

BrokerCheck Report

CITADEL SECURITIES LLC

CRD# 116797

| <u>Section Title</u> | <u>Page(s)</u> |
|-----------------------------|-----------------------|
| Report Summary | 1 |
| Firm Profile | 2 - 7 |
| Firm History | 8 |
| Firm Operations | 9 - 34 |
| Disclosure Events | 35 |



Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- o information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- o information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

Thank you for using FINRA BrokerCheck.



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)



CITADEL SECURITIES LLC

CRD# 116797

SEC# 8-53574

Main Office Location

131 SOUTH DEARBORN STREET
32ND FLOOR
CHICAGO, IL 60603
Regulated by FINRA Chicago Office

Mailing Address

131 SOUTH DEARBORN STREET
32ND FLOOR
CHICAGO, IL 60603

Business Telephone Number

312-395-2100

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a limited liability company.

This firm was formed in Delaware on 07/30/2001.

Its fiscal year ends in December.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This firm is registered with:

- the SEC
- 25 Self-Regulatory Organizations
- 16 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 10 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm does not have referral or financial arrangements with other brokers or dealers.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

The following types of disclosures have been reported:

| Type | Count |
|------------------|-------|
| Regulatory Event | 59 |
| Arbitration | 1 |



Firm Profile

This firm is classified as a limited liability company.

This firm was formed in Delaware on 07/30/2001.

Its fiscal year ends in December.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

CITADEL SECURITIES LLC

Doing business as CITADEL SECURITIES LLC

CRD# 116797

SEC# 8-53574

Main Office Location

131 SOUTH DEARBORN STREET
32ND FLOOR
CHICAGO, IL 60603

Regulated by FINRA Chicago Office

Mailing Address

131 SOUTH DEARBORN STREET
32ND FLOOR
CHICAGO, IL 60603

Business Telephone Number

312-395-2100



Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

| | |
|---|-----------------|
| Legal Name & CRD# (if any): | CSHC US LLC |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Position | OWNER |
| Position Start Date | 01/2016 |
| Percentage of Ownership | 75% or more |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |

| | |
|---|-----------------|
| Legal Name & CRD# (if any): | CALC IV LP |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Position | MANAGING MEMBER |
| Position Start Date | 07/2019 |
| Percentage of Ownership | Less than 5% |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |

| | |
|---|---|
| Legal Name & CRD# (if any): | FELTY, MICHAEL GLEN 4776819 |
| Is this a domestic or foreign entity or an individual? | Individual |
| Position | CHIEF COMPLIANCE OFFICER, CORE COMPLIANCE |
| Position Start Date | 08/2005 |
| Percentage of Ownership | Less than 5% |



Firm Profile

Direct Owners and Executive Officers (continued)

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): HENRY, STEVEN MICHAEL
5587809

Is this a domestic or foreign entity or an individual? Individual

Position CHIEF ACCOUNTING OFFICER

Position Start Date 03/2020

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): KLOIN, SCOTT ELLIOT
4971326

Is this a domestic or foreign entity or an individual? Individual

Position CHIEF COMPLIANCE OFFICER

Position Start Date 08/2012

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? No

Is this a public reporting company? No

Legal Name & CRD# (if any): ZHAO, PENG
4978269

Firm Profile



Direct Owners and Executive Officers (continued)

| | |
|---|-------------------------|
| Is this a domestic or foreign entity or an individual? | Individual |
| Position | CHIEF EXECUTIVE OFFICER |
| Position Start Date | 03/2017 |
| Percentage of Ownership | Less than 5% |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |



Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners

| | |
|---|--------------------------------|
| Legal Name & CRD# (if any): | CITADEL SECURITIES HOLDINGS LP |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Company through which indirect ownership is established | CITADEL SECURITIES LP |
| Relationship to Direct Owner | OWNER |
| Relationship Established | 07/2019 |
| Percentage of Ownership | 75% or more |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |

| | |
|---|-----------------------|
| Legal Name & CRD# (if any): | CITADEL SECURITIES LP |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Company through which indirect ownership is established | CSHC US LLC |
| Relationship to Direct Owner | MEMBER |
| Relationship Established | 08/2018 |
| Percentage of Ownership | 75% or more |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |

| | |
|---|-----------------------------|
| Legal Name & CRD# (if any): | GFH CSECA LLC (FKA GFH LLC) |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |



Firm Profile

Indirect Owners (continued)

Company through which indirect ownership is established CITADEL SECURITIES HOLDINGS LP

Relationship to Direct Owner MEMBER

Relationship Established 07/2019

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): GRIFFIN, KENNETH CORDELE
1985894

Is this a domestic or foreign entity or an individual? Individual

Company through which indirect ownership is established GFH LLC

Relationship to Direct Owner SOLE MEMBER

Relationship Established 08/2012

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is currently registered with the SEC, 25 SROs and 16 U.S. states and territories.

| Federal Regulator | Status | Date Effective |
|-------------------|----------|----------------|
| SEC | Approved | 04/17/2002 |

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

| Self-Regulatory Organization | Status | Date Effective |
|--|----------|----------------|
| FINRA | Approved | 02/25/2005 |
| BOX Exchange LLC | Approved | 05/07/2012 |
| Cboe BYX Exchange, Inc. | Approved | 10/01/2010 |
| Cboe BZX Exchange, Inc. | Approved | 10/23/2008 |
| Cboe C2 Exchange, Inc. | Approved | 10/07/2010 |
| Cboe EDGA Exchange, Inc. | Approved | 05/14/2010 |
| Cboe EDGX Exchange, Inc. | Approved | 05/14/2010 |
| Cboe Exchange, Inc. | Approved | 04/17/2002 |
| Investors' Exchange LLC | Approved | 08/04/2016 |
| Long-Term Stock Exchange, Inc. | Approved | 05/05/2020 |
| MEMX LLC | Approved | 06/18/2020 |
| MIAX Emerald, LLC | Approved | 03/01/2019 |
| MIAX PEARL, LLC | Approved | 02/06/2017 |
| Miami International Securities Exchange, LLC | Approved | 12/07/2012 |
| NYSE American LLC | Approved | 03/12/2004 |

| | | |
|-------------------------|----------|------------|
| NYSE Arca, Inc. | Approved | 03/23/2004 |
| NYSE Chicago, Inc. | Approved | 01/26/2007 |
| NYSE National, Inc. | Approved | 05/18/2018 |
| Nasdaq BX, Inc. | Approved | 01/14/2004 |
| Nasdaq GEMX, LLC | Approved | 07/29/2013 |
| Nasdaq ISE, LLC | Approved | 05/03/2002 |
| Nasdaq MRX, LLC | Approved | 02/10/2016 |
| Nasdaq PHLX LLC | Approved | 12/23/2003 |
| Nasdaq Stock Market | Approved | 07/12/2006 |
| New York Stock Exchange | Approved | 12/01/2008 |

Firm Operations



Registrations (continued)

| U.S. States & Territories | Status | Date Effective |
|---------------------------|----------|----------------|
| Alabama | Approved | 11/20/2009 |
| Alaska | Approved | 09/24/2009 |
| California | Approved | 09/17/2009 |
| Florida | Approved | 02/01/2011 |
| Louisiana | Approved | 12/18/2009 |
| Michigan | Approved | 01/28/2011 |
| Montana | Approved | 09/29/2009 |
| New York | Approved | 05/11/2009 |
| Pennsylvania | Approved | 10/07/2009 |
| Puerto Rico | Approved | 10/15/2009 |
| Rhode Island | Approved | 11/02/2009 |
| Texas | Approved | 06/29/2010 |
| Virginia | Approved | 08/27/2009 |
| Washington | Approved | 09/22/2009 |
| West Virginia | Approved | 08/20/2015 |
| Wyoming | Approved | 10/08/2009 |



Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 10 types of businesses.

Types of Business

Exchange member engaged in exchange commission business other than floor activities

Exchange member engaged in floor activities

Broker or dealer making inter-dealer markets in corporation securities over-the-counter

Broker or dealer retailing corporate equity securities over-the-counter

Broker or dealer selling corporate debt securities

U S. government securities dealer

U S. government securities broker

Put and call broker or dealer or option writer

Trading securities for own account

Other - REGISTRANT TRADES AND PROVIDES ORDER EXECUTION AND ROUTING SERVICES TO OTHER BROKER DEALERS IN STOCKS, CONVERTIBLES, CORP. BONDS, LISTED OPTIONS, GOVERNMENT AND FOREIGN SECURITIES, AND OTC DERIVATIVES. REGISTRANT TRADES SECURITIES FOR ITS OWN ACCOUNT, SELF-CLEARs PROPRIETARY TRADES, AND ENGAGES IN SECURITIES BORROWING AND LENDING ARRANGEMENTS AND REPURCHASE AGREEMENTS.

Other Types of Business

This firm does effect transactions in commodities, commodity futures, or commodity options.

This firm does engage in other non-securities business.

Non-Securities Business Description: REGISTRANT TRADES FOREIGN CURRENCY INSTRUMENTS, INCLUDING SPOT, FUTURE, OPTIONS, AND FORWARD TRANSACTIONS.

Firm Operations



Clearing Arrangements

This firm does not hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does not refer or introduce customers to other brokers and dealers.

Firm Operations

Industry Arrangements



This firm does have books or records maintained by a third party.

Name: CITADEL SECURITIES AMERICAS LLC

Business Address: 131 SOUTH DEARBORN STREET
CHICAGO, IL 60603

Effective Date: 01/01/2018

Description: CITADEL SECURITIES AMERICAS LLC PROVIDES OPERATIONAL AND ADMINISTRATIVE SERVICES TO CITADEL SECURITIES LLC AND IN THAT CAPACITY MAINTAINS PORTIONS OF CITADEL SECURITIES LLC'S BOOKS AND RECORDS.

Name: CITADEL ENTERPRISE AMERICAS LLC

Business Address: 131 SOUTH DEARBORN STREET
32ND FLOOR
CHICAGO, IL 60603

Effective Date: 07/31/2001

Description: CITADEL ENTERPRISE AMERICAS LLC (FKA CITADEL LLC) PROVIDES OPERATIONAL AND ADMINISTRATIVE SERVICES TO CITADEL SECURITIES LLC AND IN THAT CAPACITY MAINTAINS PORTIONS OF CITADEL SECURITIES LLC'S BOOKS AND RECORDS.

This firm does have accounts, funds, or securities maintained by a third party.

Name: BARCLAYS CAPITAL INC.

CRD #: 19714

Business Address: 745 7TH AVENUE
NEW YORK, NY 10019

Effective Date: 12/02/2020

Description: BARCLAYS CAPITAL INC ACTS AS A CLEARING BROKER FOR THE FIRM, AND IN THAT CAPACITY MAY HAVE CUSTODY OF THE FIRM'S SECURITIES OR FUNDS.

Name: ABN AMRO CLEARING CHICAGO LLC

CRD #: 14020

Business Address: 175 WEST JACKSON BLVD
SUITE 2050
CHICAGO, IL 60604

Firm Operations



Industry Arrangements (continued)

| | |
|--------------------------|--|
| Effective Date: | 05/29/2020 |
| Description: | ABN AMRO CLEARING CHICAGO LLC ACTS AS A CLEARING BROKER FOR APPLICANT AND IN THAT CAPACITY MAY HAVE CUSTODY OF THE APPLICANTS FUNDS OR SECURITIES. |
| Name: | GOLDMAN SACHS & CO. LLC |
| CRD #: | 361 |
| Business Address: | 200 WEST STREET NEW YORK, NY 10282 |
| Effective Date: | 01/24/2020 |
| Description: | GOLDMAN SACHS AND CO LLC ACTS AS A CLEARING BROKER FOR CITADEL SECURITIES LLC AND IN THAT CAPACITY MAY HAVE CUSTODY OF FUNDS OR SECURITIES OF CITADEL SECURITIES LLC. |
| Name: | J.P. MORGAN SECURITIES LLC |
| CRD #: | 79 |
| Business Address: | 383 MADISON AVENUE NEW YORK, NY 10179 |
| Effective Date: | 06/12/2019 |
| Description: | JP MORGAN SECURITIES LLC ACTS AS A CLEARING BROKER FOR APPLICANT AND IN THAT CAPACITY MAY HAVE CUSTODY OF THE APPLICANTS FUNDS OR SECURITIES. |
| Name: | BOFA SECURITIES, INC. |
| CRD #: | 283942 |
| Business Address: | ONE BRYANT PARK NEW YORK, NY 10036 |
| Effective Date: | 07/17/2012 |
| Description: | BOFA SECURITIES INC. (FORMERLY MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED) ACTS AS THE CLEARING BROKER FOR APPLICANT AND IN THAT CAPACITY MAY HAVE CUSTODY OF THE APPLICANT'S FUNDS OR SECURITIES. |
| Name: | MERRILL LYNCH PROFESSIONAL CLEARING CORP. |
| CRD #: | 16139 |
| Business Address: | 222 BROADWAY- 6TH FLOOR NEW YORK, NY 10038 |
| Effective Date: | 04/11/2003 |

Firm Operations



Industry Arrangements (continued)

Description: MERRILL LYNCH PROFESSIONAL CLEARING CORP. ACTS AS THE CLEARING BROKER FOR CITADEL SECURITIES LLC AND IN THAT CAPACITY MAY HAVE CUSTODY OF FUNDS OR SECURITIES OF CITADEL SECURITIES LLC.

This firm does not have customer accounts, funds, or securities maintained by a third party.

Control Persons/Financing

This firm does have individuals who control its management or policies through agreement.

Name: CSUS (HONG KONG) LIMITED

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG NOT APP

Effective Date: 01/01/2019

Description: CSUC (HONG KONG) LTD SERVES AS A PORTFOLIO MANAGER FOR A PORTION OF CITADEL SECURITIES LLC'S INVESTMENTS INSTRUMENTS THAT WERE TRADED OR ARRANGED FROM HONG KONG OR ASIA.

Name: CITADEL SECURITIES GP LLC

Business Address: 131 SOUTH DEARBORN STREET
CHICAGO, IL 60603

Effective Date: 07/24/2017

Description: CITADEL SECURITIES GP LLC IS THE GENERAL PARTNER OF CITADEL SECURITIES HOLDINGS LP

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- in control of
 - controlled by
 - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

CSFT HOLDINGS (IRELAND) LIMITED is under common control with the firm.

| | |
|--|---|
| Business Address: | ONE GRAND SQUARE 5TH FLOOR, DUBLIN 2 DUBLIN, IRELAND |
| Effective Date: | 07/30/2021 |
| Foreign Entity: | Yes |
| Country: | IRELAND |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CSFT HOLDINGS (IRELAND) LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN. |

CITADEL SECURITIES TAIWAN LIMITED is under common control with the firm.

| | |
|--|--|
| Business Address: | 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE 8 FINANCE STREET CENTRAL, HONG KONG |
| Effective Date: | 03/22/2019 |
| Foreign Entity: | Yes |
| Country: | HONG KONG |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CITADEL SECURITIES TAIWAN LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH |

Firm Operations**Organization Affiliates (continued)**

GRIFFIN.

CITADEL SECURITIES CV LTD is under common control with the firm.

Business Address: C/O MAPLES CORPORATE SERVICES LIMITED
PO BOX 309 UGLAND HOUSE
GRAND CAYMAN, CAYMAN ISLANDS KY1-1104

Effective Date: 03/18/2020

Foreign Entity: Yes

Country: CAYMAN ISLANDS

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES CV LTD IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES PRINCIPAL INVESTMENTS LLC is under common control with the firm.

Business Address: 131 SOUTH DEARBORN ST
CHICAGO, IL 60603

Effective Date: 12/09/2014

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES PRINCIPAL INVESTMENTS LLC IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES AUSTRALIA TRADING PTY LIMITED is under common control with the firm.

Business Address: LEVEL 20, WESTPAC BUILDING
60 MARTIN PL
SYDNEY, AUSTRALIA NSW 2000

Effective Date: 09/25/2020

Foreign Entity: Yes

Firm Operations**Organization Affiliates (continued)**

Country: AUSTRALIA

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES AUSTRALIA TRADING PTY LIMITED IS A FOREIGN BROKER-DEALER INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN.

CITADEL SECURITIES AUSTRALIA PTY LTD is under common control with the firm.

Business Address: LEVEL 20, WESTPAC BUILDING
60 MARTIN PL
SYDNEY, AUSTRALIA

Effective Date: 12/21/2015

Foreign Entity: Yes

Country: AUSTRALIA

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES AUSTRALIA PTY LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES AMERICAS TRADING LLC is under common control with the firm.

Business Address: 131 SOUTH DEARBORN STREET
CHICAGO, IL 60603

Effective Date: 08/08/2018

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES AMERICAS TRADING LLC IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

Firm Operations



Organization Affiliates (continued)

CITADEL SECURITIES JAPAN LIMITED is under common control with the firm.

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG

Effective Date: 11/05/2019

Foreign Entity: Yes

Country: HONG KONG

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES JAPAN LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CRBH HOLDINGS LTD is under common control with the firm.

Business Address: C/O MAPLES CORPORATE SERVICES LIMITED
PO BOX 309 UGLAND HOUSE
GRAND CAYMAN, CAYMAN ISLANDS KY1-1104

Effective Date: 10/03/2018

Foreign Entity: Yes

Country: CAYMAN ISLANDS

Securities Activities: Yes

Investment Advisory Activities: No

Description: CRBH HOLDINGS LTD IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CSUS (HONG KONG) LIMITED is under common control with the firm.

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG

Effective Date: 03/07/2017

Foreign Entity: Yes

Country: HONG KONG

Firm Operations**Organization Affiliates (continued)****Securities Activities:** Yes**Investment Advisory Activities:** No**Description:** CSUS (HONG KONG) LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.**CS TRADING LLC is under common control with the firm.****Business Address:** 131 SOUTH DEARBORN STREET
CHICAGO, IL 60603**Effective Date:** 08/27/2020**Foreign Entity:** No**Country:****Securities Activities:** Yes**Investment Advisory Activities:** No**Description:** CS TRADING LLC IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES UNDER COMMON OWNERSHIP, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.**CITADEL (SHANGHAI) CONSULTING SERVICES COMPANY LTD is under common control with the firm.****Business Address:** 15 F PLAZA 66, TOWER II
NANJING WEST ROAD
SHANGHAI, CHINA**Effective Date:** 06/01/2018**Foreign Entity:** Yes**Country:** CHINA**Securities Activities:** Yes**Investment Advisory Activities:** No**Description:** CITADEL (SHANGHAI) CONSULTING SERVICES TRADING COMPANY LTD IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.**CITADEL SECURITIES (HONG KONG) LIMITED is under common control with the firm.**

Firm Operations**Organization Affiliates (continued)**

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG

Effective Date: 06/30/2019

Foreign Entity: Yes

Country: HONG KONG

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES (HONG KONG) LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CSUK (HONG KONG) LIMITED is under common control with the firm.

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG

Effective Date: 06/30/2019

Foreign Entity: Yes

Country: HONG KONG

Securities Activities: Yes

Investment Advisory Activities: No

Description: CSUK (HONG KONG) LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CSHC CANADA LLC is under common control with the firm.

Business Address: 131 SOUTH DEARBORN STREET
CHICAGO, IL 60603

Effective Date: 06/30/2019

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory No

Firm Operations



Organization Affiliates (continued)

Activities:

Description: CSHC CANADA LLC IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CSHC ASIA LLC is under common control with the firm.

Business Address: 131 SOUTH DEARBORN STREET
CHICAGO, IL 60603

Effective Date: 06/30/2019

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: CSHC ASIA LLC IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CSHC IRELAND LLC is under common control with the firm.

Business Address: 131 SOUTH DEARBORN STREET
CHICAGO, IL 60603

Effective Date: 06/30/2019

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: CSHC IRELAND LLC IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CSHC EUROPE LLC is under common control with the firm.

Business Address: 131 SOUTH DEARBORN STREET
CHICAGO, IL 60603

Effective Date: 06/30/2019

Foreign Entity: No

Country:

Firm Operations



Organization Affiliates (continued)

Securities Activities: Yes

Investment Advisory Activities: No

Description: CSHC EUROPE LLC IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES FINANCE (UK) LIMITED is under common control with the firm.

Business Address: 120 LONDON WALL
LONDON, UNITED KINGDOM EC2Y 5ET

Effective Date: 04/26/2019

Foreign Entity: Yes

Country: UNITED KINGDOM

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES FINANCE (UK) LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES ASIA TRADING LIMITED is under common control with the firm.

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG

Effective Date: 03/22/2019

Foreign Entity: Yes

Country: HONG KONG

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES ASIA TRADING LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES ARBITRAGE TRADING LIMITED is under common control with the firm.

Firm Operations**Organization Affiliates (continued)**

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG

Effective Date: 03/22/2019

Foreign Entity: Yes

Country: HONG KONG

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES ARBITRAGE TRADING LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES KOREA LIMITED is under common control with the firm.

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG

Effective Date: 03/22/2019

Foreign Entity: Yes

Country: HONG KONG

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES KOREA LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES CHINA LIMITED is under common control with the firm.

