

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 102167 / January 13, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22404

In the Matter of

PJT Partners LP,

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 PJT Partners LP (“PJT Partners”).

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. Respondent admits the facts set forth in Section III below, acknowledges that its conduct violated the federal securities laws, admits the Commission’s jurisdiction over it and the subject matter of these proceedings, and consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Exchange Act, 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 finds¹ that:

Summary

1. The federal securities laws impose recordkeeping requirements on broker-dealers to ensure that they responsibly discharge their crucial role in our markets. The Commission has long said that compliance with these requirements is essential to investor protection and the Commission's efforts to further its mandate of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. These proceedings arise out of PJT Partners' self-report of failures of employees across the firm, including at senior levels, to adhere to certain of these essential requirements and the firm's own policies and procedures. Using their personal devices, these employees communicated both internally and externally by personal text messages or other text messaging platforms such as WhatsApp ("off-channel communications").

2. PJT Partners contacted and consulted Commission staff prior to conducting its voluntary internal investigation. Following the internal investigation, PJT Partners self-reported the findings to the Commission staff. PJT Partners' internal investigation, along with proactive identification of key facts and supporting documents, assisted the Commission staff in efficiently investigating the conduct. Prior to and since contacting the Division of Enforcement, PJT Partners also undertook significant measures with respect to its recordkeeping practices, policies and procedures, and related monitoring and training.

3. From at least March 2021 through March 2023, PJT Partners' employees sent and received off-channel communications that related to its broker-dealer business. Respondent did not maintain or preserve the majority of these written communications. Respondent's failures occurred across the firm and involved employees at various levels of authority. As a result, PJT Partners violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder.

4. Respondent's failure to implement a system reasonably expected to determine whether all employees were following its policies and procedures that prohibit such communications led to its failure to reasonably supervise its employees within the meaning of Section 15(b)(4)(E) of the Exchange Act.

5. Following news that the Commission would commence a risk-based initiative to investigate the use of off-channel and unpreserved communications at broker-dealers, PJT Partners initiated a review of its recordkeeping policies and attempted to further enhance its training, compliance, and monitoring programs. As discussed below, violations of recordkeeping requirements continued.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Respondent

6. **PJT Partners LP (“PJT Partners”)** is a Delaware corporation with its principal office in New York City, New York, and has been registered with the Commission as a broker-dealer since 2014. It is a subsidiary entity ultimately operated and controlled by PJT Partners Inc., a global investment bank incorporated in Delaware and headquartered in New York, New York. Shares of PJT Partners Inc. trade on the New York Stock Exchange.

Recordkeeping Requirements Under the Exchange Act

7. Section 17(a)(1) of the Exchange Act authorizes the Commission to issue rules requiring broker-dealers to make and keep for prescribed periods, and furnish copies of, such records as necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Exchange Act.

8. The Commission adopted Rule 17a-4 pursuant to this authority. Rule 17a-4 specifies the manner and length of time that the records made in accordance with other Commission rules, and certain other records made by broker-dealers, must be maintained and produced promptly to Commission representatives.

9. The rules adopted under Section 17(a)(1) of the Exchange Act, including Rule 17a-4(b)(4), require that broker-dealers preserve for at least three years, the first two years in an easily accessible place, originals of all communications received and copies of all communications sent relating to the firm’s business as such. These rules impose minimum recordkeeping requirements that are based on standards a prudent broker-dealer should follow in the normal course of business.

10. The Commission previously has stated that these and other recordkeeping requirements “are an integral part of the investor protection function of the Commission, and other securities regulators, in that the preserved records are the primary means of monitoring compliance with applicable securities laws, including antifraud provisions and financial responsibility standards.” Commission Guidance to Broker-Dealers on the Use of Electronic Storage Media under the Electronic Signatures in Global and National Commerce Act of 2000 with Respect to Rule 17a-4(f), 17 C.F.R. Part 241, Exchange Act Rel. No. 44238 (May 1, 2001).

