

SEC Charges Electronic Trading Platform for Operating As An Unregistered Broker-Dealer

FOR IMMEDIATE RELEASE

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Washington D.C., June 29, 2021 — The Securities and Exchange Commission today announced that Neovest Inc., a provider of an order and execution management system (OEMS) that facilitates electronic trading, has agreed to pay a \$2.75 million penalty for its failure to register as a broker-dealer in violation of the federal securities laws. This is the SEC's first case charging an OEMS provider for operating as an unregistered broker-dealer.

According to the SEC's order, Neovest, a subsidiary of JPMorgan Chase & Co., operates an OEMS that allows customers to route orders for stocks and options to more than 360 customer-selected destination brokers for execution. The SEC's order finds that prior to being acquired by JPMorgan Chase, Neovest engaged in this activity through its registered broker-dealer, Neovest Trading Inc. The order finds that although Neovest withdrew its broker-dealer registration after it was acquired, it continued to operate the OEMS as an unregistered broker-dealer by, among other things, participating in the order-taking and order-routing process and soliciting customers and destination brokers through the firm's website and direct outreach at industry conferences and trade shows. Neovest played a role in determining the routing options that were available to its customers by entering into agreements with the destination brokers. According to the order, in exchange for its OEMS services, Neovest also continued to receive transaction-based compensation by having payments from destination brokers redirected to J.P. Morgan Securities LLC, a registered broker-dealer, which then transferred the proceeds to Neovest.

The SEC order further finds that Neovest's failure to register as a broker-dealer deprived its customers of protections associated with registration, including inspections and examinations by the SEC and the requirement to establish policies and procedures to safeguard customer information. As detailed in the order, during the period that Neovest failed to register, the firm replicated a database containing customer authentication information, including user names and passwords, to one of its most active customers and failed to exercise any supervision over the customer's use of the database.

"According to the SEC's order, Neovest circumvented the regulatory regime that grants broker-dealers the privilege of operating in our markets," said Joseph Sansone, Chief of the SEC Enforcement Division's Market Abuse Unit. "Today's charges underscore the SEC's commitment to securing the important investor protections that flow from broker-dealer registration."

The SEC's order censures Neovest and finds that it willfully violated Section 15(a) of the Securities Exchange Act of 1934. Without admitting or denying the SEC's findings, Neovest consented to the order and agreed to cease and desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act, and to pay a \$2.75 million penalty.

The SEC's investigation was conducted by Michael Baker and Colby Steele with the assistance of Mandy Sturmfelz in the Enforcement Division's Cyber and Market Abuse Units. The case was supervised by Paul Kim, Deborah Tarasevich, Kristina Littman, Chief of the Cyber Unit, and Mr. Sansone.

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Related Materials

- [SEC Order](#)