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG

Effective Date: 03/22/2019

Foreign Entity: Yes

Country: HONG KONG

Firm Operations



Organization Affiliates (continued)

| | |
|--|--|
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CITADEL SECURITIES CHINA LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN. |

CITADEL SECURITIES ASIA HOLDINGS LIMITED is under common control with the firm.

| | |
|--|--|
| Business Address: | 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE 8 FINANCE STREET CENTRAL, HONG KONG |
| Effective Date: | 03/22/2019 |
| Foreign Entity: | Yes |
| Country: | HONG KONG |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CITADEL SECURITIES ASIA HOLDINGS LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN. |

CITADEL SECURITIES (HONG KONG) II LIMITED is under common control with the firm.

| | |
|--|---|
| Business Address: | 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE 8 FINANCE STREET CENTRAL, HONG KONG |
| Effective Date: | 03/22/2019 |
| Foreign Entity: | Yes |
| Country: | HONG KONG |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CITADEL SECURITIES (HONG KONG) II LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN. |

Firm Operations



Organization Affiliates (continued)

CITADEL SECURITIES (ASIA) LIMITED is under common control with the firm.

Business Address: 16TH FLOOR, 2 INTERNATIONAL FINANCE CENTRE
8 FINANCE STREET
CENTRAL, HONG KONG

Effective Date: 04/25/2017

Foreign Entity: Yes

Country: HONG KONG

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES (ASIA) LIMITED IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES GCS (IRELAND) LIMITED is under common control with the firm.

Business Address: ONE GRAND SQUARE
5TH FLOOR, DUBLIN 2
DUBLIN, IRELAND

Effective Date: 07/04/2017

Foreign Entity: Yes

Country: IRELAND

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES GCS (IRELAND) LIMITED IS AN IRISH CENTRAL BANK REGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL SECURITIES FINANCIAL TRADING (IRELAND) DAC is under common control with the firm.

Business Address: ONE GRAND CANAL SQUARE
5TH FLOOR, DUBLIN 2
DUBLIN, IRELAND

Effective Date: 09/01/2016

Foreign Entity: Yes

Firm Operations



Organization Affiliates (continued)

| | |
|--|--|
| Country: | IRELAND |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CITADEL SECURITIES FINANCIAL TRADING (IRELAND) DAC IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN. |

CRBU HOLDINGS LLC is under common control with the firm.

| | |
|--|--|
| Business Address: | 131 SOUTH DEARBORN STREET CHICAGO, IL 60603 |
| Effective Date: | 09/09/2017 |
| Foreign Entity: | No |
| Country: | |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CRBU HOLDINGS IS AN UNREGISTERED AFFILIATE OF CITADEL SECURITIES UNDER COMMON OWNERSHIP, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN. |

CITADEL SECURITIES HOLDINGS LP controls the firm.

| | |
|--|---|
| Business Address: | 131 SOUTH DEARBORN STREET CHICAGO, IL 60603 |
| Effective Date: | 07/24/2017 |
| Foreign Entity: | No |
| Country: | |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CITADEL SECURITIES HOLDINGS LP IS THE MAJORITY OWNER OF CALC IV LP AND IS INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN. |

CITADEL SECURITIES JAPAN SERVICES LLC is under common control with the firm.

Firm Operations**Organization Affiliates (continued)**

Business Address: C/O CITADEL LLC
CHICAGO, IL 60603

Effective Date: 07/24/2017

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES JAPAN SERVICES LLC IS A FOREIGN BROKER-DEALER INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN.

CITADEL SECURITIES CANADA ULC is under common control with the firm.

Business Address: 161 BAY STREET
TORONTO, CANADA MJ5 2S1

Effective Date: 05/20/2015

Foreign Entity: Yes

Country: CANADA

Securities Activities: Yes

Investment Advisory Activities: No

Description: CES SECURITIES CANADA ULC IS A FOREIGN BROKER-DEALER INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN.

CITADEL SECURITIES INSTITUTIONAL LLC is under common control with the firm.

CRD #: 281102

Business Address: 131 SOUTH DEARBORN
CHICAGO, IL 60603

Effective Date: 07/27/2015

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Firm Operations



Organization Affiliates (continued)

Description: CITADEL SECURITIES INSTITUTIONAL LLC IS A BROKER-DEALER UNDER COMMON OWNERSHIP WITH CITADEL SECURITIES.

CITADEL CLEARING LLC is under common control with the firm.

CRD #: 172693

Business Address: 131 SOUTH DEARBORN STREET
CHICAGO, IL 60603

Effective Date: 08/27/2014

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL CLEARING LLC IS A BROKER-DEALER AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL QUANTITATIVE STRATEGIES MASTER FUND LTD is under common control with the firm.

Business Address: C/O MAPLES CORPORATE SERVICES LIMITED
PO BOX 309 UGLAND HOUSE
GRAND CAYMAN, CAYMAN ISLANDS KY1-1104

Effective Date: 08/27/2012

Foreign Entity: Yes

Country: CAYMAN ISLANDS

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL QUANTITATIVE STRATEGIES MASTER FUND LTD. IS A PRIVATE FUND INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN.

CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD is under common control with the firm.

Business Address: C/O MAPLES CORPORATE SERVICES LIMITED
PO BOX 309 UGLAND HOUSE
GRAND CAYMAN, CAYMAN ISLANDS KY1-1104

Effective Date: 05/21/2010

Firm Operations**Organization Affiliates (continued)**

| | |
|--|---|
| Foreign Entity: | Yes |
| Country: | CAYMAN ISLANDS |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD IS A PRIVATE FUND INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN. |

CITADEL ADVISORS LLC is under common control with the firm.

| | |
|--|--|
| Business Address: | 131 SOUTH DEARBORN STREET CHICAGO, IL 60603 |
| Effective Date: | 05/01/2013 |
| Foreign Entity: | No |
| Country: | |
| Securities Activities: | No |
| Investment Advisory Activities: | Yes |
| Description: | CITADEL ADVISORS LLC IS A REGISTERED INVESTMENT ADVISOR AND IS INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN. |

CITADEL GLOBAL EQUITIES MASTER FUND LTD. is under common control with the firm.

| | |
|--|---|
| Business Address: | C/O MAPLES CORPORATE SERVICES LIMITED PO BOX 309, UGLAND HOUSE GRAND CAYMAN, CAYMAN ISLANDS KY1-1104 |
| Effective Date: | 02/12/2009 |
| Foreign Entity: | Yes |
| Country: | CAYMAN ISLANDS |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CITADEL GLOBAL EQUITIES MASTER FUND LTD IS A PRIVATE FUND INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN. |

CITADEL EUROPE LLP is under common control with the firm.

Firm Operations**Organization Affiliates (continued)**

Business Address: 120 LONDON WALL
LONDON, UNITED KINGDOM EC2Y 5ET

Effective Date: 01/29/2009

Foreign Entity: Yes

Country: UNITED KINGDOM

Securities Activities: No

Investment Advisory Activities: Yes

Description: CITADEL EUROPE LLP IS INDIRECTELY CONTROLLED BY KENNETH CORDELE GRIFFIN

CITADEL INVESTMENT GROUP (EUROPE) LIMITED is under common control with the firm.

Business Address: 120 LONDON WALL
LONDON, UNITED KINGDOM EC2Y 5ET

Effective Date: 10/11/2001

Foreign Entity: Yes

Country: UNITED KINGDOM

Securities Activities: No

Investment Advisory Activities: Yes

Description: CITADEL INVESTMENT GROUP (EUROPE) LIMITED IS INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN

CITADEL SECURITIES (EUROPE) LIMITED is under common control with the firm.

Business Address: 120 LONDON WALL
LONDON, UNITED KINGDOM EC2Y 5ET

Effective Date: 11/17/2005

Foreign Entity: Yes

Country: UNITED KINGDOM

Securities Activities: Yes

Investment Advisory Activities: No

Description: CITADEL SECURITIES (EUROPE) LIMITED IS A FOREIGN BROKER-DEALER

Firm Operations**Organization Affiliates (continued)**

INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN.

CITADEL (HONG KONG) LIMITED is under common control with the firm.

Business Address: ONE INTERNATIONAL FINANCE CENTER
1 HARBOR VIEW STREET
HONG KONG, HONG KONG

Effective Date: 11/17/2005

Foreign Entity: Yes

Country: HONG KONG, SAR OF PRC

Securities Activities: No

Investment Advisory Activities: Yes

Description: CITADEL (HONG KONG) LIMITED IS INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN.

PALAFX TRADING LLC is under common control with the firm.

CRD #: 131114

Business Address: 131 SOUTH DEARBORN STREET
32ND FLOOR
CHICAGO, IL 60603

Effective Date: 01/16/2004

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: PALAFX TRADING LLC IS A BROKER-DEALER AFFILIATE OF CITADEL SECURITIES, AND INDIRECTLY CONTROLLED BY KENNETH GRIFFIN.

CITADEL EQUITY FUND LTD. is under common control with the firm.

Business Address: C/O MAPLES CORPORATE SERVICES LIMITED
PO BOX 309 UGLAND HOUSE
GRAND CAYMAN, CAYMAN ISLANDS KY1-1104

Effective Date: 07/30/2001

Firm Operations



Organization Affiliates (continued)

| | |
|--|--|
| Foreign Entity: | Yes |
| Country: | CAYMAN ISLANDS |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | CITADEL EQUITY FUND LTD. IS A PRIVATE FUND INDIRECTLY CONTROLLED BY KENNETH CORDELE GRIFFIN. |

This firm is not directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank



Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

| | Pending | Final | On Appeal |
|------------------|----------------|--------------|------------------|
| Regulatory Event | 0 | 59 | 0 |
| Arbitration | N/A | 1 | N/A |



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - § A "pending" event involves allegations that have not been proven or formally adjudicated.
 - § An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - § A "final" event has been concluded and its resolution is not subject to change.
 - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - § An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - § A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - § A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 59

Reporting Source: Regulator
Current Status: Final



Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT REPORTED TREASURY TRANSACTIONS TO TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) THAT IT WAS NOT REQUIRED TO REPORT. THE FINDINGS STATED THAT THE OVER-REPORTING OCCURRED WHEN THE FIRM TRANSFERRED TREASURY SECURITIES WITHIN ITS INTERNAL ACCOUNTS BECAUSE IT UNINTENTIONALLY REMOVED THE LOGIC TO PREVENT THESE INTERNAL TRANSFERS FROM BEING AUTOMATICALLY REPORTED. THE FIRM DETECTED THE ISSUE PRIOR TO BEING CONTACTED BY FINRA AND REINSERTED THE LOGIC. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO APPEND THE NO REMUNERATION INDICATOR TO TRACE REPORTS FOR TREASURY TRANSACTIONS WITH AN AFFILIATE THAT WERE AT COST. THE FIRM DID NOT INCLUDE THE NO REMUNERATION INDICATOR BECAUSE IT DID NOT HAVE THE NECESSARY LOGIC TO AUTOMATICALLY CODE THESE TRANSACTIONS TO INCLUDE IT. THE FIRM DISCOVERED THE ISSUE PRIOR TO BEING CONTACTED BY FINRA AND ADDED THE NECESSARY LOGIC TO INCLUDE THE INDICATOR. THE FINDINGS ALSO INCLUDED THAT THE FIRM REPORTED THAT THE CONTRA-PARTY IN A TRANSACTION WAS A CUSTOMER WHEN THE TRANSACTION WAS WITH AN AFFILIATE. THE INACCURATE REPORTING OCCURRED BECAUSE THE FIRM'S LOGIC AUTOMATICALLY MARKED ANY CONTRA-PARTY THAT WAS NOT A BROKER-DEALER AS A CUSTOMER. THE FIRM DISCOVERED THE ISSUE PRIOR TO BEING CONTACTED BY FINRA AND FIXED IT. FINRA FOUND THAT THE FIRM DID NOT HAVE A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH TRACE REPORTING RULES BECAUSE ITS SUPERVISORY REVIEWS FOR COMPLIANCE WITH TRACE REPORTING WERE LIMITED TO ALERTS GENERATED FOR REPORTING ERRORS THAT WERE INCORRECT ON THEIR FACE, SUCH AS LATE REPORTS OR REPORTS MISMATCHED REPORTS OF BROKER-DEALER CONTRA-PARTIES. THUS, IF THERE WAS AN ISSUE THAT COULD NOT BE DETECTED THROUGH AN AUTOMATIC ALERT, THE FIRM'S SUPERVISORY SYSTEM WOULD NOT DETECT IT. THE FIRM CORRECTED THIS ISSUE AND ADDED SUPERVISORY REVIEWS TO ADDRESS THE VIOLATIONS.

Initiated By: FINRA

Date Initiated: 03/25/2021

Docket/Case Number: [2019061038301](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:


Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/25/2021

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$275,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$275,000. FINE PAID IN FULL ON APRIL 5, 2021.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC (THE "FIRM") STIPULATED THAT, BETWEEN JULY 2017 AND OCTOBER 2019, THE FIRM (1) VIOLATED FINRA RULES 6730 AND 2010 BY (A) FROM AUGUST 2, 2017 THROUGH DECEMBER 8, 2018, INCORRECTLY REPORTING TREASURY TRANSACTIONS TO TRACE IT SHOULD NOT HAVE REPORTED; (B) FROM JULY 10, 2017 THROUGH OCTOBER 9, 2019, REPORTING AT-COST TRANSACTIONS WITH AN AFFILIATE TO TRACE WITHOUT APPENDING THE "NO REMUNERATION" INDICATOR; (C) FROM JULY 10, 2017 THROUGH NOVEMBER 15, 2018, REPORTING TRANSACTIONS WITH AN AFFILIATE WITH THE CUSTOMER COUNTERPARTY TYPE AND (2) VIOLATED FINRA RULES 3110 AND 2010 BY FAILING TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM DESIGNED TO ACHIEVE COMPLIANCE WITH TRACE REPORTING RULES. IN ALL CASES, THE INCORRECT REPORTS INVOLVED INTERNAL POSITION TRANSFERS OR TRANSACTIONS WITH AFFILIATES AND DID NOT INVOLVE TRANSACTIONS WITH CLIENTS.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 03/25/2021

Docket/Case Number: [2019061038301](#)



| | |
|---|---|
| Principal Product Type: | Debt - Government |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Censure |
| Other Sanction(s)/Relief Sought: | FINE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 03/25/2021 |
| Sanctions Ordered: | Censure Monetary/Fine \$275,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE FIRM CONSENTED TO CENSURE AND AGREED TO PAY \$275,000 TO FINRA TO SETTLE THE CHARGES, WHICH THE FIRM PAID ON APRIL 5, 2021. |
| Firm Statement | THE FIRM PAID THE FINE ON APRIL 5, 2021. |

Disclosure 2 of 59

| | |
|--------------------------|--|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT REPORTED EQUITY SALE TRANSACTIONS TO THE FNTRF WITH AN INACCURATE SHORT SALE INDICATOR. THE FINDINGS STATED THAT THE FIRM RELEASED A NEW SYSTEM DESIGNED TO IMPLEMENT THE NEW ORDER MARKING AND TRADE REPORTING METHODOLOGIES REQUIRED PURSUANT TO REGULATION SHO FAQ 2.5 AND FINRA TRADE REPORTING FAQ 407.13, RESPECTIVELY. HOWEVER, THE FIRM INADVERTENTLY OMITTED ONE OF ITS EXECUTION SYSTEMS AS PART OF THE RELEASE, AND THUS REPORTED TRADES USING THE HISTORICAL METHODOLOGY. THIS OMISSION CAUSED THE FIRM TO REPORT SHORT SALE EQUITY TRANSACTIONS TO THE FNTRF WITHOUT THE SHORT SALE INDICATOR. THE FIRM REMEDIATED THE ISSUE AFTER FINRA NOTIFIED IT OF THE ISSUE. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE A SUPERVISORY SYSTEM, INCLUDING WSPS, THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULES REQUIRING THE USE OF SHORT SALE INDICATORS. THE FIRM CONDUCTED END OF DAY REVIEWS FOR THE ACCURACY OF SHORT SALE TRANSACTION REPORTING, BUT THESE REVIEWS DID NOT INCLUDE TRADES EFFECTED THROUGH ALL OF ITS EXECUTION SYSTEMS. EVEN IF THE FIRM HAD |



INCLUDED ALL EXECUTION SYSTEMS IN ITS SUPERVISORY REVIEWS, IT WOULD NOT HAVE REVIEWED THE MISREPORTED TRANSACTIONS FOR SHORT SALE REPORTING REQUIREMENTS BECAUSE THE SUPERVISORY REVIEWS ONLY LOOKED AT ORDER ACTIVITY COVERED BY REGULATION SHO. UNLIKE FINRA'S TRADE REPORTING RULES, REGULATION SHO DID NOT APPLY TO THE MISREPORTED TRANSACTIONS BECAUSE REGULATION SHO MANDATES THE MARKING OF SELL ORDERS AND HERE THE MISREPORTED TRANSACTIONS WERE LIMITED TO THE EXECUTION OF INCOMING ORDERS RATHER THAN ORDER ENTRY OR ROUTING. THE FIRM ADDRESSED THE DEFICIENCIES IN ITS WSPS AFTER FINRA BROUGHT THE ISSUE TO ITS ATTENTION.

Initiated By: FINRA

Date Initiated: 11/13/2020

Docket/Case Number: [2016051085001](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/13/2020

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$180,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$180,000. FINE PAID IN FULL ON NOVEMBER 24, 2020.

Reporting Source: Firm

Current Status: Final



| | |
|---|--|
| Allegations: | FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC (THE "FIRM") STIPULATED THAT, BETWEEN SEPTEMBER 14, 2015 AND JULY 21, 2016, THE FIRM HAD A SYSTEM ISSUE, RELATED TO THE IMPLEMENTATION OF THE NEW ORDER MARKING AND TRADE REPORTING METHODOLOGIES REQUIRED PURSUANT TO REGULATION SHO FAQ 2.5 AND FINRA TRADE REPORTING FAQ 407.13, RESPECTIVELY, WHICH CAUSED IT TO REPORT APPROXIMATELY 6.5 MILLION EQUITY SALE TRANSACTIONS TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (TRF) WITH AN INACCURATE SHORT SALE INDICATOR IN VIOLATION OF FINRA RULES 6182, 7230A(D), AND 2010, AND THAT THE FIRM ALSO FAILED TO HAVE A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULES REQUIRING THE USE OF SHORT SALE INDICATORS IN VIOLATION OF FINRA RULES 3110 AND 2010. |
| Initiated By: | FINANCIAL INDUSTRY REGULATORY AUTHORITY. |
| Date Initiated: | 10/27/2020 |
| Docket/Case Number: | 2016051085001 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Censure |
| Other Sanction(s)/Relief Sought: | FINE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 11/13/2020 |
| Sanctions Ordered: | Censure Monetary/Fine \$180,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE FIRM CONSENTED TO A CENSURE AND AGREED TO PAY \$180,000 (COMPRISED OF \$140,000 FOR TRADE REPORTING VIOLATIONS AND \$40,000 FOR THE RELATED SUPERVISORY VIOLATIONS) TO FINRA TO SETTLE THE CHARGES. THE FIRM PAID THE FINE ON NOVEMBER 24, 2020. |
| Firm Statement | THE FIRM PAID THE FINE ON NOVEMBER 24, 2020. |



Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO DEMONSTRATE ELIGIBILITY OF THE EXCHANGE ACT RULE 15C2-11(F)(2) EXCEPTION BY MAKING A CONTEMPORANEOUS RECORD OF INFORMATION IN CONNECTION WITH QUOTATIONS. THE FINDINGS STATED THAT THE FIRM REQUIRED ITS BROKER-DEALER CLIENTS TO AFFIRM ON A BLANKET OR ORDER-BY-ORDER BASIS THAT RELEVANT ORDERS SENT TO IT WERE UNSOLICITED IN ORDER TO COMPLY WITH THE EXCEPTION. TO AFFIRM ON A BLANKET BASIS, THE FIRM REQUIRED EACH BROKER-DEALER CLIENT TO EXECUTE AN UNSOLICITED ORDER LETTER, KEPT ON FILE, IN WHICH THE CLIENT REPRESENTED IT WOULD ONLY SEND UNSOLICITED ORDERS TO THE FIRM. BROKER-DEALER CLIENTS THAT DID NOT EXECUTE UNSOLICITED ORDER LETTERS COULD AFFIRM THAT ORDERS SENT TO THE FIRM WERE UNSOLICITED ON AN ORDER-BY-ORDER BASIS BY MARKING AN ORDER'S SOLICITED FLAG AS "N" TO INDICATE IT AS UNSOLICITED. THE FIRM'S ORIGINAL GATEWAY IDENTIFIED CERTAIN ORDERS AS EXCEPTIONS WHERE A BROKER-DEALER CLIENT DID NOT HAVE AN UNSOLICITED ORDER LETTER AND THE BROKER-DEALER CLIENT POPULATED THE SOLICITED FLAG WITH A "Y" OR LEFT IT BLANK. THE ORIGINAL GATEWAY'S CONTROLS PROHIBITED THE FIRM FROM AUTOMATICALLY DISPLAYING THE ORDERS, FLAGGED THE ORDERS AS EXCEPTIONS AND REQUIRED A MANUAL REVIEW TO ENSURE THEY WERE UNSOLICITED, WHICH WAS DOCUMENTED ON AN UNSOLICITED ORDER CONFIRMATION LOG. AS A RESULT OF AN INADVERTENT LOGIC CHANGE, THE FIRM'S NEW CLIENT GATEWAY DID NOT IDENTIFY AS EXCEPTIONS WHERE A BROKER-DEALER CLIENT DID NOT HAVE AN UNSOLICITED ORDER LETTER AND THE CLIENT LEFT THE SOLICITED FLAG FIELD BLANK. THEREFORE, THE NEW GATEWAY TREATED CERTAIN ORDERS AS UNSOLICITED AND ELIGIBLE FOR DISPLAY, RESULTING IN APPROXIMATELY 15,443 QUOTATIONS. ADDITIONALLY, IN CONNECTION WITH A QUOTATION, THE FIRM'S BROKER-DEALER CLIENT CANCELLED THE ORDER PRIOR TO THE ENTRY OF THE QUOTE. IN CONNECTION WITH ANOTHER QUOTATION, THE FIRM'S BROKER-DEALER CUSTOMER'S ORDER WAS AN UNSOLICITED SELL ORDER OF 1,000 SHARES, BUT THE POSTED QUOTATION WAS FOR 3,410 SHARES. THE FIRM, THEREFORE, DID NOT HAVE UNSOLICITED CUSTOMER ORDERS, EITHER IN HAND OR FOR THE FULL AMOUNT OF THE QUOTATION, WHEN IT PUBLISHED THE QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS, AND WITH APPLICABLE FINRA RULES. THE PROCESS UTILIZED BY THE FIRM TO



ACHIEVE COMPLIANCE WITH THE RELEVANT RULES WAS FLAWED BECAUSE IT DID NOT FLAG AS EXCEPTIONS ORDERS WITH BLANK SOLICITED FLAGS. THE WSPS, DID NOT PROVIDE ANY DESCRIPTION AS TO WHAT THE ACTUAL SUPERVISORY REVIEW ENTAILED OR ANY STEPS TO BE TAKEN BY THE DESIGNATED INDIVIDUAL TO ACHIEVE COMPLIANCE WITH THE APPLICABLE FINRA RULE. FOR EXAMPLE, THERE IS NO GUIDANCE ON HOW THE DESK SUPERVISOR MUST ENSURE THAT ADEQUATE SUPPORTING DOCUMENTATION EXISTS, WHAT SOURCES OF INFORMATION MUST BE CONSULTED IN CONDUCTING SUCH A REVIEW, OR HOW THE DESK SUPERVISOR ENSURES THAT THE FIRM'S SYSTEMS REJECT ORDERS RECEIVED FROM CLIENTS WITH NO UNSOLICITED ORDER LETTERS ON FILE AND WHO FAILED TO POPULATE THE SOLICITED FLAG WITH AN "N."

Initiated By: FINRA

Date Initiated: 09/03/2020

Docket/Case Number: [2017053653101](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/03/2020

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$30,000. FINES PAID IN FULL ON SEPTEMBER 8, 2020.

Reporting Source: Firm



| | |
|---|---|
| Current Status: | Final |
| Allegations: | FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC (THE "FIRM") STIPULATED THAT, BETWEEN APRIL 1, 2016 AND MAY 30, 2017, THE FIRM VIOLATED (1) FINRA RULES 6432 AND 2010 BY FAILING TO DEMONSTRATE ELIGIBILITY FOR THE EXCHANGE ACT RULE 15C2-11(F)(2) EXCEPTION THAT REQUIRED THE FIRM TO MAKE A CONTEMPORANEOUS RECORD OF INFORMATION RELATED TO UNSOLICITED ORDERS IN CONNECTION WITH 15,445 QUOTATIONS, AND (2) VIOLATED FINRA RULES 3110 AND 2010 BY FAILING TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULE 6432. |
| Initiated By: | FINANCIAL INDUSTRY REGULATORY AUTHORITY |
| Date Initiated: | 08/26/2020 |
| Docket/Case Number: | 2017053653101 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Censure |
| Other Sanction(s)/Relief Sought: | FINE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 09/03/2020 |
| Sanctions Ordered: | Censure Monetary/Fine \$30,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE FIRM CONSENTED TO CENSURE AND AGREED TO PAY \$30,000 TO FINRA TO SETTLE THE CHARGES. |
| Firm Statement | THE FIRM PAID THE FINE ON SEPTEMBER 8, 2020. |

Disclosure 4 of 59

| | |
|--------------------------|-----------|
| Reporting Source: | Regulator |
| Current Status: | Final |

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRADED AHEAD OF CERTAIN ACTIVE OTC CUSTOMER ORDERS. THE FINDINGS STATED THAT THE FIRM SOUGHT TO PROGRAM ITS OTC DESK TRADING SYSTEMS TO COMPLY WITH TRADING AHEAD AND LIMIT ORDER DISPLAY RULES BY PROVIDING CUSTOMER ORDERS AUTOMATED ORDER PROTECTION, QUOTE DISPLAY, AND EXECUTION. THE OTC DESK, HOWEVER, IMPLEMENTED CONTROLS, SETTINGS AND PROCESSES THAT REMOVED HUNDREDS OF THOUSANDS OF MOSTLY LARGER CUSTOMER ORDERS FROM THOSE LOGICS. WHILE THOSE CONTROLS, SETTINGS AND PROCESSES HAD MULTIPLE PURPOSES, THEY SHARED A PRINCIPAL PURPOSE OF DIRECTING OTC CUSTOMER ORDERS FOR MANUAL REVIEW AND/OR HANDLING. IMPACTED ORDERS WERE RENDERED INACTIVE UNTIL THE COMPLETION OF A MANUAL TRADER REVIEW. WHILE OTC CUSTOMER ORDERS WERE INACTIVE, THE FIRM, IN MANY INSTANCES, AS PART OF ITS MARKET MAKING ACTIVITIES, TRADED FOR ITS OWN ACCOUNT ON THE SAME SIDE OF THE MARKET AT PRICES THAT WOULD HAVE SATISFIED THE ORDERS, WITHOUT IMMEDIATELY THEREAFTER EXECUTING THEM UP TO THE SIZE AND AT THE SAME OR BETTER PRICE AS IT TRADED FOR ITS OWN ACCOUNT. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO CONSISTENTLY APPLY ITS WRITTEN METHODOLOGY TO CERTAIN OTC CUSTOMER ORDERS. FOR OTC CUSTOMER ORDERS RENDERED INACTIVE BY THE CONTROLS, SETTINGS AND PROCESSES, EXECUTION PRIORITY DEPENDED ON WHEN OTC DESK TRADERS MANUALLY REVIEWED AND HANDLED THE ORDERS, NOT JUST THE PRICE-TIME PRIORITY DESCRIBED IN THE FIRM'S WRITTEN METHODOLOGY. THE TIME IT TOOK OTC DESK TRADERS TO MANUALLY HANDLE CUSTOMER ORDERS RANGED BASED ON MARKET FACTORS AND THEIR VARIOUS OTHER RESPONSIBILITIES ON THE DESK. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO DISPLAY CERTAIN OTC CUSTOMER LIMIT ORDERS. THERE WERE VARIOUS CIRCUMSTANCES WHERE OTC CUSTOMER LIMIT ORDERS THAT REQUIRED DISPLAY WERE HANDLED MANUALLY OR WERE SUBJECT TO DELAYED AUTOMATED HANDLING, WHICH, IN CERTAIN INSTANCES, RESULTED IN THE FIRM FAILING TO HANDLE THE ORDERS. THE FIRM ALLOWED OTC TRADERS TO DISABLE THE SYSTEM COMPONENT THAT AUTOMATICALLY SENT OTC LINK MESSAGES ON A SYMBOL-BY-SYMBOL BASIS, CAUSING MARKETABLE LIMIT ORDERS IN DISABLED SYMBOLS TO BE HANDLED MANUALLY. THE FIRM ALSO PROGRAMMED ITS SYSTEMS, IN THE EVENT THAT AN OUTBOUND OTC LINK MESSAGE EXPIRED AFTER 30 SECONDS LEAVING THE ORDER UNEXECUTED, TO SYSTEMATICALLY DELAY SENDING ANOTHER OUTBOUND OTC LINK MESSAGE TO THE SAME UNRESPONSIVE MARKET MAKER FOR THREE SECONDS, RESULTING IN A DELAY OF 33 SECONDS BETWEEN THE FIRM'S OUTBOUND OTC LINK MESSAGES. THE THREE SECOND DELAY WAS TO ALLOW THE UNRESPONSIVE MARKET



MAKER AN OPPORTUNITY TO UPDATE ITS QUOTATION. THE FIRM'S DISPLAY OF CUSTOMER LIMIT ORDERS WAS SOMETIMES DELAYED DUE TO MARKET DATA ISSUES OR BECAUSE MANUAL TRADER INTERVENTION WAS REQUIRED AS PART OF ITS INTERNAL OPENING CROSS PROCESS. FINRA FOUND THAT THE FIRM FAILED TO ESTABLISH A SUPERVISORY SYSTEM, INCLUDING WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH TRADING AHEAD AND LIMIT ORDER DISPLAY RULES FOR OTC CUSTOMER ORDERS. AMONG OTHER THINGS, THE FIRM DID NOT ESTABLISH WSPS REQUIRING SUPERVISORY REVIEWS OF OTC CUSTOMER ORDERS, NOR DID IT ESTABLISH ANY SUPERVISORY REPORTS OR OTHER TOOLS TO ALLOW SUPERVISORS TO MONITOR WHETHER OTC CUSTOMER ORDERS WERE HANDLED IN COMPLIANCE WITH APPLICABLE RULES. FURTHERMORE, THE REPORTS THE FIRM IMPLEMENTED WITH RESPECT TO THE DISPLAY OF OTC CUSTOMER LIMIT ORDERS WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULE 6460.

Initiated By: FINRA

Date Initiated: 07/16/2020

Docket/Case Number: [2014041859401](#)

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 07/16/2020

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$700,000.00

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: THE FIRM WAS CENSURED, FINED \$700,000 AND REQUIRED TO PROVIDE RESTITUTION, PLUS INTEREST, TO EACH CORRESPONDING FIRM CLIENT



FOR THE CUSTOMER ORDERS THAT IT EXECUTED AT PRICES WORSE THAN IT TRADED FOR ITS OWN ACCOUNT AND REQUIRED TO SUBMIT TO FINRA WITHIN 120 DAYS A WRITTEN CERTIFICATION THAT IT HAS COMPLETED A REVIEW OF ITS SYSTEMS, POLICIES, AND PROCEDURES REGARDING THE DISPLAY OF OTC CUSTOMER LIMIT ORDERS, AND ITS SYSTEMS, POLICIES, AND PROCEDURES ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULES AND THE FEDERAL SECURITIES LAWS AND REGULATIONS APPLICABLE TO THE DISPLAY OF OTC CUSTOMER LIMIT ORDERS. FINES PAID IN FULL ON JULY 31, 2020.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC (THE "FIRM") STIPULATED THAT, BETWEEN SEPTEMBER 2012 AND SEPTEMBER 2014 THE FIRM TRADED AHEAD OF CERTAIN CLIENT ORDERS IN OTC EQUITY SECURITIES WHILE THEY WERE RENDERED INACTIVE WHILE AWAITING MANUAL REVIEW AND ACTION AND, BETWEEN OCTOBER 2012 AND SEPTEMBER 2018, FAILED TO TIMELY DISPLAY CERTAIN CLIENT LIMIT ORDERS IN OTC EQUITY SECURITIES. THESE ACTS CONSTITUTE A VIOLATION OF FINRA RULES 5320 AND 6460, AND RELATED SUPERVISORY RULES.

Initiated By: FINRA

Date Initiated: 07/09/2020

Docket/Case Number: [2014041859401](#)

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE, DISGORGEMENT, AND UNDERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 07/16/2020

Sanctions Ordered: Censure
Monetary/Fine \$700,000.00
Disgorgement/Restitution



| | |
|---------------------------------|---|
| Other Sanctions Ordered: | UNDERTAKING |
| Sanction Details: | THE FIRM CONSENTED TO CENSURE AND AGREED TO PAY \$700,000 TO FINRA TO SETTLE THE CHARGES. THE FIRM ALSO AGREED TO CERTAIN UNDERTAKINGS, INCLUDING (A) PAYING RESTITUTION TO ELIGIBLE FIRM CLIENT FOR THE ALLEGED 5320(A) VIOLATIONS; AND, (B) A CERTIFICATION OF REVIEW OF ITS SYSTEMS, POLICIES, AND PROCEDURES, REGARDING THE DISPLAY OF OTC CUSTOMER LIMIT ORDERS. |
| Firm Statement | THE FIRM PAID THE FINE ON JULY 31, 2020. THE FIRM WILL UPDATE THE FORM BD DRP UPON COMPLETION OF THE CLIENT RESTITUTION AND UNDERTAKING CERTIFICATION REQUIREMENTS, WITHIN THE REQUIRED DUE DATES STIPULATED IN THE AWC. |

Disclosure 5 of 59

| | |
|---|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | <p>CITADEL SECURITIES, LLC FAILED TO CLOSE OUT A FAIL TO DELIVER POSITION IN ONE EQUITY SECURITY WITHIN THE PRESCRIBED TIME; EFFECTED SHORT SALES IN AN EQUITY SECURITY FOR WHICH IT HAD NOT CLOSED OUT A FAIL TO DELIVER POSITION WITHOUT FIRST BORROWING OR ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY.</p> <p>VIOLATION OF C2 RULE 4.2 AND REGULATION SHO RULE 204, PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.</p> <p>SANCTION: A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$10,000.</p> |
| Initiated By: | CBOE C2 EXCHANGE, INC. |
| Date Initiated: | 02/14/2020 |
| Docket/Case Number: | STAR NO. 20180580176 / FILE NO. USRI-8731 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | |



| | |
|---|--|
| Resolution: | Consent |
| Resolution Date: | 02/28/2020 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Censure Monetary/Fine \$10,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$10,000 |
| <hr/> | |
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | ON FEBRUARY 14, 2020, CITADEL SECURITIES LLC ("CITADEL SECURITIES" OR THE "FIRM") ENTERED INTO A LETTER OF CONSENT ("LOC") WITH CBOE C2 EXCHANGE INC, WHICH WAS FINALIZED ON FEBRUARY 28, 2020. THE LOC RELATED TO ALLEGATIONS THAT ON DECEMBER 21, 2017, THE FIRM FAILED TO CLOSE OUT A FAIL TO DELIVER POSITION IN ONE EQUITY SECURITY WITHIN THE PRESCRIBED TIME, IN VIOLATION OF REG SHO RULE 204(A) AND EXCHANGE RULE 4.2, AND TO ALLEGATIONS THAT ON DECEMBER 22, 2017, THE FIRM EFFECTED SHORT SALES IN AN EQUITY SECURITY FOR WHICH IT HAD NOT CLOSED OUT A FAIL TO DELIVER POSITION WITHOUT FIRST BORROWING OR ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY, IN VIOLATION OF REG SHO RULE 204(B) AND EXCHANGE RULE 4.2. THE FIRM NEITHER ADMITTED NOR DENIED THE ALLEGATIONS. |
| Initiated By: | CBOE C2 EXCHANGE, INC |
| Date Initiated: | 02/14/2020 |
| Docket/Case Number: | STAR 20180580176/USRI-8731 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |



| | |
|---|---|
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Consent |
| Resolution Date: | 02/28/2020 |
| Sanctions Ordered: | Censure Monetary/Fine \$10,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE FIRM CONSENTED TO CENSURE AND AGREED TO PAY \$10,000 TO CBOE C2 TO SETTLE THE CHARGES. THE FIRM PAID THE FINE ON MARCH 3, 2020. |
| Firm Statement | THE RELEVANT FINDINGS IN THE LOC ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE LOC ARE DESCRIBED IN ITEM 12.C. THE FIRM PAID THE FINE ON MARCH 3, 2020. |

Disclosure 6 of 59

| | |
|---|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ON THE RELEVANT DATE, CITADEL SECURITIES VIOLATED NYSE RULE 123C(3) BY IMPROPERLY CANCELLING A TOTAL OF 231 MARKET-ON-CLOSE ("MOC") ORDERS THAT WERE ASSOCIATED WITH A SINGLE BASKET OF SECURITIES AFTER THE PRESCRIBED CUT-OFF TIME OF 3:50 P.M., WHEN CANCELLATIONS OR REDUCTIONS ARE ONLY PERMITTED TO CORRECT LEGITIMATE ERRORS. THE FINDINGS STATED THAT THE FIRM ALSO VIOLATED NYSE RULE 3110 BY FAILING TO IMPLEMENT ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NYSE RULE 123C. |
| Initiated By: | NEW YORK STOCK EXCHANGE |
| Date Initiated: | 02/07/2020 |
| Docket/Case Number: | 20190500001 |
| Principal Product Type: | Other |
| Other Product Type(s): | UNSPECIFIED SECURITIES |
| Principal Sanction(s)/Relief Sought: | Other |



| | |
|---|--|
| Other Sanction(s)/Relief Sought: | N/A |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 02/07/2020 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Censure Monetary/Fine \$15,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE FIRM WAS CENSURED AND FINED \$15,000. |
| Regulator Statement | IN RESOLVING THIS MATTER, NYSE ALSO CONSIDERED REPRESENTATIONS MADE BY THE FIRM CONCERNING ITS SUBSEQUENT REMEDIAL ACTIONS, INCLUDING ITS MODIFICATIONS TO THE POST-TRADE SURVEILLANCE REPORT TO INCORPORATE PREVIOUSLY EXCLUDED ACTIVITY, AS WELL AS THE DEPLOYMENT OF A FIX THAT EXTENDS APPLICATION OF THE FIRM'S MOC/LOC CONTROLS TO CHILD ORDERS. |
| <hr/> | |
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | ON JANUARY 13, 2020, CITADEL SECURITIES LLC ("CITADEL SECURITIES" OR THE "FIRM") ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") WITH NYSE REGULATION, WHICH WAS FINALIZED ON FEBRUARY 7, 2020, RELATED TO ALLEGATIONS THAT, ON APRIL 30, 2019, THE FIRM IMPROPERLY CANCELLED A TOTAL OF 231 MARKET-ON-CLOSE ORDERS (ALL ASSOCIATED WITH A SINGLE BASKET OF SECURITIES) AFTER THE PRESCRIBED CUT-OFF TIME OF 3:50 P.M., ABSENT A LEGITIMATE ERROR, IN VIOLATION OF NYSE RULE 123C(3). IN ADDITION, THE AWC ALLEGED THAT THE FIRM FAILED TO IMPLEMENT ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN VIOLATION OF NYSE RULE 3110. THE FIRM NEITHER ADMITTED NOR DENIED THE ALLEGATIONS. |
| Initiated By: | NYSE REGULATION |
| Date Initiated: | 01/13/2020 |
| Docket/Case Number: | 2019-05-00001 |



| | |
|---|---|
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Censure |
| Other Sanction(s)/Relief Sought: | FINE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 02/07/2020 |
| Sanctions Ordered: | Censure Monetary/Fine \$15,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE FIRM CONSENTED TO CENSURE AND AGREED TO PAY \$15,000 TO NYSER TO SETTLE THE CHARGES. THE FIRM PAID THE FINE ON FEBRUARY 11, 2020. |
| Firm Statement | THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE DESCRIBED IN ITEM 12.C. THE FIRM PAID THE FINE ON FEBRUARY 11, 2020. |

Disclosure 7 of 59

| | |
|--------------------------|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | CITADEL SECURITIES LLC: (I) DID NOT HAVE WRITTEN POLICIES AND PROCEDURES TO PREVENT THE EXECUTION OR DISPLAY OF SHORT SALE ORDERS AT PRICES LESS THAN OR EQUAL TO THE CURRENT NBB WHEN A CIRCUIT BREAKER WAS IN EFFECT; (II) FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS, AND A SYSTEM FOR APPLYING SUCH PROCEDURES, REASONABLY DESIGNED TO PREVENT AND DETECT VIOLATIONS RELATED TO REGULATION SHO RULE 201. VIOLATION OF C2 RULES 4.2 AND 4.24; REGULATION SHO RULE 201, PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SANCTION: A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$15,000. |
| Initiated By: | CBOE C2 EXCHANGE, INC. |
| Date Initiated: | 01/22/2020 |



| | |
|---|--|
| Docket/Case Number: | STAR NO. 20180590083 / FILE NO. USRI-8681 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Consent |
| Resolution Date: | 01/23/2020 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Censure Monetary/Fine \$15,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$15,000 |
| <hr/> | |
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | <p>FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC (THE "FIRM") STIPULATED THAT BETWEEN JUNE 12, 2013 AND OCTOBER 17, 2017, THE FIRM PRINCIPALLY EXECUTED BETWEEN 248 AND 7,698 CLIENT BUY ORDERS WITH EXECUTIONS PRICES THAT WERE AT THE NATIONAL BEST BID DURING A CIRCUIT BREAKER. THESE ACTS CONSTITUTE A VIOLATION OF EXCHANGE RULE 4.2 AND REGULATION SHO 201(B)(1), IN THAT THE FIRM'S WRITTEN SUPERVISORY PROCEDURES DID NOT PREVENT THE EXECUTION AND DISPLAY OF SHORT SALE ORDERS AT A PRICE LESS THAN OR EQUAL TO THE CURRENT NATIONAL BEST BID DURING A CIRCUIT BREAKER.</p> <p>ADDITIONALLY, DURING THE RELEVANT PERIOD, THE FIRM VIOLATED EXCHANGE RULE 4.24 BECAUSE IT FAILED TO ESTABLISH, MAINTAIN, AND</p> |



ENFORCE WRITTEN SUPERVISORY PROCEDURES TO ENSURE COMPLIANCE WITH REGULATION SHO RULE 201.

Initiated By: CBOE C2 EXCHANGE, INC

Date Initiated: 01/22/2020

Docket/Case Number: 20180590083

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/23/2020

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE, AND A \$15,000 FINE, WHICH THE FIRM PAID ON FEBRUARY 7, 2020.

Firm Statement CITADEL SECURITIES SUBMITTED A LETTER OF CONSENT ON JANUARY 22, 2020. THE RELEVANT FINDINGS IN THE CONSENT ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE CONSENT ARE DESCRIBED IN ITEM 12.C. THE FIRM PAID THE FINE ON FEBRUARY 7, 2020.

Disclosure 8 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: CITADEL SECURITIES LLC: (I) DID NOT HAVE WRITTEN POLICIES AND PROCEDURES TO PREVENT THE EXECUTION OR DISPLAY OF SHORT SALE ORDERS AT PRICES LESS THAN OR EQUAL TO THE CURRENT NBB WHEN A CIRCUIT BREAK WAS IN EFFECT; (II) FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS, AND A SYSTEM FOR APPLYING SUCH PROCEDURES, REASONABLY DESIGNED TO PREVENT AND DETECT VIOLATIONS RELATED TO REGULATION SHO RULE 201.

VIOLATION OF CBOE RULES 4.2 AND 4.24; REGULATION SHO RULE 201,



PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

SANCTION: A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$15,000.

Initiated By: CBOE EXCHANGE, INC.

Date Initiated: 01/22/2020

Docket/Case Number: STAR NO. 20180590083 / FILE NO. USRI-8681

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/23/2020

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: A CENSURE AND A MONETARY FINE IN THE AMOUNT OF \$15,000

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC (THE "FIRM") STIPULATED THAT BETWEEN JUNE 12, 2013 AND OCTOBER 17, 2017, THE FIRM PRINCIPALLY EXECUTED BETWEEN 248 AND 7,698 CLIENT BUY ORDERS WITH EXECUTIONS PRICES THAT WERE AT THE NATIONAL BEST BID DURING A CIRCUIT BREAKER. THESE ACTS



CONSTITUTE A VIOLATION OF EXCHANGE RULE 4.2 AND REGULATION SHO 201(B)(1), IN THAT THE FIRM'S WRITTEN SUPERVISORY PROCEDURES DID NOT PREVENT THE EXECUTION AND DISPLAY OF SHORT SALE ORDERS AT A PRICE LESS THAN OR EQUAL TO THE CURRENT NATIONAL BEST BID DURING A CIRCUIT BREAKER.

ADDITIONALLY, DURING THE RELEVANT PERIOD, THE FIRM VIOLATED EXCHANGE RULE 4.24 BECAUSE IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES TO ENSURE COMPLIANCE WITH REGULATION SHO RULE 201.

Initiated By: CBOE

Date Initiated: 01/22/2020

Docket/Case Number: 20180590083

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/23/2020

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE, AND A \$15,000 FINE, WHICH THE FIRM PAID ON FEBRUARY 7, 2020.

Firm Statement CITADEL SECURITIES SUBMITTED A LETTER OF CONSENT ON JANUARY 22, 2020. THE RELEVANT FINDINGS IN THE CONSENT ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE CONSENT ARE DESCRIBED IN ITEM 12.C. THE FIRM PAID THE FINE ON FEBRUARY 7, 2020.

Disclosure 9 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: ON OR ABOUT NOVEMBER 16, 2017, CITADEL SECURITIES, LLC TENDERED 34,299 SHARES IN EXCESS OF ITS NET LONG POSITION FOR THE PARTIAL



TENDER OFFER IN CBS.
 VIOLATION OF EXCHANGE RULE 4.2; RULE 14E-4 PROMULGATED UNDER
 THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED
 SANCTION: A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$30,000,
 AND DISGORGEMENT IN THE AMOUNT OF \$26,668.

Initiated By: CBOE EXCHANGE, INC.

Date Initiated: 08/21/2019

Docket/Case Number: STAR NO. 20180579081 / FILE NO. USRI-8703

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: DISGORGEMENT IN THE AMOUNT OF \$26,668

Resolution: Consent

Resolution Date: 08/28/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
 Monetary/Fine \$30,000.00
 Disgorgement/Restitution

Other Sanctions Ordered: DISGORGEMENT IN THE AMOUNT OF \$26,668

Sanction Details: A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$30,000, AND DISGORGEMENT IN THE AMOUNT OF \$26,668

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC STIPULATED THAT, ON OR ABOUT NOVEMBER 16, 2017, IT TENDERED SHARES IN A PARTIAL TENDER OFFER IN EXCESS OF ITS NET



LONG POSITION, WHICH CONSTITUTES A VIOLATION OF SEC RULE 14E-4 AND CBOE RULE 4.2

Initiated By: CBOE EXCHANGE, INC
Date Initiated: 08/21/2019
Docket/Case Number: USRI-8703
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Censure
Other Sanction(s)/Relief Sought: FINE AND DISGORGEMENT
Resolution: Consent
Resolution Date: 08/28/2019
Sanctions Ordered: Censure
 Monetary/Fine \$30,000.00
 Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE, A \$30,000 FINE, AND DISGORGEMENT OF \$26,668, BOTH OF WHICH CITADEL SECURITIES PAID ON AUGUST 29, 2019.

Firm Statement

CITADEL SECURITIES SUBMITTED A CONSOLIDATED OFFER OF SETTLEMENT AND LETTER OF CONSENT ON AUGUST 21, 2019, WHICH THE CBOE ACCEPTED ON AUGUST 28, 2019. THE RELEVANT FINDINGS IN THE OFFER ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE OFFER ARE DESCRIBED IN ITEM 12.C. THE FINE AND DISGORGEMENT WERE PAID ON AUGUST 28, 2019.

Disclosure 10 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: CITADEL SECURITIES LLC FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO ASSURE COMPLIANCE WITH EXCHANGE RULES.
 VIOLATIONS OF EXCHANGE RULES 3.1, 5.1, AND 22.12.
 SANCTION: A \$70,000 FINE AND A CENSURE.



Initiated By: CBOE BZX EXCHANGE, INC.
Date Initiated: 06/26/2019
Docket/Case Number: STAR NO. 20150480375 / FILE NO. USRI-5765
Principal Product Type: Options
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought: A CENSURE
Resolution: Consent
Resolution Date: 07/01/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$70,000.00
Other Sanctions Ordered:
Sanction Details: SANCTION: A \$70,000 FINE AND A CENSURE.

Reporting Source: Firm
Current Status: Final
Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC (THE "FIRM") STIPULATED THAT ON AT LEAST 41 INSTANCES BETWEEN MARCH 2013 AND DECEMBER 2014 (THE "RELEVANT PERIOD"), IT ROUTED AGENCY ORDERS TO BZX AND EXECUTED THOSE ORDERS AS PRINCIPAL WITHOUT FIRST EXPOSING THEM ON BZX FOR AT LEAST ONE SECOND. ACCORDING TO THE LETTER OF CONSENT ENTERED INTO BETWEEN THE FIRM AND CBOE BXZ EXCHANGE, INC. ON JUNE 26, 2019, EACH REFERENCED INSTANCE CONSTITUTED A VIOLATION OF BZX RULE 22.12; HOWEVER, THERE WAS NO EVIDENCE THAT CLIENT ORDERS WERE DISADVANTAGED.



ADDITIONALLY, DURING THE RELEVANT PERIOD, THE FIRM VIOLATED BXZ RULES 5.1 AND 3.1 BECAUSE IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES TO ENSURE COMPLIANCE WITH BXZ RULE 22.12.

Initiated By: CBOE EXCHANGE, INC

Date Initiated: 06/26/2019

Docket/Case Number: 20150480375

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Consent

Resolution Date: 07/01/2019

Sanctions Ordered: Censure
Monetary/Fine \$70,000.00

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE, AND A \$70,000 FINE, WHICH WAS PAID ON JUNE 27, 2019.

Firm Statement CITADEL SECURITIES SUBMITTED A LETTER OF CONSENT ON JUNE 26, 2019. THE RELEVANT FINDINGS IN THE CONSENT ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE CONSENT ARE DESCRIBED IN ITEM 12.C. THE FINE WAS PAID ON JUNE 27, 2019.

Disclosure 11 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: SEC ADMIN RELEASE 34-84759 / DECEMBER 10, 2018: 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 CITADEL SECURITIES LLC ("CITADEL" OR "RESPONDENT").



THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF CITADEL'S FAILURE TO SUBMIT TO THE COMMISSION COMPLETE AND ACCURATE DATA IN RESPONSE TO COMMISSION STAFF ELECTRONIC BLUE SHEETS ("EBS") REQUESTS, RESULTING IN THE REPORTING OF EBS THAT WAS INCOMPLETE OR DEFICIENT.

COMMISSION STAFF ROUTINELY SENDS REQUESTS FOR SECURITIES TRADING RECORDS TO MARKET MAKERS, BROKERS AND/OR CLEARING FIRMS IN ORDER TO IDENTIFY BUYERS AND SELLERS OF SECURITIES, AND FIRMS PROVIDE THE REQUESTED RECORDS IN A UNIVERSAL ELECTRONIC FORMAT KNOWN AS THE EBS FORMAT. IT IS A FUNDAMENTAL OBLIGATION OF BROKER-DEALERS TO PROVIDE COMPLETE AND ACCURATE EBS DATA WHEN REQUESTED BY REPRESENTATIVES OF THE COMMISSION TO DO SO. THE SUBMISSION OF COMPLETE AND ACCURATE BLUE SHEET DATA IS CRITICAL TO MANY ASPECTS OF THE COMMISSION'S OPERATIONS AND ITS ABILITY TO DISCHARGE ITS ENFORCEMENT AND REGULATORY MANDATES. THE FAILURE OF A BROKER-DEALER TO PROVIDE COMPLETE AND ACCURATE EBS INFORMATION IN RESPONSE TO A COMMISSION REQUEST CAN IMPACT THE COMMISSION'S ABILITY TO DISCHARGE ITS STATUTORY OBLIGATIONS, UNDERMINE THE INTEGRITY OF ITS INVESTIGATIONS AND EXAMINATIONS, AND ULTIMATELY INTERFERE WITH THE COMMISSION'S ABILITY TO PROTECT INVESTORS.

FROM NOVEMBER 2012 TO AUGUST 2016, CITADEL SUBMITTED 2,774 EBS TO THE COMMISSION, ALL OF WHICH CONTAINED DEFICIENT INFORMATION, RESULTING IN INCORRECT REPORTING OF TRADE EXECUTION TIME DATA FOR APPROXIMATELY 80 MILLION TRADES. AS A RESULT, CITADEL VIOLATED THE RECORDKEEPING AND REPORTING REQUIREMENTS OF SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J) AND 17A-25 THEREUNDER.

SECTION 17 OF THE EXCHANGE ACT IMPOSES ON BROKER-DEALERS RECORDKEEPING AND REPORTING REQUIREMENTS THAT ARE ESSENTIAL TO THE COMMISSION'S ABILITY TO ENFORCE THE FEDERAL SECURITIES LAWS AND TO PROTECT INVESTORS. TO ENSURE THE CONTINUED EFFECTIVENESS OF THE COMMISSION'S ENFORCEMENT AND REGULATORY PROGRAMS, BROKER-DEALERS MUST COMPLY WITH, AMONG OTHER THINGS: RULE 17A-25, REQUIRING THAT BROKER-DEALERS SUBMIT ELECTRONICALLY SECURITIES TRANSACTION INFORMATION UPON REQUEST BY THE COMMISSION; AND RULE 17A-4(J), REQUIRING BROKER-DEALERS TO FURNISH PROMPTLY LEGIBLE, TRUE, COMPLETE, AND CURRENT COPIES OF REQUIRED RECORDS UPON REQUEST BY A REPRESENTATIVE OF THE COMMISSION. CITADEL FAILED TO COMPLY WITH THESE REQUIREMENTS.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 12/10/2018

Docket/Case Number: 3-18915



| | |
|---|--|
| Principal Product Type: | Other |
| Other Product Type(s): | ELECTRONIC BLUE SHEETS |
| Principal Sanction(s)/Relief Sought: | Cease and Desist |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Order |
| Resolution Date: | 12/10/2018 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Censure Monetary/Fine \$3,500,000.00 Cease and Desist/Injunction |
| Other Sanctions Ordered: | |
| Sanction Details: | IT IS ORDERED THAT CITADEL IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J) AND 17A-25 PROMULGATED THEREUNDER. IT IS ALSO ORDERED THAT CITADEL SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$3.5 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION. |
| Regulator Statement | RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT ("OFFER") THAT THE COMMISSION HAS DETERMINED TO ACCEPT. CITADEL WILLFULLY VIOLATED SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J) AND 17A-25 PROMULGATED THEREUNDER. IT IS ORDERED THAT CITADEL IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-4(J) AND 17A-25 PROMULGATED THEREUNDER. IT IS ALSO ORDERED THAT CITADEL SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$3.5 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION. |

Reporting Source: Firm



| | |
|---|--|
| Current Status: | Final |
| Allegations: | ON DECEMBER 10, 2018, CITADEL SECURITIES LLC ("CITADEL SECURITIES") ENTERED INTO A SETTLEMENT WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") RELATED TO DEFICIENCIES IN ITS ELECTRONIC BLUE SHEET ("EBS") REPORTING, DUE TO AN UNDETECTED CODING ERROR, BETWEEN NOVEMBER 2012 THROUGH AUGUST 2016. IN CONNECTION WITH THE SETTLEMENT, CITADEL SECURITIES CONSENTED TO THE ENTRY OF AN ORDER (THE "ORDER") FINDING A VIOLATION OF THE RECORDKEEPING AND REPORTING REQUIREMENTS OF SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULE 17A-4(J) THEREUNDER BY FAILING TO FURNISH PROMPTLY TRUE AND COMPLETE TRADING INFORMATION AS REQUESTED BY THE SEC DURING THE RELEVANT TIME PERIOD. IN ADDITION, CITADEL WILLFULLY VIOLATED EXCHANGE ACT RULE 17A-25 BY FAILING TO SUBMIT ELECTRONICALLY CERTAIN SECURITIES TRANSACTION INFORMATION TO THE SEC THROUGH THE EBS SYSTEM IN RESPONSE TO REQUESTS MADE BY THE COMMISSION. UPON LEARNING OF ITS DEFICIENT EBS EXECUTION TIME DATA, CITADEL IMMEDIATELY SUSPENDED ALL SUBMISSIONS, UNDERTOOK A COMPREHENSIVE INTERNAL REVIEW OF ITS EBS SYSTEM, AND ULTIMATELY BUILT A NEW EBS REPORTING SYSTEM AND IMPLEMENTED NEW EBS POLICIES AND PROCEDURES. CITADEL SECURITIES RESUMED ALL EBS SUBMISSIONS IN THE SPRING OF 2018 AFTER CONFIRMING THAT IT RESPONDED TO ALL OUTSTANDING REQUESTS USING ITS NEW EBS TOOLS, AND CORRECTED ALL KNOWN ISSUES THAT HAD CAUSED ITS EBS DEFICIENCIES. |
| Initiated By: | U.S. SECURITIES AND EXCHANGE COMMISSION |
| Date Initiated: | 12/10/2018 |
| Docket/Case Number: | SEC FILE NO 3-18915 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | EQUITY OTC |
| Principal Sanction(s)/Relief Sought: | Cease and Desist |
| Other Sanction(s)/Relief Sought: | CENSURE AND CIVIL MONEY PENALTY |
| Resolution: | Order |
| Resolution Date: | 12/10/2018 |
| Sanctions Ordered: | Censure Monetary/Fine \$3,500,000.00 Cease and Desist/Injunction |

**Other Sanctions Ordered:****Sanction Details:**

THE ORDER PROHIBITS ANY FUTURE VIOLATIONS OF EXCHANGE ACT SECTION 17(A)(1), RULE 17A-4(J) AND RULE 17A-25. ADDITIONALLY, THE ORDER INCLUDES A CENSURE AND A CIVIL MONEY PENALTY OF \$3.5 MILLION, WHICH WAS PAID ON DECEMBER 10, 2018.

Firm Statement

THE ALLEGATIONS, DISPOSITIONS, FINDINGS AND SANCTIONS ARE DESCRIBED ABOVE IN ITEMS 7 AND 12. THE FINE WAS PAID ON DECEMBER 10, 2018.

Disclosure 12 of 59**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, CITADEL SECURITIES LLC ("CITADEL SECURITIES" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT CERTAIN ASSOCIATED PERSONS WITH THE FIRM'S DESIGNATED MARKET MAKER UNIT ("DMM" OR "DMM UNIT") USED UNAPPROVED CELLULAR WIRELESS DEVICES FROM THE NYSE EXCHANGE FLOOR (THE "NYSE FLOOR"). SPECIFICALLY, THE ASSOCIATED PERSONS USED THEIR PERSONAL CELLULAR WIRELESS DEVICES FROM THE NYSE FLOOR THAT WERE NOT APPROVED BY THE EXCHANGE, TO, AMONG OTHER THINGS; SEND A LIMITED NUMBER OF TEXT MESSAGES WITH EACH OTHER. ONE OF THE CITADEL SECURITIES DMM UNIT ASSOCIATED PERSONS ALSO USED HIS CELLULAR WIRELESS DEVICE TO INITIATE COMMUNICATIONS WITH AN EMPLOYEE AT ANOTHER DMM ON THE NYSE FLOOR - THEREBY PROMPTING THAT EMPLOYEE TO VIOLATE NYSE RULE 36 (SUPPLEMENTARY MATERIAL .30 AND .30) AS WELL. THE CITADEL SECURITIES DMM EMPLOYEES USED THEIR PERSONAL CELLULAR DEVICES DESPITE THE FACT THAT EARLIER THAT DAY CITADEL SECURITIES COMPLIANCE PERSONNEL HELD AN IN-PERSON MEETING WITH ALL DMM UNIT EMPLOYEES COUNSELING THEM ON THEIR COMMUNICATIONS. CITADEL SECURITIES IS RESPONSIBLE FOR THE CONDUCT OF ITS ASSOCIATED PERSONS.

THE FINDINGS STATED THAT ALTHOUGH CITADEL SECURITIES PERFORMED A MONTHLY REVIEW OF DMM UNIT COMMUNICATIONS TO ENSURE COMPLIANCE WITH, AMONG OTHER RULES, CERTAIN PROVISIONS OF NYSE RULE 36, CITADEL SECURITIES' MONTHLY REVIEW DID NOT INCLUDE MONITORING SPECIFICALLY TO ENSURE ASSOCIATED PERSONS IN ITS DMM UNIT WERE NOT USING THEIR CELLULAR WIRELESS DEVICES FROM THE NYSE FLOOR. IN ADDITION, CITADEL SECURITIES FAILED TO REQUIRE MORE REGULAR OR FREQUENT CONFIRMATION OR ATTESTATION EITHER ON A ROUTINE OR SPOT-CHECK BASIS FROM ITS



ASSOCIATED PERSONS THAT THEY ARE ACTING IN ACCORDANCE WITH SUPPLEMENTARY MATERIAL .30 AND .31 PROVIDED UNDER NYSE RULE 36.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 09/17/2018

Docket/Case Number: 2018-01-00105

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/17/2018

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$65,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$65,000.

Regulator Statement IN RESOLVING THIS MATTER, ENFORCEMENT TOOK INTO ACCOUNT CITADEL SECURITIES' TIMELY COOPERATION AND TIMELY REMEDIATION. PART OF THE REMEDIAL EFFORTS THAT CITADEL SECURITIES UNDERTOOK WAS PROVIDING ADDITIONAL IN-PERSON TRAINING TO EMPLOYEES REGARDING THE FIRM'S POLICY FOR USE OF INFORMATION TECHNOLOGY SYSTEMS, AND IN PARTICULAR, THE PROHIBITION ON THE USE OF NON-APPROVED COMMUNICATIONS SYSTEMS.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT



ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC STIPULATED THAT ON AUGUST 11, 2017, CERTAIN MEMBERS OF THE CITADEL SECURITIES NYSE DESIGNATED MARKET MAKER UNIT USED THEIR PERSONAL CELLULAR WIRELESS DEVICES ON THE NYSE FLOOR, WHICH WERE NOT APPROVED BY THE EXCHANGE, WHICH CONSTITUTES A VIOLATION OF NYSE ARCA RULE 36 AND NYSE RULE 3110(A).

Initiated By: NYSE REGULATION

Date Initiated: 08/22/2018

Docket/Case Number: 2018-01-00105

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 09/17/2018

Sanctions Ordered: Censure
Monetary/Fine \$65,000.00

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE AND A \$65,000 FINE, WHICH CITADEL SECURITIES PAID ON SEPTEMBER 19, 2018.

Firm Statement CITADEL SECURITIES ENTERED INTO AN OFFER OF SETTLEMENT AND CONSENT WITH NYSE ARCA, WHICH THE NYSE ARCA HEARING OFFICER ACCEPTED ON SEPTEMBER 17, 2018. THE RELEVANT FINDINGS IN THE OFFER ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE OFFER ARE DESCRIBED IN ITEM 12.C. THE FINE WAS PAID ON SEPTEMBER 19, 2018.

Disclosure 13 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: CITADEL: (I) TENDERED SHARES FOR THE PARTIAL TENDER OFFER IN MNST IN EXCESS OF ITS NET LONG POSITION; (II) TENDERED SHARES FOR THE PARTIAL TENDER OFFER IN LMT IN EXCESS OF ITS NET LONG



POSITION; AND (III) FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES TO ASSURE COMPLIANCE WITH RULE 14E-4, PROMULGATED UNDER THE EXCHANGE ACT. (VIOLATIONS OF CBOE RULES 4.2, 4.24 AND RULE 14E-4 UNDER THE ACT)

Initiated By: CBOE EXCHANGE, INC.

Date Initiated: 03/22/2018

Docket/Case Number: 18-0009/ 20170546033 AND 20180574341

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 04/25/2018

Sanctions Ordered: Censure
Monetary/Fine \$35,000.00
Disgorgement/Restitution

Other Sanctions Ordered: A DISGORGEMENT OF \$177,712

Sanction Details: A \$35,000 FINE, A CENSURE AND \$177,712 DISGORGEMENT.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC STIPULATED THAT ON OR ABOUT JUNE 8, 2016 AND ON OR ABOUT AUGUST 16, 2016, CITADEL SECURITIES, TENDERED SHARES IN THE PARTIAL TENDER OFFERS OF TWO ISSUERS IN EXCESS OF ITS NET LONG POSITION, WHICH CONSTITUTE VIOLATIONS OF SEC RULE 14E-4 AND CBOE RULE 4.2

ADDITIONALLY, FROM IN OR ABOUT MAY 2016 THROUGH JANUARY 2017, CITADEL FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES TO ENSURE COMPLIANCE WITH SEC RULE 14E-4, WHICH CONSTITUTES A VIOLATION OF CBOE RULE 4.24.



| | |
|---|---|
| Initiated By: | CBOE EXCHANGE, INC |
| Date Initiated: | 03/22/2018 |
| Docket/Case Number: | 18-0009 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE AND DISGORGEMENT |
| Resolution: | Consent |
| Resolution Date: | 04/25/2018 |
| Sanctions Ordered: | Censure Monetary/Fine \$35,000.00 Disgorgement/Restitution |
| Other Sanctions Ordered: | DISGORGEMENT OF \$177,712.00 |
| Sanction Details: | CITADEL SECURITIES CONSENTED TO A CENSURE, A \$35,000 FINE, AND DISGORGEMENT OF \$177,712, BOTH OF WHICH WERE PAID ON MAY 4, 2018. |
| Firm Statement | CITADEL SECURITIES SUBMITTED A CONSOLIDATED OFFER OF SETTLEMENT AND LETTER OF CONSENT ON MARCH 22, 2018, WHICH THE CBOE BUSINESS CONDUCT COMMITTEE ACCEPTED ON APRIL 25, 2018. THE RELEVANT FINDINGS IN THE OFFER ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE OFFER ARE DESCRIBED IN ITEM 12.C. THE FINE WAS PAID ON MAY 4, 2018. |

Disclosure 14 of 59

| | |
|--------------------------|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SUBMITTED A CLEARLY ERRONEOUS EXECUTION PETITION WITHOUT A FACTUAL BASIS FOR BELIEVING THAT THE TRADE WAS CLEARLY ERRONEOUS. THE FINDINGS STATED THAT ON BEHALF OF A CLIENT ORDER, THE FIRM ENTERED A MARKET ORDER TO BUY 5,000 SHARES OF A SECURITY (THE "ORDER"), WHICH IMMEDIATELY EXECUTED ON A NUMBER OF VENUES, INCLUDING THE EXCHANGE, AT PRICES RANGING FROM |



\$83.679 TO \$94.91. IN ADDITION, 1,500 SHARES OF THE ORDER WERE EXECUTED ON THE EXCHANGE AT PRICES RANGING FROM \$91.93 TO \$94.91. THE FIRM SUBMITTED A CLEARLY ERRONEOUS EXECUTION PETITION FOR THE PORTION OF THE ORDER EXECUTED ON THE EXCHANGE. THE FIRM DID SO ON THE BASIS OF A CLIENT REQUEST, WITHOUT BELIEF THAT THE ORDER CONTAINED AN ERROR IN THE TERMS THE CLIENT PROVIDED. THE EXCHANGE DENIED THE PETITION.

Initiated By: NYSE ARCA, INC.

Date Initiated: 05/15/2018

Docket/Case Number: 2016-05-00075

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 05/15/2018

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$20,000.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC STIPULATED THAT ON JUNE 28, 2016, CITADEL SECURITIES SUBMITTED A CLEARLY ERRONEOUS PETITION ON NYSE



ARCA AT THE REQUEST OF A CLIENT, WITHOUT A FACTUAL BASIS FOR BELIEVING THE TRADE WAS CLEARLY ERRONEOUS, WHICH CONSTITUTES A VIOLATION OF NYSE ARCA RULE 11.1(B).

Initiated By: NYSE REGULATION

Date Initiated: 05/15/2018

Docket/Case Number: 2016-05-00075

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 05/15/2018

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE AND A \$20,000 FINE, WHICH CITADEL SECURITIES PAID ON MAY 22, 2018.

Firm Statement CITADEL SECURITIES ENTERED INTO AN OFFER OF SETTLEMENT AND CONSENT WITH NYSE ARCA, WHICH THE NYSE ARCA HEARING OFFICER ACCEPTED ON MAY 15, 2018. THE RELEVANT FINDINGS IN THE OFFER ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE OFFER ARE DESCRIBED IN ITEM 12.C. THE FINE WAS PAID ON MAY 22, 2018.

Disclosure 15 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: IN MORE THAN 200,000 INSTANCES DURING THE PERIOD JULY 1, 2014 THROUGH SEPTEMBER 30, 2016 (THE REVIEW PERIOD), THE FIRM VIOLATED NYSE ARCA EQUITIES RULE 7.23(A)(1)(B), BY FAILING TO ENTER AND MAINTAIN CONTINUOUS, TWO-SIDED TRADING INTEREST WITHIN THE DESIGNATED PERCENTAGE ABOVE AND BELOW THE NATIONAL BEST BID OFFER (NBBO) AS REQUIRED BY THE RULE. DURING PART OF THE REVIEW PERIOD, THE FIRM'S MARKET MARKER QUOTING SURVEILLANCES ONLY RAN FOUR TIMES PER DAY, FAILING TO IDENTIFY NUMEROUS POTENTIAL



VIOLATIONS. GIVEN THE SPEED OF THE MARKET, REPORTS THAT ONLY RUN FOUR TIMES A DAY, BY THEIR VERY NATURE, ARE UNABLE TO ALERT THE FIRM ABOUT OUTAGES QUICKLY ENOUGH FOR THEM TO BE CORRECTED IN A TIMELY MANNER. MOREOVER, THE FIRM'S REPORTS FAILED TO FLAG ISSUES IF THEY WERE RESOLVED BEFORE THE REPORTS RAN - ALLOWING ISSUES TO RECUR WITHOUT THE FIRM DETECTING PATTERNS OF REPEATING PROBLEMS. ACCORDINGLY, THE FIRM VIOLATED NYSE ARCA EQUITIES RULE 6.18(B) BECAUSE IT DID NOT HAVE A SYSTEM REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE ARCA EQUITIES RULE 7.23 DURING PART OF THE REVIEW PERIOD.

Initiated By: NYSE ARCA, INC.

Date Initiated: 10/13/2017

Docket/Case Number: 2016-07-1306

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 10/13/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$80,000.00

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES LLC AND NYSE ARCA, INC. ENTERED INTO AN OFFER OF SETTLEMENT AND CONSENT FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO IN THE OFFER OF SETTLEMENT. THE HEARING OFFICER ACCEPTS THE OFFER OF SETTLEMENT AND CONSENT AND ISSUES THIS DECISION IN ACCORDANCE WITH NYSE ARCA RULES. THE FIRM IS CENSURED AND FINED \$80,000.



Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, CITADEL SECURITIES LLC STIPULATED THAT, IN MULTIPLE INSTANCES DURING THE TIME PERIOD OF JULY 1, 2014 THROUGH SEPTEMBER 30, 2016, CITADEL SECURITIES FAILED TO MAINTAIN CONTINUOUS TWO-SIDED QUOTES WITHIN THE DESIGNATED PERCENTAGES OF THE NATIONAL BEST OFFER IN REGISTERED MARKET MAKER SECURITIES ON THE NYSE ARCA EQUITIES EXCHANGE, WHICH CONSTITUTED VIOLATIONS OF NYSE ARCA RULE 7.23.

ADDITIONALLY, DURING THE REVIEW PERIOD, CITADEL SECURITIES FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS, INCLUDING ADEQUATE WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO COMPLY WITH NYSE ARCA MARKET MAKER CONTINUOUS QUOTING REQUIREMENTS, WHICH CONSTITUTED A VIOLATION OF NYSE ARCA RULE 6.18(B).

Initiated By: NYSE ARCA

Date Initiated: 09/29/2017

Docket/Case Number: 2016-07-1306

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/13/2017

Sanctions Ordered: Censure
Monetary/Fine \$80,000.00

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE AND A FINE OF \$80,000, WHICH WAS PAID ON OCTOBER 20, 2017.

**Firm Statement**

CITADEL SECURITIES SUBMITTED A PROPOSED AWC ON SEPTEMBER 29, 2017, WHICH NYSE ARCA EXCHANGE ACCEPTED ON SEPTEMBER 29, 2017, AND FINALIZED AND RETURNED TO THE FIRM ON OCTOBER 13, 2017. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE DESCRIBED IN ITEM 12.C. CITADEL SECURITIES PAID THE FINE ON OCTOBER 20, 2017.

Disclosure 16 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: CITADEL: (I) ON NUMEROUS OCCASIONS, FAILED TO GRANT PRIORITY TO THE HIGHEST BID AND/OR LOWEST OFFER WHEN SUCH BID OR OFFER WAS AVAILABLE; AND (II) ON NUMEROUS OCCASIONS, TRADED THROUGH THE NATIONAL BEST BID OR OFFER. (VIOLATION OF EXCHANGE RULES 6.45, 6.45A, 6.45B AND 6.81)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 04/06/2017

Docket/Case Number: 17-0037/ 20150467045

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 12/29/2017

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: A \$7,500 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final



| | |
|---|--|
| Allegations: | FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDING, CITADEL SECURITIES LLC STIPULATED THAT DURING THE TIME PERIOD FROM ON OR ABOUT FEBRUARY 2009 THROUGH ON OR ABOUT APRIL 2013, AND FROM ON OR ABOUT JUNE 2013 THROUGH SEPTEMBER 2017, CITADEL SECURITIES LLC, IN THE CAPACITY OF A MARKET MAKER ON THE CBOE FLOOR, WAS PARTY TO TRANSACTIONS THAT FAILED TO GRANT PRIORITY TO THE HIGHEST BID OR LOWEST OFFER WHEN SUCH BID OR OFFER WAS AVAILABLE, WHICH CONSTITUTES A VIOLATION OF CBOE RULES 6.45, 6.45A AND 6.45B. ADDITIONALLY, FROM ON OR ABOUT JANUARY 2015 THROUGH ON OR ABOUT SEPTEMBER 2017, CITADEL SECURITIES, WHILE ACTING IN THE SAME CAPACITY, WAS PARTY TO TRANSACTIONS THAT TRADED THROUGH THE NATIONAL BEST BID OR OFFER, WHICH CONSTITUTES A VIOLATION OF CBOE RULE 6.81. |
| Initiated By: | CHICAGO BOARD OPTIONS EXCHANGE |
| Date Initiated: | 12/04/2017 |
| Docket/Case Number: | 20150439286; 20150467045; 20170528152 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Consent |
| Resolution Date: | 12/29/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$7,500.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | CITADEL SECURITIES CONSENTED TO A CENSURE, AND A \$7,500 FINE, WHICH WAS PAID ON JANUARY 2, 2018. |
| Firm Statement | CITADEL SECURITIES SUBMITTED A CONSOLIDATED OFFER OF SETTLEMENT AND LETTER OF CONSENT ON DECEMBER 4, 2017, WHICH THE CBOE BUSINESS CONDUCT COMMITTEE ACCEPTED ON DECEMBER 29, 2017. THE RELEVANT FINDINGS IN THE OFFER ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE OFFER ARE DESCRIBED IN |



ITEM 12.C. THE FINE WAS PAID ON JANUARY 2, 2018.

Disclosure 17 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ON APPROXIMATELY 251 OCCASIONS, THE FIRM HAD SUBSTANTIAL AND CONTINUED FAILURES TO MAINTAIN ITS CONTINUOUS TWO-SIDED QUOTATION OBLIGATION IN SECURITIES IN WHICH IT HAD BEEN REGISTERED AS A MARKET MAKER.

THE FINDINGS STATED THAT THE FIRM'S FAILURES RESULTED FROM ISSUES WITH TICKER OR CUSIP CHANGES, MARKET DATA PROBLEMS WITH A TICKER, INTERNAL MAPPING ISSUES, ITS FAILURE TO RECOGNIZE THAT THE FIRM HAD BEEN REGISTERED AS A MARKET MAKER FOR A PARTICULAR SECURITY AND ITS INADVERTENT DELETION OF QUOTES. THE FIRM FAILED TO MAINTAIN ITS CONTINUOUS TWO-SIDED QUOTATION OBLIGATION IN MULTIPLE SYMBOLS ON MULTIPLE DATES DURING THE REVIEW PERIOD AND, ON ONE DATE (JANUARY 4, 2013), FAILED TO MAINTAIN ITS CONTINUOUS TWO-SIDED QUOTATION OBLIGATION IN ALL OF THE SYMBOLS IN WHICH IT WAS REGISTERED AS A MARKET MAKER AS A RESULT OF AN INTERNAL PROCESS FAILURE. THE FIRM ALSO HAD CONTINUED FAILURES TO MAINTAIN CONTINUOUS TWO-SIDED QUOTATION OBLIGATION IN 13 INSTANCES DURING THE REVIEW PERIOD.

THE FINDINGS ALSO STATED THAT DURING THE REVIEW PERIOD, THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS, INCLUDING ADEQUATE WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO COMPLY WITH MARKET MAKER CONTINUOUS QUOTING REQUIREMENTS ON BYX. SPECIFICALLY, THE FIRM LACKED ADEQUATE PROCEDURES: (I) TO PROPERLY QUOTE A SECURITY AFTER A CORPORATE ACTION, SUCH AS TICKER, CUSIP OR LISTING EXCHANGE CHANGE; (II) TO CHARACTERIZE SECURITIES IN THE CORRECT QUOTING TIER; AND (III) TO MANAGE SYSTEM ISSUES WHICH, ON OCCASION, RESULTED IN INADVERTENTLY DROPPING SYMBOLS FROM THE FIRM'S REGISTRATION LIST.

Initiated By: BATS BYX EXCHANGE, INC.

Date Initiated: 06/01/2017

Docket/Case Number: 2014042371402



| | |
|---|---|
| Principal Product Type: | Other |
| Other Product Type(s): | UNSPECIFIED SECURITIES |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 06/29/2017 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Censure Monetary/Fine \$12,500.00 |
| Other Sanctions Ordered: | UNDERTAKING |
| Sanction Details: | THE FIRM WAS CENSURED AND FINED \$12,500. AN UNDERTAKING TO REVISE ITS SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC AND PROVIDE INFORMATION OF THE DATE ON WHICH THE REVISED SYSTEMS AND PROCEDURES WERE IMPLEMENTED. PURSUANT TO BYX RULE 8.8, THE DECISION IN THIS MATTER IS FINAL 20 BUSINESS DAYS AFTER THE ISSUANCE OF THE DECISION. THEREFORE, THIS AWC BECAME FINAL JUNE 29, 2017. |
| Regulator Statement | STAR NO. 20140423714 (INCLUDES STAR NOS. 20140437627 AND 20150451801) |
| <hr/> | |
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, CITADEL SECURITIES LLC STIPULATED THAT, IN TWO HUNDRED AND FIFTY ONE INSTANCES DURING THE TIME OF MAY 2012 THROUGH JANUARY 2015, CITADEL SECURITIES FAILED TO MAINTAIN CONTINUOUS TWO-SIDED QUOTES IN REGISTERED MARKET MAKER SECURITIES ON THE BATS BYX EXCHANGE, WHICH CONSTITUTED SEPARATE AND DISTINCT VIOLATIONS |



OF BYX RULE 11.81.

ADDITIONALLY, DURING THE REVIEW PERIOD, CITADEL SECURITIES FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS, INCLUDING ADEQUATE WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO COMPLY WITH BYX MARKET MAKER CONTINUOUS QUOTING REQUIREMENTS, WHICH CONSTITUTED VIOLATIONS OF BYX RULES 3.1 AND 5.1.

Initiated By: BATS BYX EXCHANGE, INC

Date Initiated: 05/22/2017

Docket/Case Number: 20140423714-02

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE AND UNDERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/01/2017

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered: UNDERTAKING TO ACKNOWLEDGE THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES WERE IMPLEMENTED

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE; A FINE OF \$12,500, THAT WAS PAID ON JUNE 9, 2017; AND AN UNDERTAKING TO ACKNOWLEDGE ITS SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES WERE IMPLEMENTED.

Firm Statement CITADEL SECURITIES SUBMITTED A PROPOSED AWC ON MAY 22, 2017, WHICH BATS BYX EXCHANGE ACCEPTED ON MAY 30, 2017, AND RETURNED TO THE FIRM ON JUNE 1, 2017. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE DESCRIBED IN ITEM 12.C. CITADEL SECURITIES PAID THE FINE ON JUNE 9, 2017.



Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ON APPROXIMATELY 311 OCCASIONS, THE FIRM HAD SUBSTANTIAL AND CONTINUED FAILURES TO MAINTAIN ITS CONTINUOUS TWO-SIDED QUOTATION OBLIGATION IN SECURITIES IN WHICH IT HAD BEEN REGISTERED AS A MARKET MAKER.

THE FINDINGS STATED THAT THE FIRM'S FAILURES RESULTED FROM ISSUES WITH TICKER OR CUSIP CHANGES, MARKET DATA PROBLEMS WITH A TICKER, INTERNAL MAPPING ISSUES, ITS FAILURE TO RECOGNIZE THAT THE FIRM HAD BEEN REGISTERED AS A MARKET MAKER FOR A PARTICULAR SECURITY AND ITS INADVERTENT DELETION OF QUOTES. THE FIRM FAILED TO MAINTAIN ITS CONTINUOUS TWO-SIDED QUOTATION OBLIGATION IN MULTIPLE SYMBOLS ON MULTIPLE DATES DURING THE REVIEW PERIOD AND, ON ONE DATE (JANUARY 4, 2013), FAILED TO MAINTAIN ITS CONTINUOUS TWO-SIDED QUOTATION OBLIGATION IN ALL OF THE SYMBOLS IN WHICH IT WAS REGISTERED AS A MARKET MAKER AS A RESULT OF AN INTERNAL PROCESS FAILURE. THE FIRM ALSO HAD CONTINUED FAILURES TO MAINTAIN CONTINUOUS TWO-SIDED QUOTATION OBLIGATION IN 13 INSTANCES DURING THE REVIEW PERIOD.

THE FINDINGS ALSO STATED THAT DURING THE REVIEW PERIOD, THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS, INCLUDING ADEQUATE WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO COMPLY WITH MARKET MAKER CONTINUOUS QUOTING REQUIREMENTS ON BZX. SPECIFICALLY, THE FIRM LACKED ADEQUATE PROCEDURES: (I) TO PROPERLY QUOTE A SECURITY AFTER A CORPORATE ACTION, SUCH AS TICKER, CUSIP OR LISTING EXCHANGE CHANGE; (II) TO CHARACTERIZE SECURITIES IN THE CORRECT QUOTING TIER; AND (III) TO MANAGE SYSTEM ISSUES WHICH, ON OCCASION, RESULTED IN INADVERTENTLY DROPPING SYMBOLS FROM THE FIRM'S REGISTRATION LIST.

Initiated By: BATS BZX EXCHANGE, INC.

Date Initiated: 06/01/2017

Docket/Case Number: 2014042371401

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)


Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/29/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$17,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED AND FINED \$17,500. AN UNDERTAKING TO REVISE ITS SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC AND PROVIDE INFORMATION OF THE DATE ON WHICH THE REVISED SYSTEMS AND PROCEDURES WERE IMPLEMENTED. PURSUANT TO BZX RULE 8.8, THE DECISION IN THIS MATTER IS FINAL 20 BUSINESS DAYS AFTER THE ISSUANCE OF THE DECISION. THEREFORE, THIS AWC BECAME FINAL JUNE 29, 2017.

Regulator Statement STAR NO. 20140423714 (INCLUDES STAR NOS. 20140437627 AND 20150451801)

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, CITADEL SECURITIES LLC STIPULATED THAT, IN THREE HUNDRED AND ELEVEN INSTANCES DURING THE TIME OF MAY 2012 THROUGH JANUARY 2015, CITADEL SECURITIES FAILED TO MAINTAIN CONTINUOUS TWO-SIDED QUOTES IN REGISTERED MARKET MAKER SECURITIES ON THE BATS BZX EXCHANGE, WHICH CONSTITUTED SEPARATE AND DISTINCT VIOLATIONS OF BZX RULE 11.81.

ADDITIONALLY, DURING THE REVIEW PERIOD, CITADEL SECURITIES FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS, INCLUDING ADEQUATE WRITTEN SUPERVISORY



PROCEDURES, REASONABLY DESIGNED TO COMPLY WITH BZX MARKET MAKER CONTINUOUS QUOTING REQUIREMENTS, WHICH CONSTITUTED VIOLATIONS OF BZX RULES 3.1 AND 5.1.

Initiated By: BATS BZX EXCHANGE, INC

Date Initiated: 05/22/2017

Docket/Case Number: 20140423714-01

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE AND UNDERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/01/2017

Sanctions Ordered: Censure
Monetary/Fine \$17,500.00

Other Sanctions Ordered: UNDERTAKING TO ACKNOWLEDGE THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES WERE IMPLEMENTED

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE; A FINE OF \$17,500, THAT WAS PAID ON JUNE 9, 2017; AND AN UNDERTAKING TO ACKNOWLEDGE THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES WERE IMPLEMENTED.

Firm Statement CITADEL SECURITIES SUBMITTED A PROPOSED AWC ON MAY 22, 2017, WHICH BATS BZX EXCHANGE ACCEPTED ON MAY 30, 2017, AND RETURNED TO THE FIRM ON JUNE 1, 2017. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE DESCRIBED IN ITEM 12.C. CITADEL SECURITIES PAID THE FINE ON JUNE 9, 2017.

Disclosure 19 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS IN SIX INSTANCES,



THE FIRM PUBLISHED A QUOTATION FOR AN OVER-THE-COUNTER (OTC) EQUITY SECURITY OR NON-EXCHANGE-LISTED SECURITY, OR, DIRECTLY OR INDIRECTLY, SUBMITTED SUCH QUOTATION FOR PUBLICATION, IN A QUOTATION MEDIUM, OTC LINK, WITHOUT: HAVING IN ITS RECORDS THE DOCUMENTATION AND INFORMATION REQUIRED BY SEC RULE 15C2-11(A) AND (B); AND HAVING A REASONABLE BASIS UNDER THE CIRCUMSTANCES FOR BELIEVING THAT THE INFORMATION REQUIRED BY SEC RULE 15C2-11(A) WAS ACCURATE IN ALL MATERIAL RESPECTS AND THE SOURCES OF SUCH INFORMATION WERE RELIABLE OR AVAILING ITSELF OF AN APPLICABLE EXCEPTION TO SEC RULE 15C2-11. THE FINDINGS STATED THAT FOR EACH QUOTATION DESCRIBED ABOVE, THE FIRM FAILED TO FILE A FORM 211 WITH FINRA AT LEAST THREE BUSINESS DAYS BEFORE THE QUOTATION WAS PUBLISHED OR DISPLAYED IN A QUOTATION MEDIUM.

Initiated By: FINRA

Date Initiated: 04/07/2017

Docket/Case Number: [2015046927801](#)

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/07/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$7,500. FINES PAID IN FULL ON 4/12/17.



Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, CITADEL SECURITIES LLC STIPULATED THAT, IN SIX INSTANCES DURING THE TIME OF JANUARY 2, 2014 THROUGH JUNE 30, 2015, CITADEL SECURITIES PUBLISHED QUOTATIONS FOR AN OTC EQUITY SECURITY OR NON-EXCHANGE LISTED SECURITY, OR DIRECTLY OR INDIRECTLY, SUBMITTED A QUOTATION FOR PUBLICATION IN OTC LINK WITHOUT (I) HAVING IN ITS RECORDS THE DOCUMENTATION AND INFORMATION REQUIRED BY SEC RULE 15C2-11(A) AND (B); AND (II) HAVING A REASONABLE BASIS UNDER THE CIRCUMSTANCES FOR BELIEVING THAT THE INFORMATION REQUIRED BY SEC RULE 15C2-11(A) WAS ACCURATE AND THE SOURCES OF SUCH INFORMATION WERE RELIABLE OR AVAILING ITSELF OF AN APPLICABLE EXCEPTION TO SEC RULE 15C2-11, WHICH CONSTITUTED A VIOLATION OF SEC RULE 15C2-11 AND FINRA RULE 2010.

ADDITIONALLY, IN EACH OF THE SIX INSTANCES THE FIRM FAILED TO FILE A FORM 211 WITH FINRA AT LEAST THREE BUSINESS DAYS BEFORE THE QUOTATIONS WERE PUBLISHED, WHICH CONSTITUTED VIOLATIONS OF FINRA RULES 6432 AND 2010.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 03/24/2017

Docket/Case Number: 20150469278-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/07/2017

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE; AND A \$7,500 FINE,



WHICH WAS PAID ON APRIL 12, 2017.

Firm Statement

CITADEL SECURITIES SUBMITTED A PROPOSED AWC ON MARCH 24, 2017, WHICH FINRA ACCEPTED AND RETURNED TO THE FIRM ON APRIL 7, 2017. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE DESCRIBED IN ITEM 12.C. THE FINE WAS PAID ON APRIL 12, 2017.

Disclosure 20 of 59

Reporting Source:

Regulator

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM SUBMITTED MULTIPLE REQUESTS FOR RESPONSES (RFR) AT THE SAME PRICE THAT IN THE AGGREGATE EXCEEDED THE SIZE OF THE CUSTOMER BEST EXECUTION (CUBE) AUCTION ORDER ON 12,535 OCCASIONS. THE FINDINGS STATED THE ACTIVITY WAS SYSTEMATICALLY GENERATED BY THE FIRM'S OPTIONS MARKET MAKING ("OMM") DESK TRADING SYSTEM IN RESPONSE TO CUBE RFR MESSAGES DISSEMINATED BY NYSE MKT. UPON RECEIPT OF AN RFR MESSAGE, THE FIRM'S OPTIONS MARKET MAKING (OMM) DESK TRADING SYSTEM GENERATED AN RFR RESPONSE BASED ON THE RISK NEEDS OF THE OMM DESK PORTFOLIO. BECAUSE THE FIRM'S OMM DESK TRADING SYSTEM EMPLOYED TWO DIFFERENT RISK MANAGERS DURING THE RELEVANT PERIOD, ON OCCASIONS WHERE BOTH RISK MANAGERS GENERATED RESPONSES TO A CUBE ORDER, THE OMM DESK TRADING SYSTEM SENT MULTIPLE RFR RESPONSES AT THE SAME PRICE POINT THAT IN THE AGGREGATE EXCEEDED THE CUBE ORDER SIZE. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO CREATE AND IMPLEMENT SUPERVISORY CONTROLS AND REVIEWS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS AND RULES. THE FIRM DID NOT HAVE ADEQUATE SUPERVISORY CONTROLS OR REVIEWS IN PLACE AND ITS WSPTS WERE INADEQUATE. THE FIRM'S WSPTS THAT WERE IN PLACE DURING THE RELEVANT PERIOD DID NOT INCLUDE ANY REPORT OR REVIEW FOR INSTANCES WHERE THE OMM DESK SENT MULTIPLE RFR RESPONSES TO A CUBE AUCTION THAT IN THE AGGREGATE EXCEEDED THE CUBE ORDER SIZE. AS A RESULT, CITADEL DID NOT HAVE A SYSTEM IN PLACE THAT WAS REASONABLY DESIGNED TO DETECT AND PREVENT THE SUBMISSION OF MULTIPLE RFR RESPONSES BY THE OMM DESK DURING THE RELEVANT PERIOD.

Initiated By:

NYSE MKT LLC

Date Initiated:

01/26/2017



Docket/Case Number: 20160900018

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/26/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$30,000.

Reporting Source: Firm

Current Status: Final

Allegations: ON JANUARY 26, 2017, CITADEL SECURITIES LLC ("CITADEL") ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT (THE "AWC") WITH NYSE REGULATION. THE AWC FOUND THAT CITADEL SUBMITTED MULTIPLE RESPONSES, AT THE SAME PRICE, TO NYSE MKT CUBE AUCTIONS THAT IN AGGREGATE EXCEEDED THE CUBE ORDER SIZE, DURING THE SPECIFIED REVIEW PERIODS IN VIOLATION OF NYSE MKT RULES 971.1NY AND 476(A)(6). THE AWC ALSO FOUND THAT CITADEL'S SUPERVISORY SYSTEM FAILED TO REVIEW FOR INSTANCES OF THE FIRM SENDING MULTIPLE CUBE RESPONSES AT THE SAME PRICE THAT IN AGGREGATE EXCEEDED THE CUBE ORDER SIZE, VIOLATING NYSE MKT RULE 320(E).

Initiated By: NYSE REGULATION

Date Initiated: 01/26/2017

Docket/Case Number: 2016-09-00018



| | |
|---|---|
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 02/21/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$30,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE AWC CENSURED CITADEL AND REQUIRED IT TO PAY A FINE OF \$30,000. CITADEL PAID THE FINE IN FULL VIA WIRE ON 02/27/2017. |
| Firm Statement | SOLELY FOR THE PURPOSE OF SETTLING THESE PROCEEDINGS, CITADEL ENTERED INTO THE AWC WITHOUT ADMITTING OR DENYING THE FINDINGS REFERRED TO IN THE AWC. THE ALLEGATIONS, DISPOSITIONS, FINDINGS AND SANCTIONS ARE DESCRIBED ABOVE IN ITEMS 7 AND 12. CITADEL PAID THE FINE IN FULL VIA WIRE ON 02/27/2017. |

Disclosure 21 of 59

| | |
|--------------------------|--|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | SEC ADMIN RELEASES 33-10280, 34-79790 / JANUARY 13, 2017: 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 SECTION 8A OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT") AND SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AGAINST CITADEL SECURITIES LLC ("CITADEL SECURITIES" OR "RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THIS PROCEEDING CONCERNS CERTAIN OF CITADEL SECURITIES' OPERATIONS AS CITADEL EXECUTION SERVICES ("CES"), A WHOLESALE MARKET MAKER, AND STATEMENTS THAT CES MADE TO CERTAIN OF ITS RETAIL BROKER-DEALER CLIENTS FROM LATE 2007 THROUGH JANUARY 2010 (THE "RELEVANT PERIOD") ABOUT ITS HANDLING OF MARKETABLE ORDERS. THE STATEMENTS WERE MISLEADING |



BECAUSE OF THE MANNER IN WHICH TWO CES ALGORITHMS USED VARIOUS MARKET DATA FEEDS. CES HAS SINCE DISCONTINUED THESE TWO ALGORITHMS. CES RECEIVED MARKET DATA FROM (1) THE CONSOLIDATED PUBLIC FEEDS (KNOWN AS "SIP" FEEDS FOR THE SECURITIES INFORMATION PROCESSORS THAT TRANSMIT THEM⁴) AND (2) SEVERAL DATA FEEDS SENT DIRECTLY BY INDIVIDUAL STOCK EXCHANGES (KNOWN AS "DIRECT FEEDS").

THE SIPS DISSEMINATE THE BEST-PRICED, ROUND LOT QUOTATIONS (I.E. QUOTATIONS IN INCREMENTS OF AT LEAST 100 SHARES) FROM EACH EXCHANGE AND CALCULATE AND IDENTIFY THE NATIONAL BEST BID ("NBB") AND NATIONAL BEST OFFER ("NBO") (COLLECTIVELY THE "NBBO") FROM AMONG THOSE QUOTATIONS.⁵ THE SIPS DO NOT DISSEMINATE ODD LOT QUOTATIONS (I.E., QUOTATIONS FOR LESS THAN 100 SHARES). THE SIPS ALSO DISTRIBUTE EXECUTION DATA VIA A SEPARATE FEED. CERTAIN DIRECT FEEDS INCLUDE INFORMATION ABOUT ALL DISPLAYED QUOTATIONS, EXECUTIONS, AND CANCELLATIONS ON THE RELEVANT EXCHANGE, AND OFTEN CONVEY THIS INFORMATION BY SENDING MESSAGES REGARDING EACH CHANGE TO THE ORDER BOOK (EACH NEW DISPLAYED ORDER, EACH CANCELLED ORDER, EACH EXECUTION, ETC.). THESE DATA FEEDS ARE KNOWN AS "DEPTH OF BOOK" FEEDS BECAUSE THEY INCLUDE INFORMATION ABOUT THE FULL DISPLAYED LIMIT ORDER BOOK OF THE EXCHANGE. THERE ARE VARIOUS REASONS WHY THE SIP NBBO MAY DIFFER FROM THE BEST OVERALL PRICES DETERMINED FROM CONSTRUCTING AND CONSOLIDATING A SET OF DEPTH OF BOOK FEEDS, INCLUDING THAT THE MARKET DATA IN THE DEPTH OF BOOK FEEDS IS RECEIVED SOONER BY MARKET PARTICIPANTS AND INCLUDES ODD LOTS. CES USED ALGORITHMIC STRATEGIES IN HANDLING MARKETABLE ORDERS. THESE ALGORITHMS GENERALLY USED INFORMATION FROM THE DEPTH OF BOOK FEEDS TO INFORM CES'S VIEW OF MARKET CONDITIONS WHICH, IN TURN, OFTEN INFORMED DECISIONS REGARDING ORDER HANDLING. WHEN IT INTERNALIZED SHARES, CES EXECUTED THOSE SHARES AT THE SIP NBBO AT THE TIME OF EXECUTION OR BETTER. TWO OF THE ALGORITHMIC STRATEGIES, (FASTFILL AND SMARTPROVIDE), CES USED TO HANDLE MARKETABLE ORDERS WERE TRIGGERED WHEN DIFFERENCES EXISTED BETWEEN THE SIP NBB OR NBO, AS APPLICABLE, AND THE BEST PRICES (I.E., BEST BID OR BEST OR OFFER, AS APPLICABLE) FROM ONE OR MORE DEPTH OF BOOK FEEDS. DURING THE RELEVANT PERIOD, CES PROVIDED A WRITTEN DISCLOSURE TO CERTAIN OF ITS RETAIL BROKER-DEALER CLIENTS THAT DESCRIBED A MARKET ORDER AS AN "[O]RDER TO BUY (SELL) AT THE BEST OFFER (BID) CURRENTLY AVAILABLE IN THE MARKETPLACE," AND MADE OTHER, SIMILAR REPRESENTATIONS TO ITS CLIENTS. THESE STATEMENTS WERE MATERIALLY MISLEADING IN LIGHT OF THE WAY FASTFILL AND SMARTPROVIDE FUNCTIONED. THE STATEMENTS SUGGESTED THAT CES WOULD EITHER INTERNALIZE A MARKETABLE ORDER AT, OR SEEK TO



OBTAIN FOR THAT ORDER THROUGH ROUTING, THE BEST PRICE FOR THAT ORDER THAT CES OBSERVED ON THE VARIOUS MARKET DATA FEEDS IT REFERENCED, WHICH FASTFILL AND SMARTPROVIDE DID NOT DO. AS A RESULT OF ITS CONDUCT, CITADEL SECURITIES WILLFULLY VIOLATED SECTION 17(A)(2) OF THE SECURITIES ACT.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 01/13/2017

Docket/Case Number: 3-17772

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 01/13/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$16,000,000.00
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered: PREJUDGMENT INTEREST

Sanction Details: RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATION AND ANY FUTURE VIOLATION OF SECTION 17(A)(2) OF THE SECURITIES ACT; IS CENSURED; SHALL, WITHIN 14 DAYS OF THE ENTRY OF THIS ORDER, PAY DISGORGEMENT OF \$5,200,000, PREJUDGMENT INTEREST OF \$1,465,268, AND A CIVIL MONEY PENALTY OF \$16,000,000.

Regulator Statement IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE OFFER) WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE



RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATION AND ANY FUTURE VIOLATION OF SECTION 17(A)(2) OF THE SECURITIES ACT; IS CENSURED; SHALL, WITHIN 14 DAYS OF THE ENTRY OF THIS ORDER, PAY DISGORGEMENT OF \$5,200,000, PREJUDGMENT INTEREST OF \$1,465,268, AND A CIVIL MONEY PENALTY OF \$16,000,000.

Reporting Source: Firm

Current Status: Final

Allegations: ON JANUARY 13, 2017, CITADEL SECURITIES LLC ("CITADEL SECURITIES") ENTERED INTO A SETTLEMENT WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") UNDER WHICH CITADEL SECURITIES CONSENTED TO THE ENTRY OF AN ORDER (THE "ORDER") FINDING A VIOLATION OF SECTION 17(A)(2) OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT"). THE ORDER CONCERNS THE OPERATIONS OF CITADEL EXECUTION SERVICES ("CES"), A WHOLESALE MARKET MAKER, AND STATEMENTS THAT CES MADE TO CERTAIN OF ITS RETAIL BROKER-DEALER CLIENTS FROM LATE 2007 THROUGH JANUARY 2010 ABOUT ITS HANDLING OF MARKETABLE ORDERS. THE ORDER FINDS THAT THE STATEMENTS WERE MISLEADING IN CONNECTION WITH TWO CES ALGORITHMS THAT HANDLED APPROXIMATELY 0.6% OF CES'S OVERALL ORDER FLOW BETWEEN JUNE 2008 AND JANUARY 2010 THAT USED VARIOUS MARKET DATA FEEDS. CES HAS SINCE DISCONTINUED THESE TWO ALGORITHMS.

Initiated By: U.S. SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 01/13/2017

Docket/Case Number: SEC FILE NO. 3-17772

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought: CENSURE, DISGORGEMENT, PREJUDGMENT INTEREST, AND CIVIL MONEY PENALTY.

Resolution: Settled

Resolution Date: 01/13/2017

Sanctions Ordered: Monetary/Fine \$22,668,268.00
Disgorgement/Restitution



Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details:

THE ORDER PROHIBITS ANY FUTURE VIOLATIONS OF SECURITIES ACT SECTION 17(A)(2). ADDITIONALLY, THE ORDER INCLUDES A CENSURE, DISGORGEMENT OF \$5,200,000, PREJUDGMENT INTEREST OF \$1,465,268, AND A CIVIL MONEY PENALTY OF \$16,000,000, WHICH WAS PAID ON JANUARY 18, 2017.

Firm Statement

SOLELY FOR THE PURPOSE OF SETTLING THESE PROCEEDINGS, CITADEL SECURITIES ENTERED INTO THE ORDER WITHOUT ADMITTING OR DENYING THE FINDINGS REFERRED TO IN THE ORDER. THE ALLEGATIONS, DISPOSITIONS, FINDINGS AND SANCTIONS ARE DESCRIBED ABOVE IN ITEMS 7 AND 12.

Disclosure 22 of 59

Reporting Source:

Regulator

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TRANSMIT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) ON BUSINESS DAYS FOR ONE MARKET PARTICIPANT IDENTIFIER (MPID) WHICH RESULTED FROM THE FIRM'S FAILURE TO REPORT INTERFIRM ROUTE REPORTS TO OATS FOR ORDERS ROUTED TO THE FIRM'S INTERNAL ALTERNATIVE TRADING SYSTEM. THE FINDINGS STATED THAT THE FIRM FAILED TO TRANSMIT ROES TO OATS ON BUSINESS DAYS FOR A SEPARATE MPID WHICH RESULTED FROM THE FIRM NOT REPORTING IMMEDIATE OR CANCEL ORDERS TO OATS FOR ORDERS THAT WERE ROUTED TO AN EXCHANGE, AND FOR WHICH THE FIRM DID NOT RECEIVE REJECTION NOTIFICATIONS. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES, CONCERNING OATS. SPECIFICALLY, THE FIRM FAILED TO COMPARE THE ACCEPTED OATS DATA TO THE FIRM'S BOOKS AND RECORDS TO ENSURE ALL ROES WERE SUBMITTED.

Initiated By:

FINRA

Date Initiated:

01/05/2017

Docket/Case Number:

[2014042469001](#)

Principal Product Type:

Other



Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/05/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$325,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$325,000. FINE PAID IN FULL ON FEBRUARY 6, 2017.

Reporting Source: Firm

Current Status: Final

Allegations: ON JANUARY 5, 2017, CITADEL SECURITIES LLC ("CITADEL") ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT (THE "AWC") WITH FINRA. THE AWC FOUND THAT CITADEL FAILED TO TRANSMIT TO OATS NUMEROUS REPORTABLE ORDER EVENTS IN TWO SEPARATE MPIDS DURING THE SPECIFIED REVIEW PERIODS IN VIOLATION OF FINRA RULE 7450. THE AWC ALSO FOUND THAT CITADEL'S SUPERVISORY SYSTEM FAILED TO COMPARE THE ACCEPTED OATS DATA TO THE FIRM'S BOOKS AND RECORDS CONSTITUTING A VIOLATION OF FINRA RULE 2010, NASD RULE 3010, AND FINRA RULE 3110.

Initiated By: FINRA

Date Initiated: 01/05/2017

Docket/Case Number: 20140424690-01

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):



| | |
|---|---|
| Principal Sanction(s)/Relief Sought: | Censure |
| Other Sanction(s)/Relief Sought: | FINE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 01/05/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$325,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE AWC CENSURED CITADEL, REQUIRED IT TO PAY A FINE OF \$325,000 (\$250,000 FOR OATS VIOLATIONS AND \$75,000 FOR THE SUPERVISORY VIOLATIONS). THE PAYMENT WILL BE MADE UPON RECEIPT OF THE INVOICE FROM FINRA. CITADEL PAID FINE IN FULL VIA WIRE ON 02/06/2017. |
| Firm Statement | SOLELY FOR THE PURPOSE OF SETTLING THESE PROCEEDINGS, CITADEL ENTERED INTO THE AWC WITHOUT ADMITTING OR DENYING THE FINDINGS REFERRED TO IN THE AWC. THE ALLEGATIONS, DISPOSITIONS, FINDINGS AND SANCTIONS ARE DESCRIBED ABOVE IN ITEMS 7 AND 12. CITADEL PAID FINE IN FULL VIA WIRE ON 02/06/2017. |

Disclosure 23 of 59

| | |
|--------------------------|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | <p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S ON-OPEN STRATEGY, IN CERTAIN INSTANCES, TRADED A HIGH CONCENTRATION OF VOLUME CLOSE TO THE OPEN, BUT WITHOUT DUE CARE AS TO THE IMPACT OF ITS TRADING ON THE NASDAQ'S OFFICIAL OPENING PRICE (NOOP).</p> <p>THE FINDINGS STATED THAT THE FIRM'S CONDUCT RESULTED IN THE FIRM'S FAILURE TO MEET STANDARDS OF PROFESSIONAL CONDUCT. THE ASSOCIATED PERSON WHO DEVELOPED THE ON-OPEN STRATEGY AND HIS SUPERIOR STATED THAT ITS TRADING WAS DESIGNED TO HAVE MINIMAL IMPACT ON THE PRICES OF THE SECURITIES IN WHICH IT TRADED. IN CERTAIN INSTANCES, HOWEVER, FOR THE SECURITIES IN WHICH THE ON-OPEN STRATEGY WAS UTILIZED, IT TRADED A HIGH CONCENTRATION OF THE VOLUME CLOSE TO THE OPEN, WHICH UNDULY IMPACTED OR HAD THE POTENTIAL TO UNDULY IMPACT THE CONTINUOUS BOOK PRICE OF THE SECURITY AS WELL AS THE NOOP.</p> |



THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISION OF THE DEVELOPMENT, TESTING, IMPLEMENTATION, AND OPERATION OF THE ON-OPEN STRATEGY WAS DEFICIENT. NO REGISTERED PERSON AT THE FIRM WAS RESPONSIBLE FOR DESIGNING, TESTING, OR APPROVING THE ON-OPEN STRATEGY, INCLUDING ITS TRADING PARAMETERS, OR FOR APPROVING REVISIONS TO THE ON-OPEN STRATEGY. IN ADDITION, THE REGISTERED INDIVIDUAL CHARGED WITH SUPERVISING THE TRADING OF THE ON-OPEN STRATEGY AFTER IMPLEMENTATION DID NOT HAVE A DETAILED UNDERSTANDING OF THE ON-OPEN STRATEGY'S TRADING PARAMETERS. THE FIRM DID NOT MONITOR, EITHER ON A SECURITY-BY-SECURITY BASIS OR BY REVIEW OF AGGREGATE ON-OPEN STRATEGY EXECUTIONS, THE ON-OPEN STRATEGY'S POTENTIAL IMPACT ON PRICES, INCLUDING THE NOOP. WHILE THE ASSOCIATED PERSON WHO DEVELOPED THE ON-OPEN STRATEGY AND HIS SUPERIOR STATED THAT ITS TRADING WAS DESIGNED TO HAVE MINIMAL IMPACT ON THE PRICES OF THE SECURITIES IN WHICH IT TRADED, THE FIRM DID NOT SUPERVISE THE ON-OPEN STRATEGY TO ENSURE THAT IT OPERATED IN ACCORDANCE WITH THIS STATED DESIGN. DURING THE REVIEW PERIOD, THE FIRM'S SUPERVISORY SYSTEM, INCLUDING ITS WRITTEN SUPERVISORY PROCEDURES, DID NOT PROVIDE FOR ADEQUATE SUPERVISION TO ENSURE THAT TRADING STRATEGIES WERE NOT DESIGNED TO UNDULY OR ARTIFICIALLY IMPACT MARKET PRICES AND THAT STRATEGIES' TRADING DID NOT RESULT IN SUCH UNDUE OR ARTIFICIAL MARKET IMPACT. THE FIRM DID NOT ESTABLISH AND MAINTAIN A REASONABLE SYSTEM TO SUPERVISE ALGORITHMIC TRADING STRATEGIES DEVELOPED BY THE FIRM AND UTILIZED BY THE FIRM'S PROPRIETARY TRADING DESK ("ALGO STRATEGIES"). IN PARTICULAR, THE FIRM'S SUPERVISORY SYSTEM FAILED TO REASONABLY SUPERVISE THE DEVELOPMENT, TESTING, IMPLEMENTATION, AND OPERATION OF ALGO STRATEGIES. THE FIRM'S SUPERVISORY SYSTEM ALSO FAILED TO HAVE ADEQUATE WRITTEN SUPERVISORY PROCEDURES TO GOVERN THE DEVELOPMENT, TESTING, IMPLEMENTATION AND OPERATION OF ALGO STRATEGIES. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR: THE IDENTIFICATION OF THE PERSON(S) RESPONSIBLE FOR SUPERVISION; A STATEMENT OF THE SUPERVISORY STEP(S) TO BE TAKEN BY THE IDENTIFIED PERSON(S); A STATEMENT AS TO HOW OFTEN SUCH PERSON(S) SHOULD TAKE SUCH STEP(S); AND A STATEMENT AS TO HOW THE COMPLETION OF THE STEP(S) INCLUDED IN THE WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED.

THE FINDINGS ALSO INCLUDED THAT THE FIRM DID NOT RETAIN EMAIL MESSAGES AND OTHER COMMUNICATIONS CREATED AND RECEIVED BY AN ASSOCIATED PERSON, THE QUANTITATIVE RESEARCHER, WHO DEVELOPED THE ON-OPEN STRATEGY BECAUSE THE FIRM DID NOT



DESIGNATE HIM AS AN ASSOCIATED PERSON FOR EMAIL ARCHIVING PURPOSES DURING THIS TIME.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 10/19/2016

Docket/Case Number: 2010023518001

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/19/2016

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$1,000,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$1,000,000 AND AN UNDERTAKING TO REVISE THE FIRM'S WSPS WITH RESPECT TO REASONABLY SUPERVISE THE DEVELOPMENT, TESTING, IMPLEMENTATION, AND OPERATION OF ALGO STRATEGIES AND PROVIDING FOR ALL OF THE MINIMUM REQUIREMENTS FOR ADEQUATE WSPS. THAT IS SPECIFIC IDENTIFICATION OF THE INDIVIDUAL(S) RESPONSIBLE FOR SUPERVISION; THE SUPERVISORY STEPS AND REVIEWS TO BE TAKEN BY THE APPROPRIATE SUPERVISOR; THE FREQUENCY OF SUCH REVIEWS; AND HOW SUCH REVIEWS SHALL BE DOCUMENTED.

WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC A REGISTERED PRINCIPAL OF THE RESPONDENT SHALL SUBMIT TO FINRA INFORMATION PROVIDING AMONG OTHERS A REPRESENTATION THAT THE FIRM HAS REVISED ITS WSPS TO ADDRESS THE DEFICIENCIES AND THE DATE THE REVISED PROCEDURES WERE IMPLEMENTED.



Reporting Source: Firm

Current Status: Final

Allegations: ON OCTOBER 19, 2016, CITADEL SECURITIES LLC ("CITADEL") ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT (THE "AWC") WITH THE NASDAQ STOCK MARKET LLC. THE AWC FOUND THAT IN CERTAIN INSTANCES DURING THE PERIOD FEBRUARY 2008 THROUGH AUGUST 2012 CITADEL FAILED TO MEET STANDARDS OF PROFESSIONAL CONDUCT AND RELATED SUPERVISORY OBLIGATIONS IN CONNECTION WITH CERTAIN FIRM PROPRIETARY ALGORITHMIC TRADING ACTIVITY, IN VIOLATION OF NASDAQ RULES 2110 AND 3010. THE AWC ALSO FOUND THAT CITADEL FAILED TO RETAIN CERTAIN COMMUNICATIONS SENT OR RECEIVED BY AN ASSOCIATED PERSON FROM FEBRUARY 2008 THROUGH DECEMBER 2009 IN VIOLATION OF SEC RULE 17A-4 AND NASDAQ RULE 3110

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 10/19/2016

Docket/Case Number: 20100235180-01

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE AND AN UNDERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/19/2016

Sanctions Ordered: Censure
Monetary/Fine \$1,000,000.00

Other Sanctions Ordered: UNDERTAKING TO UPDATE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES.

Sanction Details: THE AWC CENSURED CITADEL, REQUIRED IT TO PAY A FINE OF \$1,000,000 (\$475,000 FOR VIOLATIONS OF JUST AND EQUITABLE PRINCIPLES OF TRADE, \$475,000 FOR SUPERVISION DEFICIENCIES, AND \$50,000 FOR VIOLATIONS OF BOOKS AND RECORDS RULES), AND IMPOSED AN UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES GOVERNING THE DEVELOPMENT, TESTING, IMPLEMENTATION, AND OPERATION OF CERTAIN ALGORITHMIC TRADING



STRATEGIES, WHICH WAS COMPLETED ON NOVEMBER 17, 2016. THE PAYMENT WILL BE MADE UPON RECEIPT OF THE INVOICE FROM NASDAQ.

Firm Statement

SOLELY FOR THE PURPOSE OF SETTLING THESE PROCEEDINGS, CITADEL ENTERED INTO THE AWC WITHOUT ADMITTING OR DENYING THE FINDINGS REFERRED TO IN THE AWC. THE ALLEGATIONS, DISPOSITIONS, FINDINGS AND SANCTIONS ARE DESCRIBED ABOVE IN ITEMS 7 AND 12.

Disclosure 24 of 59

| | |
|---|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT EXECUTED SHORT SALE TRANSACTIONS IN OVER-THE-COUNTER (OTC) EQUITY SECURITIES AND INCORRECTLY REPORTED SUCH TRANSACTIONS TO FINRA WITH A SHORT EXEMPT MODIFIER. THE FINDINGS STATED THAT THE FIRM DID NOT HAVE AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING ADEQUATE WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND THE RULES OF FINRA, CONCERNING FINRA RULES 6624 AND 7330(D)(6). SPECIFICALLY, THE FIRM'S SYSTEMS HAD BEEN PROGRAMMED TO ALLOW SHORT EXEMPT MARKING FOR SHORT SALE TRANSACTIONS IN OTC EQUITY SECURITIES. THE FINDINGS ALSO STATED THAT THE FIRM DID NOT CONDUCT ADEQUATE REVIEWS OF ITS OTC TRANSACTION REPORTS TO ENSURE PROPER MARKING. |
| Initiated By: | FINRA |
| Date Initiated: | 09/15/2016 |
| Docket/Case Number: | 2014043340601 |
| Principal Product Type: | Equity - OTC |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 09/15/2016 |



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$20,000. FINE PAID IN FULL ON SEPTEMBER 30, 2016.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, CITADEL SECURITIES LLC STIPULATED THAT, ALTHOUGH SHORT SALE TRANSACTIONS ARE NOT SUBJECT TO THE PROVISIONS OF RULE 201 OF REGULATION SHO, DURING THE TIME OF JULY 28, 2014 THROUGH DECEMBER 10, 2014, CITADEL SECURITIES INCORRECTLY REPORTED SHORT SALE TRANSACTIONS IN OTC EQUITY SECURITIES WITH A SHORT EXEMPT MODIFIER, WHICH CONSTITUTED A VIOLATION OF FINRA RULES 6624 AND 7330(D)(6), AND THE FIRM'S WRITTEN SUPERVISORY WERE NOT ADEQUATELY DESIGNED TO ENSURE COMPLIANCE WITH FINRA RULES 6624 AND 7330(D)(6), WHICH CONSTITUTES A VIOLATION OF FINRA RULE 3010/3110.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 09/09/2016

Docket/Case Number: 20140433406-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)



| | |
|---------------------------------|---|
| Resolution Date: | 09/15/2016 |
| Sanctions Ordered: | Censure Monetary/Fine \$20,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | CITADEL SECURITIES CONSENTED TO A CENSURE; AND A \$20,000 FINE, WHICH WAS PAID ON SEPTEMBER 30, 2016. |
| Firm Statement | CITADEL SECURITIES SUBMITTED A PROPOSED AWC ON SEPTEMBER 6, 2016, WHICH FINRA ACCEPTED ON SEPTEMBER 15, 2016, AND RETURNED TO THE FIRM ON SEPTEMBER 23, 2016. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE DESCRIBED IN ITEM 12.C. THE FINE WAS PAID ON SEPTEMBER 30, 2016. |

Disclosure 25 of 59

| | |
|---|--|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IMPLEMENT POLICIES AND PROCEDURES THAT REASONABLY AVOID DISPLAYING, OR ENGAGING IN A PATTERN OR PRACTICE OF DISPLAYING, LOCKING OR CROSSING QUOTATIONS IN ANY OVER-THE-COUNTER (OTC) EQUITY SECURITY. THE FINDINGS STATED THAT THE FIRM DID NOT HAVE AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING ADEQUATE WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND THE RULES OF FINRA, CONCERNING FINRA RULE 6437. |
| Initiated By: | FINRA |
| Date Initiated: | 07/27/2016 |
| Docket/Case Number: | 2014040931101 |
| Principal Product Type: | Equity - OTC |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |



Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 07/27/2016

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered: UNDERTAKING TO REVISE ITS WSPS.

Sanction Details: THE FIRM WAS CENSURED, FINED \$7,500, AND UNDERTAKES TO REVISE ITS WSPS. FINE PAID IN FULL ON AUGUST 3, 2016.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OR LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, CITADEL SECURITIES LLC STIPULATED THAT DURING THE TIME OF JANUARY 1, 2014 THROUGH MARCH 1, 2014, CITADEL SECURITIES' WRITTEN SUPERVISORY PROCEDURES DID NOT ADDRESS LOCKED AND CROSSED MARKETS IN OVER-THE-COUNTER EQUITY SECURITIES, IN THAT THE POLICIES AND PROCEDURES DID NOT SPECIFICALLY IDENTIFY 1) A DESCRIPTION OF THE SUPERVISORY STEPS TO BE TAKEN TO ENSURE RECONCILIATION OF LOCKED OR CROSSED QUOTATIONS, AND 2) THE FREQUENCY OF ITS SUPERVISORY REVIEWS TO ENSURE COMPLIANCE WITH FINRA RULE 6437, WHICH CONSTITUTES A VIOLATION OF FINRA RULES 2010, 3010 AND 6437.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA")

Date Initiated: 07/18/2016

Docket/Case Number: 20140409311-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief FINE, AND UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY



| | |
|---------------------------------|--|
| Sought: | PROCEDURES. |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 07/27/2016 |
| Sanctions Ordered: | Censure Monetary/Fine \$7,500.00 |
| Other Sanctions Ordered: | UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES. |
| Sanction Details: | CITADEL SECURITIES CONSENTED TO A CENSURE; A \$7,500 FINE, WHICH WAS PAID ON AUGUST 3, 2016; AND AN UNDERTAKING TO ADDRESS THE FIRM'S WSPS REGARDING THE ACTIVITY IN ITEM 7 ABOVE. |
| Firm Statement | CITADEL SECURITIES SUBMITTED A PROPOSED AWC ON JULY 18, 2016, WHICH FINRA ACCEPTED ON JULY 27, 2016, AND RETURNED TO THE FIRM ON AUGUST 1, 2016. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE DESCRIBED IN ITEM 12.C. THE FINE WAS PAID ON AUGUST 3, 2016, AND THE WRITTEN SUPERVISORY PROCEDURE UNDERTAKING WAS COMPLETED ON AUGUST 10, 2016. |

Disclosure 26 of 59

| | |
|--------------------------|--|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | <p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT DURING A REVIEW PERIOD, ON 148 OUT OF 442 TRADE DATES (33.48 PERCENT), THE FIRM, A PRIMARY LEAD MARKET MAKER (PLMM), FAILED TO DISSEMINATE QUOTES AT THE OPENING OR DURING A RE-OPENING WITHIN ONE MINUTE OF THE DISSEMINATION OF A QUOTE OR A TRADE BY THE PRIMARY MARKET FOR THE UNDERLYING SECURITY, OR FAILED TO OPEN OR RE-OPEN SERIES IN VARIOUS APPOINTED CLASSES.</p> <p>THE FINDINGS STATED THAT ON NINE OF THOSE VIOLATIVE TRADE DATES, THE FIRM HAD OPENING QUOTING NON-COMPLIANCE RATES IN EXCESS OF 10 PERCENT, INCLUDING THREE TRADE DATES ON WHICH THE FIRM FAILED TO MEET ITS OPENING QUOTING OBLIGATIONS IN A RANGE FROM 45 PERCENT TO 96 PERCENT OF ITS ASSIGNED OPTIONS SERIES. OVERALL, THE AVERAGE DAILY NON-COMPLIANCE RATE ON THE 148 TRADE DATES WAS 4.19 PERCENT.</p> |
| Initiated By: | MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC |
| Date Initiated: | 06/21/2016 |



Docket/Case Number: 2014043826401

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Other

Resolution Date: 06/21/2016

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$27,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM SUBMITTED A LETTER OF CONSENT IN WHICH THE FIRM WAS CENSURED AND FINED \$27,500.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE FIRM STIPULATED THAT DURING THE PERIOD OF FEBRUARY 2013 THROUGH OCTOBER 2014, THE FIRM FAILED TO ENTER QUOTES WITHIN ONE MINUTE OF THE OPENING OF THE UNDERLYING IN VARIOUS OPTIONS CLASSES IN WHICH THE FIRM WAS AN ASSIGNED PRIMARY LEAD MARKET MAKER, WHICH CONSTITUTES VIOLATIONS OF MIAX RULES 503 AND 603.

Initiated By: MIAMI INTERNATIONAL SECURITIES EXCHANGE LLC

Date Initiated: 05/25/2016

Docket/Case Number: 20140438264-01

Principal Product Type: Options

**Other Product Type(s):**

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 06/21/2016

Sanctions Ordered: Censure
Monetary/Fine \$27,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM CONSENTED TO A CENSURE AND \$27,500 FINE, WHICH WAS PAID ON JUNE 27, 2016.

Firm Statement

THE FIRM SUBMITTED A PROPOSED LETTER OF CONSENT ON MAY 25, 2016, WHICH THE MIAX BUSINESS CONDUCT COMMITTEE ACCEPTED ON JUNE 20, 2016, AND RETURNED TO THE FIRM ON JUNE 21, 2016. THE RELEVANT FINDINGS IN THE LOC ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE LOC ARE DESCRIBED ABOVE IN ITEM 12.C. THE FINE WAS PAID ON JUNE 27, 2016.