PJT Partners’ Policies and Procedures

11. PJT Partners maintained certain policies and procedures designed to ensure the retention of business-related records, including electronic communications, in compliance with the relevant recordkeeping provisions.

12. As early as 2016, PJT Partners’ employees were advised that the use of unapproved electronic communications methods, including on their personal devices, was not permitted, and they should not use personal email, chats or text messaging applications for business purposes, or forward work-related communications to unapproved software applications on their personal devices.

13. Messages sent through PJT Partners-approved communications methods, which have included Bloomberg Messaging and Slack since 2016 and Microsoft Lync since 2015, were monitored, subject to review, and when appropriate, archived. Messages sent through unapproved communication methods, such as personal text messaging and unapproved applications on mobile devices, were not monitored, subject to review, or archived, unless employees brought such messages to a firm-approved channel. Since 2017, PJT Partners has had in place a lexicon-based surveillance system to monitor employee communications and flag for further review potential indications of off-channel use.

14. PJT Partners' policies were designed to address the firm's supervision of employees' training in and adherence to PJT Partners' communications policies and books and recordkeeping requirements. Supervisory policies notified employees that electronic communications were subject to surveillance by PJT Partners. PJT Partners had procedures for all employees, including supervisors, requiring semi-annual and, more recently, quarterly self-attestations of compliance.

15. PJT Partners, however, failed adequately to implement a system reasonably expected to determine whether employees, including supervisors, were reasonably following PJT Partners' policies. While permitting employees to use approved communications methods, including on personal phones, for business communications, PJT Partners failed to implement sufficient monitoring to ensure that its recordkeeping and communications policies were being followed.

PJT Partners' Recordkeeping Failures

16. In September 2021, the Commission staff commenced a risk-based initiative to investigate whether broker-dealers were properly retaining business-related messages sent and received on personal devices. In February 2024, PJT Partners voluntarily contacted the staff regarding off-channel communications related to its broker-dealer business. PJT Partners cooperated with the staff's investigation by proactively gathering information and documents concerning the underlying conduct and responding to the staff's requests for additional information. As reported to the Commission staff, PJT Partners' employees had engaged in the use of off-channel communications.

17. PJT Partners collected information from a sampling of its employees at varying degrees of seniority, including vice presidents, managing directors, and partners, and found that all of the sampled employees had engaged in some level of off-channel communications. Overall, these employees sent and received numerous off-channel communications involving other PJT Partners employees, PJT Partners' broker-dealer clients, and other market participants in the securities industry. PJT Partners' employees responsible for supervising junior employees and their compliance with policies and procedures pertaining to off-channel communications themselves communicated off-channel using their personal devices. Many, but not all, of the sampled employees had begun a regular practice of forwarding off-channel communications to the firm's systems by early 2022.

18. From at least March 2021 through March 2023, PJT Partners employees sent and received off-channel messages that concerned its broker-dealer business.

19. For example, one partner had off-channel communications with over a dozen PJT Partners employees, including employees he directly supervised, as well as off-channel communications with approximately 30 investment banking clients and/or other market participants.

20. Similarly, another partner had off-channel communications with several PJT Partners employees, including employees he directly supervised, and approximately 29 investment banking clients and/or other market participants.

21. In addition, a managing director had off-channel communications with numerous PJT Partners employees, more junior employees and approximately seven investment banking clients and/or other market participants.

Respondent's Violations and Failure to Supervise

22. As a result of the conduct described above, from at least March 2021 through March 2023, PJT Partners willfully² violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder, which require broker-dealers to preserve for at least three years, the first two years in an easily accessible place, originals of all communications received and copies of all communications sent relating to its business as such.

23. As a result of the conduct described above, PJT Partners failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees' aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder, within the meaning of Section 15(b)(4)(E) of the Exchange Act.

