

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101705 / November 22, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22328

In the Matter of

**LIGHTSPEED FINANCIAL
SERVICES GROUP LLC,**

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT
OF 1934, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Lightspeed Financial Services Group LLC (“Lightspeed” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

1. From May 2018 through December 2022 (the "Relevant Period"), Respondent, a registered broker-dealer, filed deficient Suspicious Activity Reports ("SARs") with the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN"). These filed SARs were deficient because Lightspeed failed to include all of the required details of the reported suspicious transactions that it knew or should have known in the narrative of the SARs, as required by regulation and FinCEN guidance.

2. By failing to file complete and sufficient SARs, Lightspeed willfully¹ violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

Respondent

3. Lightspeed Financial Services Group LLC is organized in Delaware as a limited liability company, with its principal place of business in Morristown, New Jersey. It has been registered with the Commission as a broker-dealer since 2001 and was formerly known as Lime Brokerage LLC. Respondent provides trading platforms it describes as "designed for the professional and active trader."

The Bank Secrecy Act

4. The Bank Secrecy Act ("BSA") and implementing regulations promulgated by FinCEN require that broker-dealers file SARs with FinCEN to report a transaction (or a pattern of transactions of which the transaction is a part) conducted or attempted by, at, or through the broker-dealer involving or aggregating to at least \$5,000 that the broker-dealer knows, suspects, or has reason to suspect: (1) involves funds derived from illegal activity or is intended or conducted to disguise funds derived from illegal activities; (2) is designed to evade any requirement of the BSA; (3) has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation of the transaction after examining the available facts, including the background and possible purpose of the transaction; or (4) involves use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 1023.320(a)(2) ("SAR Rule"). Broker-dealers are required to file a SAR no later than thirty (30) calendar days after the date of the initial detection of facts that may constitute a basis for filing a SAR under the SAR Rule. 31 C.F.R. § 1023.320(b)(3). In cases where the broker-dealer

¹ "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

cannot identify a suspect on the date of initial detection, it must file the SAR within sixty (60) calendar days of the initial detection of facts that may constitute a basis for filing a SAR. *Id.*

5. FinCEN’s instructions for filing SARs throughout the Relevant Period required that the SAR narrative contain “a clear, complete, and concise description of the activity, including what was unusual or irregular that caused suspicion” and to “include any other information necessary to explain the nature and circumstances of the suspicious activity.” FinCEN Suspicious Activity Report Electronic Filing Requirements (October 2012 and August 2021).² As noted by FinCEN, in order to be effective tools and fulfill their intended purpose, SAR narratives must generally “identify the five essential elements of information—*who? what? when? where? and why?*—of the suspicious activity being reported” and must include a “summary of the ‘red flags’ and suspicious patterns of activity that initiated the SAR.” FinCEN Guidance on Preparing a Complete and Sufficient Suspicious Activity Report Narrative (November 2003).³ FinCEN guidance interpreting Section 1023.320 is entitled to deference and when a SAR is filed “it must include information about each of the Five Essential Elements of the suspicious activity.” *See SEC v. Alpine Sec. Corp.*, 308 F. Supp. 3d 775, 791, 804 (S.D.N.Y. 2018), *aff’d* 982 F.3d 68 (2d Cir. 2020), *cert. denied*, *Alpine Sec. Corp. v. SEC*, 142 S. Ct. 461 (2021). When a SAR “lack[s] basic information regarding the Five Essential Elements...[the] SAR [i]s deficient as a matter of law.” *Id.* at 800.

6. Exchange Act Rule 17a-8 requires broker-dealers registered with the Commission to comply with the reporting, recordkeeping, and record retention requirements of Chapter X of Title 31 of the Code of Federal Regulation, which contains the SAR Rule and other requirements. Failing to file complete and sufficient SAR narratives as required by the SAR Rule and the FinCEN guidance is a violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder. *See Alpine Sec. Corp.*, 308 F. Supp. 3d at 798-807.

Lightspeed’s Policies and Procedures

7. During the Relevant Period, Lightspeed maintained certain written policies and procedures relating to its anti-money laundering (“AML”) compliance program and its filing of SARs. Among other things, Lightspeed’s policies and procedures stated that Lightspeed would “monitor daily to determine if any transactions, including the purchase or sale of any stock, bond, or other investment security, aggregating \$5,000 or more in funds or other assets, could be considered a suspicious activity” and that Lightspeed “shall cause a Suspicious Activity Report...to be prepared and filed within 30 days.”

8. Lightspeed’s policies and procedures further stated that when any red flags were noticed, Lightspeed would “determine whether further investigation is warranted which, [sic] may

² *See*

<https://www.fincen.gov/sites/default/files/shared/FinCEN%20SAR%20ElectronicFilingInstructions-%20Stand%20Alone%20doc.pdf>.

³ *See* https://www.fincen.gov/sites/default/files/shared/sarnarrcompletguidfinal_112003.pdf.

include gathering additional information internally or from third party sources, contacting the government, freezing the account, and filing a SAR.”

Lightspeed’s Deficient SARs

9. Despite these policies and procedures, throughout the Relevant Period, Lightspeed filed SARs that did not contain the information in the SAR narrative as required by FinCEN. Certain of Lightspeed’s filed SARs omitted facts identifying the “five essential elements”—namely the “who, what, when, where, and why” of the suspicious activity being reported—from the SAR narratives. These facts were necessary to make the SAR narratives effective tools and fulfill their intended purpose.

10. For example, in November 2019, Lightspeed filed a SAR in which the narrative stated that a customer had engaged in several instances of layering and wash sales, was part of a regulatory inquiry, and had been questioned and gave an unsatisfactory response. As a result, Lightspeed closed the account. This SAR narrative, however, failed to include all of the information required by FinCEN, including the name of the customer and the account number; details about the layering and wash sales, including the name of the securities at issue; details about the trades in these securities, such as the dates, amounts, and prices of the trades; what questions Lightspeed asked the customer and the customer’s responses; and details about the regulatory inquiry, such as the date and nature of the inquiry.

11. In another example, in August 2020, Lightspeed filed a SAR in which the narrative stated that a customer had exceeded his “financials” and engaged in manipulative activity. The SAR narrative, however, failed to include all of the information required by FinCEN, including the name of the customer and the account number; what Lightspeed meant by “financials”; details about the customer’s financials, such as how, why, and when they were exceeded by the customer; what manipulative activity the customer engaged in; the name of the securities at issue and the details of trades in these securities, such as the dates, amounts, and prices of the trades; and any actions taken by Lightspeed.

12. As a further example, in April 2021, Lightspeed filed a SAR in which the narrative stated that Lightspeed suspected the account had engaged in pre-arranged trading in over-the-counter securities. The SAR narrative, however, failed to include all of the information required by FinCEN, including the customer’s name and account number; the details of the suspected pre-arranged trading, such as the name of the securities at issue, and the dates, amounts, and prices of the trades; why the trades appeared to be pre-arranged or otherwise suspicious; and any actions taken by Lightspeed.

13. As a result of the conduct described above, Lightspeed willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

Lightspeed’s Remedial Efforts and Cooperation

In determining to accept the Offer, the Commission considered remedial acts undertaken by Respondent and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-8 promulgated thereunder.

B. Respondent is censured.

C. Respondent shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$75,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Lightspeed as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Nicholas Heinke, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 1961 Stout Street, Ste. 1700, Denver, CO 80294.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall

not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within thirty (30) days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary