



**DISCIPLINARY DECISION**  
**Members Exchange LLC**  
**Matter No. 2021069322009**  
**Electronic Transaction Clearing, Inc.**

Pursuant to Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

**Applicable Rules**

- MEMX Rule 2.5 – Restrictions
- MEMX Rule 5.1 – Written Procedures

**Sanction**

A censure and a monetary fine in the amount of \$6,000.

**Effective Date**

November 1, 2023

*Scott Palmer*

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Scott Palmer, CRO

**MEMBERS EXCHANGE LLC**  
**LETTER OF CONSENT**  
**No. 2021069322009**

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In the Matter of:

Electronic Transaction Clearing, Inc.  
350 N. St. Paul Street, Suite 1300  
Dallas, TX 75201

Subject

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Pursuant to the provisions of Members Exchange LLC (MEMX or the Exchange) Rule 8.3 – Expedited Proceeding, 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.

Electronic Transaction Clearing, Inc. neither admits nor denies that violations of MEMX rules have been committed, and the stipulation of facts and findings described in this LOC do not constitute such an admission.

**BACKGROUND**

1. The firm became a Member of the Exchange in November 2020 and the firm’s registrations remain in effect.
2. The firm is headquartered in Dallas, Texas and employs fewer than 25 registered representatives across three branches. During the relevant periods, the firm provided execution, clearing and stock lending services to broker-dealers and institutional customers. The firm has represented that it has ceased operations in or around December 2022, and on March 6, 2023, it filed a partial Form BDW requesting to terminate its membership with the Exchange.
3. This matter originated from the 2021 Sales Practice examination of the firm conducted by FINRA on behalf of the Exchange.

**VIOLATIVE CONDUCT**

**Applicable Rules**

4. During all relevant periods herein, the following rules were in full force and effect: Exchange Rules 2.5 – Restrictions and 5.1 – Written Procedures.
5. Exchange Rule 2.5(d) provided that “[n]o natural person or registered broker or dealer shall be admitted as, or be entitled to continue as, a Member or an associated

person of a Member, unless such natural person or broker or dealer meets the standards of training, experience and competence as the Exchange may prescribe.”

6. Interpretation and Policy .01(c) to Exchange Rule 2.5 provided that “[t]he Exchange requires the General Securities Representative Examination (‘Series 7’) in qualifying persons seeking registration as general securities representatives, including as Authorized Traders<sup>1</sup> on behalf of Members.”
7. Interpretation and Policy .01(d) to Exchange Rule 2.5 provided that “a ‘Principal’ shall be any individual responsible for supervising the activities of a Member's Authorized Traders,” and that “[i]ndividuals that supervise the activities of General Securities Representatives must successfully complete the Series 7 as a prerequisite to the Series 24 or Series 14 and shall be referred to as General Securities Principals.”
8. Interpretation and Policy .01(e) to Exchange Rule 2.5 required that each Member designate a Financial/Operations Principal, and that each such individual successfully complete the Financial and Operations Principal Examination.
9. Exchange Rule 5.1 required each Member to “establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.”

### **ETC Did Not Comply With Exchange Registration Requirements**

10. Between November 2020 and December 2021, ETC permitted ten individuals to operate in capacities for which they were not qualified or not properly registered pursuant to Exchange Rule 2.5. 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 two individuals as General Securities Principals and General Securities Representatives;
  - d. failed to register one individual as a General Securities Principal;

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<sup>1</sup> Exchange Rule 1.5(c) provided that an “Authorized Trader” is “a person who may submit orders (or who supervises a routing engine that may automatically submit orders) to the Exchange's trading facilities on behalf of his or her Member or Sponsored Participant.”

- e. failed to register one individual as a Financial and Operations Principal; and
  - f. failed to register three individuals as General Securities Representatives.
11. The acts, practices, and conduct described in Paragraph 10 constitute violations of Exchange Rule 2.5 by the firm, in that the firm failed to qualify and register with the Exchange three of its Associated Persons in accordance with Exchange rules.

**Written Supervisory Procedures (“WSPs”)**

12. From at least December 2020 to December 2021, the Firm failed to establish, maintain, and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with the registration and qualification requirements of the MEMX Rules. The Firm’s supervisory system was unreasonable in multiple respects. First, the Firm’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, the Firm had no WSPs that addressed exchange-specific qualification and registration requirements, or any process designed to ensure that individuals were properly registered with MEMX. Additionally, the Firm’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. The Firm revised its supervisory system, including its WSPs, relating to the registration and qualification of its associated persons in or around January 2022.
13. The acts, practices and conduct described in Paragraph 12 constitute violations of Exchange Rule 5.1 by the firm, in that the firm failed to establish, maintain and enforce reasonably designed WSPs.

**SANCTIONS**

In light of the alleged rule violations described above, the firm consents to the imposition of the following sanctions:

- a. A censure, and
- b. A total fine in the amount of \$6,000.<sup>2</sup>

If this LOC is accepted, the firm acknowledges that it shall be bound by all terms, conditions, representations and acknowledgements of this LOC, and, in accordance with the provisions of MEMX Rule 8.3, waives the right to review or to defend against any of these allegations in a

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<sup>2</sup> The firm will pay additional fines in connection with parallel settlement agreements between the firm and Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Investors Exchange LLC, MIAX PEARL, LLC, NYSE American LLC, NYSE Arca, Inc., NYSE Chicago, Inc., NYSE National, Inc., New York Stock Exchange LLC, and FINRA.

disciplinary hearing before a Hearing Panel. The firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The firm waives any right to claim bias or prejudgment of the Chief Regulatory Officer (CRO) in connection with the CRO's 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 waives any claim that a person violated the ex parte prohibitions of MEMX Rule 8.16, in connection with such person's participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including its acceptance or rejection.

The firm agrees to pay the monetary sanctions upon notice that this LOC has been accepted and that such payments are due and payable. The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The firm understands that submission of this LOC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to MEMX Rule 8.3. If the LOC is not accepted, it will not be used as evidence to prove any of the allegations against the firm.

The firm understands and acknowledges that acceptance of this LOC will become part of its disciplinary record and may be considered in any future actions brought by MEMX or any other regulator against the firm. The LOC will be published on a website maintained by MEMX in accordance with MEMX Rule 8.18.

The firm understands that it may not deny the charges or make any statement that is inconsistent with the LOC. The firm may attach a Corrective Action Statement to this LOC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by MEMX, nor does it reflect the views of MEMX 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, has been made to induce the firm to submit it.**

**Date:** September 29, 2023

**Electronic Transaction Clearing, Inc.**

**By:**

**Name: William Brennan**

**Title: Chief Executive Officer**