PJT Partners' Self-Reporting, Cooperation, and Remedial Efforts

24. In determining to accept the Offer, the Commission considered PJT Partners' self-report, cooperation afforded to the Commission staff, and remediation. Respondent conducted an internal investigation and self-reported the facts to the Commission staff. Prior to approaching Commission staff, PJT Partners had already increased compliance efforts, which included testing and implementing an application on employee devices to help keep messaging on-channel and increasing the frequency of electronic communications training for employees. PJT Partners also implemented a process for employees to easily onboard and preserve any off-channel communications that had already taken place.

² "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)).

Undertakings

25. Prior to this action, PJT Partners enhanced its policies and procedures, and increased training concerning the use of approved communications methods, including on personal devices.

26. In addition, Respondent has undertaken to:

27. Internal Audit. Within one hundred eighty (180) days of the entry of this Order, PJT Partners will have its Internal Audit function initiate a separate audit(s), to be completed within three hundred and sixty-five (365) days of the entry of this Order, consisting of the following:

a. A comprehensive review of PJT Partners' supervisory, compliance, and other policies and procedures designed to ensure that PJT Partners' electronic communications, including those found on personal electronic devices, including without limitation, cellular phones ("Personal Devices"), are preserved in accordance with the requirements of the federal securities laws.

b. A comprehensive review of training conducted by PJT Partners designed to ensure employees are complying with the requirements regarding the preservation of electronic communications, including those found on Personal Devices, in accordance with the requirements of the federal securities laws, as well as a review of PJT Partners' requirement that their employees certify in writing on a periodic basis that they are complying with preservation requirements.

c. An assessment of the surveillance program measures implemented by PJT Partners designed to ensure compliance, on an ongoing basis, with the requirements found in the federal securities laws to preserve electronic communications, including those found on Personal Devices.

d. An assessment of the technological solutions that PJT Partners has begun implementing to meet the record retention requirements of the federal securities laws, including an assessment of the likelihood that PJT Partners' employees will use the technological solutions going forward and a review of the measures employed by PJT Partners to track employee usage of new technological solutions.

e. An assessment of the measures used by PJT Partners to prevent the use of unauthorized communications methods for business communications by employees. This assessment should include, but not be limited to, a review of PJT Partners' policies and procedures to ascertain if they provide for any significant technology and/or behavioral restrictions that help prevent the risk of the use of unapproved communications methods on Personal Devices.

f. A review of PJT Partners' electronic communications surveillance routines to ensure that electronic communications through approved communications methods

found on Personal Devices are incorporated into PJT Partners' overall communications surveillance program.

g. A comprehensive review of the framework adopted by PJT Partners to address instances of non-compliance by PJT Partners' employees with PJT Partners' policies and procedures concerning the use of Personal Devices to communicate about PJT Partners business in the past. This review shall include a survey of how PJT Partners determined which employees failed to comply with PJT Partners' policies and procedures, the corrective action carried out, an evaluation of who violated the policies and procedures and why, what penalties were imposed, and whether penalties were handed out consistently across business lines and seniority levels.

28. Recordkeeping. PJT Partners shall preserve, for a period of not less than six (6) years from the end of the fiscal year last used, the first two (2) years in an easily accessible place, any record of compliance with these undertakings.

29. Deadlines. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

30. Certification. PJT Partners shall certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings and provide written evidence of compliance in the form of a narrative. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification shall be submitted to Thomas P. Smith, Jr., Associate Regional Director, New York Regional Office, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004, or such other person as the Commission staff may request, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

31. In determining whether to accept the Offer, the Commission has considered these undertakings.

IV.

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

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

A. Respondent PJT Partners cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act, and Rule 17a-4 thereunder.

B. Respondent PJT Partners is censured.

C. Respondent PJT Partners shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$600,000 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 PJT Partners 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 Thomas P. Smith, Jr., Associate Regional Director, New York Regional Office, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004.

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 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