accepted by FINRA:

Signed on behalf of the
Director of ODA, by delegated authority

09/07/2021

Date

Jeffrey E. Baldwin

Jeffrey E. Baldwin
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