Disclosure 27 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT AS A RESULT OF USING A TRADING LOGIC THAT APPLIED TO CERTAIN CUSTOMER ORDERS OVER 10,000 SHARES IN SECURITIES PRICED BELOW A DOLLAR, THE FIRM FAILED TO EXECUTE A SUBSTANTIAL PORTION OF MARKETABLE ORDERS FULLY AND PROMPTLY. THE FINDINGS STATED THAT THE FIRM ADOPTED THE LOGIC IN RESPONSE TO PERCEIVED MARKET CONDITIONS, AND UTILIZED THE LOGIC ONLY DURING THE REVIEW PERIOD. THE LOGIC UNREASONABLY DELAYED THE EXECUTION TIME OF MARKETABLE ORDERS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO PRESERVE FOR A PERIOD OF NOT LESS THAN THREE YEARS, THE FIRST TWO IN AN ACCESSIBLE PLACE, THOUSANDS OF EMAIL COMMUNICATIONS AS REQUIRED BY SEC RULE 17A-4(B)(4). THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULE 2111(A) CONCERNING PROMPT AND FULL EXECUTION OF MARKET



ORDERS (CURRENTLY FINRA RULE 5320), INCLUDING CUSTOMER ORDERS THAT WERE SUBJECT TO THE FOREGOING LOGIC. THE FIRM'S SUPERVISORY SYSTEM FAILED TO INCLUDE, BUT WAS NOT LIMITED TO, DEFICIENT WRITTEN SUPERVISORY PROCEDURES.

Initiated By: FINRA

Date Initiated: 10/23/2015

Docket/Case Number: [2008015772801](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/23/2015

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$200,000.00

Other Sanctions Ordered: UNDERTAKING: REQUIRED TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES

Sanction Details: THE FIRM WAS CENSURED, FINED \$200,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.
FINE PAID IN FULL ON NOVEMBER 4, 2015.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE FIRM STIPULATED:
1) DURING THE PERIOD OF FEBRUARY 2, 2006 THROUGH AUGUST 17, 2009,



THE FIRM ADOPTED AND UTILIZED ROUTING LOGIC FOR ORDERS OVER 10,000 SHARES IN SECURITIES PRICED BELOW ONE DOLLAR, IN RESPONSE TO CERTAIN PERCEIVED MARKET CONDITIONS, WHICH DELAYED THE EXECUTION TIME OF MARKETABLE ORDERS. AS A RESULT OF THE LOGIC, THE FIRM FAILED TO FULLY AND PROMPTLY EXECUTE A SUBSTANTIAL NUMBER OF ORDERS MEETING THE THRESHOLDS, WHICH CONSTITUTE SEPARATE AND DISTINCT VIOLATIONS OF NASD RULE 2110 AND 2111(A), AND FINRA RULE 2010 FOR ACTIVITY ON AND AFTER DECEMBER 15, 2008.

2) DURING THE PERIOD OF FEBRUARY 2, 2006 THROUGH FEBRUARY 26, 2009, THE FIRM FAILED TO PRESERVE ALL EMAIL COMMUNICATIONS AS REQUIRED BY SEC RULE 17A-4(B)(4), WHICH CONSTITUTE VIOLATIONS OF SEC RULE 17A-4 AND NASD RULE 3110.

3) DURING THE REVIEW PERIOD THE FIRM'S SUPERVISORY SYSTEM WAS DEFICIENT CONCERNING THE PROMPT AND FULL EXECUTION OF MARKET ORDERS, INCLUDING CUSTOMER ORDERS THAT WERE SUBJECT TO THE LOGIC, WHICH CONSTITUTES VIOLATIONS OF NASD RULE 2110 AND 3010, AND FINRA RULE 2010 FOR ACTIVITY ON AND AFTER DECEMBER 15, 2008.

| | |
|---|--|
| Initiated By: | FINRA |
| Date Initiated: | 09/30/2015 |
| Docket/Case Number: | 20080157728-01 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE AND UNDERTAKING |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 10/23/2015 |
| Sanctions Ordered: | Censure Monetary/Fine \$200,000.00 |
| Other Sanctions Ordered: | UNDERTAKING TO UPDATE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES. |
| Sanction Details: | THE FIRM CONSENTED TO A CENSURE, \$200,000 FINE, AND AN UNDERTAKING TO UPDATE ITS WRITTEN SUPERVISORY PROCEDURES. |
| Firm Statement | THE FIRM SUBMITTED A PROPOSED AWC ON SEPTEMBER 30, 2015, WHICH FINRA ACCEPTED ON OCTOBER 23, 2015, AND RETURNED TO THE FIRM ON OCTOBER 27, 2015. |

THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED ABOVE IN ITEM 7.
 THE SANCTIONS IMPOSED BY THE AWC ARE DESCRIBED ABOVE IN ITEM
 12.C. THE FINE WAS PAID ON NOVEMBER 4, 2015.

Disclosure 28 of 59

| | |
|---|--|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | <p>CITADEL SECURITIES LLC ("CITADEL"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$100,000. IN ACCEPTING THE OFFER OF SETTLEMENT, THE EXCHANGE'S BUSINESS CONDUCT COMMITTEE CONSIDERED CERTAIN FACTORS, INCLUDING THE FACT THAT CITADEL SECURITIES LLC WAS SANCTIONED BY FINRA ON JUNE 12, 2014 PURSUANT TO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT IN WHICH IT AGREED TO A FINE IN THE AMOUNT OF \$800,000 AND AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES FOR CONDUCT IN CONTRAVENTION OF EXCHANGE ACT RULE 15C3-5 COVERING A PORTION OF THE TIMEFRAME INVOLVED IN THE INSTANT MATTER (FINRA NO. 20100223345-05). CITADEL FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF THIS BUSINESS ACTIVITY. (EXCHANGE RULE 4.2 - ADHERENCE TO LAW; AND RULE 15C3-5 - RISK MANAGEMENT CONTROLS FOR BROKERS OR DEALERS WITH MARKET ACCESS UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED)</p> |
| Initiated By: | CHICAGO BOARD OPTIONS EXCHANGE |
| Date Initiated: | 06/02/2015 |
| Docket/Case Number: | 15-0064/ 20150456215 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Decision & Order of Offer of Settlement |
| Resolution Date: | 10/20/2015 |



Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered:

Sanction Details: A \$100,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE FIRM STIPULATED:

1) THAT DURING THE TIME PERIOD OF ON OR ABOUT AUGUST 13, 2012 THROUGH ON OR ABOUT MAY 16, 2014, THE FIRM FAILED TO ESTABLISH APPROPRIATE PRE-CREDIT THRESHOLDS AS REQUIRED BY SEC RULE 15C3-5(C)(1)(I), IN THAT THE FIRM'S PROPRIETARY METHODOLOGY FOR CLIENT CREDIT LIMITS DID NOT AGGREGATE THE CLIENT'S ACTIVITY ACROSS THE FIRM'S ATS AND THE ALGORITHMIC EXECUTION SERVICES DESK, WHICH ALLOWED FOR AN INAPPROPRIATE CREDIT LIMIT FOR ONE EQUITY CLIENT.

2) THAT DURING THE TIME PERIOD OF ON OR ABOUT AUGUST 13, 2012 THROUGH ON OR ABOUT MAY 19, 2014, THE FIRM FAILED TO ESTABLISH AND MAINTAIN RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO PREVENT THE ENTRY OF ERRONEOUS ORDERS BY REJECTING ORDERS THAT EXCEEDED APPROPRIATE PRICE AND SIZE PARAMETERS AS REQUIRED BY SEC RULE 15C3-5(C)(1)(II), IN THAT WHILE THE FIRM'S ATS HAD PRICE AND SIZE THRESHOLDS, THE FIRM DID NOT IMPLEMENT SEPARATE PRICE OR SIZE THRESHOLDS FOR EQUITY IOC ORDERS ROUTED FROM THE FIRM'S CONNECT PLATFORM TO THE ATS.

3) THAT DURING THE TIME PERIOD OF ON OR ABOUT AUGUST 13, 2012 THROUGH ON OR ABOUT MARCH 15, 2014, THE FIRM FAILED TO ESTABLISH AND MAINTAIN REASONABLY DESIGNED RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES THAT ASSURED THE APPROPRIATE SURVEILLANCE PERSONNEL RECEIVED IMMEDIATE POST-TRADE EXECUTION REPORTS (SPECIFICALLY WASH SALES) AS REQUIRED BY SEC RULE 15C3-5(C)(2), IN THAT THE FIRM DID NOT HAVE A WASH SALE REPORT COVERING THE FIRM'S RETAIL BROKER-DEALER ORDER FLOW HANDLED BY THE FIRM'S EQUITY MARKET MAKING DESK. THIS ACTIVITY CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF CBOE EXCHANGE RULE 4.2 AND SEC RULE 15C3-5.

Initiated By: THE CHICAGO BOARD OPTIONS EXCHANGE



Date Initiated: 06/02/2015
Docket/Case Number: 15-0064
Principal Product Type: Options
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought: CENSURE
Resolution: Decision & Order of Offer of Settlement
Resolution Date: 10/23/2015
Sanctions Ordered: Censure
 Monetary/Fine \$100,000.00
Other Sanctions Ordered:
Sanction Details: THE FIRM CONSENTED TO A CENSURE AND A FINE IN THE AMOUNT OF \$100,000.
Firm Statement THE FIRM SUBMITTED AN OFFER OF SETTLEMENT ON SEPTEMBER 10, 2015, WHICH THE CBOE BCC ACCEPTED ON OCTOBER 20, 2015 AND ISSUED A NOTICE OF ACCEPTANCE DATED OCTOBER 23, 2014, WHICH WAS RECEIVED BY APPLICANT ON OCTOBER 27, 2015. THE RELEVANT FINDINGS IN THE OFFER OF SETTLEMENT ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE OFFER OF SETTLEMENT ARE EXPLAINED ABOVE IN ITEM 12.C. THE FINE WAS PAID ON NOVEMBER 5, 2015.

Disclosure 29 of 59

Reporting Source: Regulator
Current Status: Final
Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ENTER AND MAINTAIN CONTINUOUS TWO-SIDED TRADING INTEREST WITHIN THE DESIGNATED PERCENTAGES AWAY FROM THE NATIONAL BEST BID OR OFFER (NBBO) IN SECURITIES IN WHICH THE FIRM WAS REGISTERED AS A MARKET MAKER.
Initiated By: NASDAQ STOCK MARKET
Date Initiated: 06/04/2015
Docket/Case Number: 2012034837901



Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 06/04/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$32,500.00
Other Sanctions Ordered:
Sanction Details: THE FIRM WAS CENSURED AND FINED \$32,500.

Reporting Source: Firm
Current Status: Final
Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT IN 14,328 INSTANCES ON SEPTEMBER 17, 2012, AND IN 38,202 INSTANCES BETWEEN NOVEMBER 14, 2012 AND NOVEMBER 19, 2012, THE APPLICANT FAILED TO ENTER AND MAINTAIN TWO-SIDED QUOTATIONS WITHIN DESIGNATED PERCENTAGES, IN CONTRAVENTION OF NASDAQ RULE 4613(A).
Initiated By: FINRA, ON BEHALF OF THE NASDAQ STOCK MARKET
Date Initiated: 05/20/2015
Docket/Case Number: 2012034837901
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):



| | |
|---|--|
| Principal Sanction(s)/Relief Sought: | Censure |
| Other Sanction(s)/Relief Sought: | FINE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 06/04/2015 |
| Sanctions Ordered: | Censure Monetary/Fine \$32,500.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | APPLICANT CONSENTED TO A CENSURE AND A FINE IN THE AMOUNT OF \$32,500. |
| Firm Statement | APPLICANT SUBMITTED A PROPOSED AWC ON MAY 20, 2015. FINRA ACCEPTED THE AWC, ON BEHALF OF NASDAQ, ON JUNE 4, 2015 AND ISSUED A NOTICE OF ACCEPTANCE DATED JUNE 4, 2015, WHICH WAS RECEIVED BY APPLICANT ON JUNE 15, 2015. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE EXPLAINED ABOVE IN ITEM 12.C. THE FINE WILL BE PAID UPON RECEIPT OF THE INVOICE FROM NASDAQ. |

Disclosure 30 of 59

| | |
|---|---|
| Reporting Source: | Regulator |
| Current Status: | Pending |
| Allegations: | IT IS ALLEGED THAT CITADEL, ON NUMEROUS OCCASIONS, FAILED TO GRANT PRIORITY TO THE HIGHEST BID AND/OR LOWEST OFFER WHEN SUCH BID OR OFFER WAS AVAILABLE. (VIOLATIONS OF EXCHANGE RULES 6.45A AND 6.45B) |
| Initiated By: | CHICAGO BOARD OPTIONS EXCHANGE |
| Date Initiated: | 12/26/2014 |
| Docket/Case Number: | 14-0199 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |



| | |
|---|---|
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | IT IS ALLEGED THAT THE APPLICANT'S ON-FLOOR MARKET MAKERS, ON VARIOUS OCCASIONS, FAILED TO GRANT PRIORITY TO THE HIGHEST BID AND/OR LOWEST OFFER WHEN SUCH BID OR OFFER WAS AVAILABLE. (VIOLATIONS OF EXCHANGE RULES 6.45A AND 6.45B) |
| Initiated By: | CHICAGO BOARD OPTIONS EXCHANGE |
| Date Initiated: | 12/26/2014 |
| Docket/Case Number: | 14-0199 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 12/29/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$7,500.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | CITADEL SECURITIES CONSENTED TO A CENSURE, AND A \$7,500 FINE, WHICH WAS PAID ON JANUARY 2, 2018. |
| Firm Statement | CITADEL SETTLED THIS MATTER UNDER CBOE 20150439286; 20150467045; 20170528152 |

Disclosure 31 of 59

| | |
|--------------------------|---|
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | ON MARCH 23, 2015, CITADEL SECURITIES LLC ("CDRG") WAS NOTIFIED THE CHICAGO MERCANTILE EXCHANGE ("CME") HAD ACCEPTED AN OFFER OF SETTLEMENT RELATING TO CDRG'S TRANSMISSION OF UNINTENTIONAL ORDERS TO THE CME GLOBEX PLATFORM. THE OFFER OF SETTLEMENT FOUND THAT CDRG VIOLATED CME RULE 432Q. |



Initiated By: CHICAGO MERCANTILE EXCHANGE

Date Initiated: 03/19/2015

Docket/Case Number: CME 13-9526-BC

Principal Product Type: Futures - Financial

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 03/23/2015

Sanctions Ordered: Monetary/Fine \$70,000.00

Other Sanctions Ordered:

Sanction Details: FOR THE SOLE PURPOSE OF SETTLING THE DISCIPLINARY PROCEEDING, WITHOUT ADMITTING OR DENYING THE FINDINGS, CDRG CONSENTED TO THE OFFER OF SETTLEMENT, RESULTING IN A FINE IN THE AMOUNT OF \$70,000.

Firm Statement ON MARCH 19, 2015, CDRG PRESENTED AN OFFER OF SETTLEMENT TO A PANEL OF THE CME BUSINESS CONDUCT COMMITTEE, WHICH THE PANEL AGREED TO, AND THE CME ISSUED A NOTICE OF THE ACCEPTANCE ON MARCH 23, 2015. THE RELEVANT FINDINGS IN THE OFFER OF SETTLEMENT ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE OFFER OF SETTLEMENT ARE DESCRIBED ABOVE IN ITEM 12.C. THE FINE WAS PAID ON MARCH 24, 2015.

Disclosure 32 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TIMELY REPORT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS).

Initiated By: FINRA

Date Initiated: 10/15/2014



| | |
|---|---|
| Docket/Case Number: | 2012033129701 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 10/15/2014 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Censure Monetary/Fine \$20,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE FIRM WAS CENSURED AND FINED \$20,000. FINE PAID IN FULL ON OCTOBER 22, 2014. |
| <hr/> | |
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT DURING THE TIME PERIOD OF NOVEMBER 1, 2011 THROUGH DECEMBER 31, 2011 THE APPLICANT FAILED TO TIMELY REPORT 20,011,395 REPORTABLE ORDER EVENTS ("ROES") TO OATS. THESE LATE ROES, THE MAJORITY OF WHICH RESULTED FROM ORDER EVENTS REPORTED LATE OVER A PERIOD OF DAYS OR SYSTEMS ISSUES, REPRESENTED 7.66% OF ALL OF THE APPLICANTS ROES SUBMITTED TO OATS DURING NOVEMBER 2011, AND 3.68% OF ALL APPLICANT ROES SUBMITTED IN DECEMBER 2011. THIS ACTIVITY CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 7450. |
| Initiated By: | FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA") |



Date Initiated: 10/15/2014

Docket/Case Number: 20120331297-01

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: AND CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/15/2014

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: APPLICANT CONSENTED TO A CENSURE AND A FINE IN THE AMOUNT OF \$20,000.

Firm Statement APPLICANT SUBMITTED A PROPOSED AWC ON SEPTEMBER 29, 2014. FINRA ACCEPTED THE AWC ON OCTOBER 15, 2014 AND ISSUED A NOTICE OF ACCEPTANCE DATED OCTOBER 15, 2014, WHICH WAS RECEIVED BY APPLICANT ON OCTOBER 22, 2014. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE EXPLAINED ABOVE IN ITEM 12.C. THE FINE WAS PAID ON OCTOBER 22, 2014.

Disclosure 33 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TRANSMIT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) ON A TRADE DATE. THE FINDINGS STATED THAT THE FIRM FAILED TO SUBMIT ROUTE REPORTS FOR ORDERS ROUTED IN AN AGENCY CAPACITY.

Initiated By: FINRA

Date Initiated: 09/25/2014

Docket/Case Number: [2012031643001](#)



Principal Product Type: No Product
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 09/25/2014
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$10,000.00
Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$10,000. FINE PAID IN FULL ON OCTOBER 14, 2014.

Reporting Source: Firm
Current Status: Final
Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT ON OCTOBER 12, 2012 THE APPLICANT FAILED TO SUBMIT 22 ROUTE REPORTS TO OATS FOR 22 ORDERS ROUTED IN AN AGENCY CAPACITY, IN VIOLATION OF FINRA RULE 7450.
Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA")
Date Initiated: 09/25/2014
Docket/Case Number: 20120316430-01
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):



| | |
|---|---|
| Principal Sanction(s)/Relief Sought: | Censure |
| Other Sanction(s)/Relief Sought: | FINE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 09/25/2014 |
| Sanctions Ordered: | Censure Monetary/Fine \$10,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | APPLICANT CONSENTED TO A CENSURE AND A FINE IN THE AMOUNT OF \$10,000. |
| Firm Statement | APPLICANT SUBMITTED A PROPOSED AWC ON SEPTEMBER 18, 2014. FINRA ACCEPTED THE AWC ON SEPTEMBER 25, 2014 AND ISSUED A NOTICE OF ACCEPTANCE DATED SEPTEMBER 25, 2014, WHICH WAS RECEIVED BY APPLICANT ON OCTOBER 6, 2014. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE EXPLAINED ABOVE IN ITEM 12.C. THE FINE WAS PAID ON OCTOBER 8, 2014. |

Disclosure 34 of 59

| | |
|--------------------------|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION. THE FIRM VIOLATED NYSE AREA EQUITIES RULES 6.1 AND 6.18, AND EXCHANGE ACT RULE 15C3-5 BY FAILING TO ESTABLISH, MAINTAIN, AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS REASONABLY DESIGNED TO CHECK FOR ORDER ACCURACY, REJECT ORDERS THAT EXCEEDED APPROPRIATE PRICE AND/OR SIZE PARAMETERS, REJECT DUPLICATIVE ORDERS, AND MONITOR APPROPRIATE MESSAGE LEVEL ACTIVITY, INCLUDING MESSAGE ACTIVITY AT THE DESK, FIRM, AND MARKET LEVEL. IN 24 INSTANCES, THE FIRM'S EQUITY MARKET MAKING DESK FAILED TO PREVENT THE TRANSMISSION OF ERRONEOUS CUSTOMER ORDERS TO THE EXCHANGES. TRANSACTIONS RESULTING FROM THE 24 ERRONEOUS CUSTOMER ORDERS AFFECTED THE PRICE OF |



EACH SECURITY, IN SOME CASES, DRAMATICALLY. THE FIRM'S TRANSMISSION OF THIS ERRONEOUS ORDER TO THE EXCHANGES WAS FOLLOWED BY AN IMMEDIATE INCREASE IN THE PRICE OF THE SECURITY OF 132 PERCENT. ALSO, FOR A PERIOD, THE FIRM HAD NO SPECIFIC PRE-TRADE RISK CONTROL ON THE EQUITY MARKET MAKING DESK FOR PREVENTING ERRONEOUS CUSTOMER ORDERS OTHER THAN A GENERAL REQUIREMENT THAT THE ORDER SIZE NOT EXCEED 999,999 SHARES. NONE OF THE SUBJECT CUSTOMER ORDERS TRIGGERED THIS ORDER SIZE CONTROL BECAUSE NONE EXCEEDED 999,999 SHARES. IN ADDITION TO THE DEFICIENCIES, FOR A PERIOD, THE FIRM'S RISK CONTROL PARAMETERS ON THE EQUITY MARKET MAKING DESK WERE INADEQUATE BECAUSE THEY EXCLUDED FROM REVIEW WHOLE CATEGORIES OF SECURITIES SYMBOLS, INCLUDING NASDAQ 100, S&P 100, AND HIGH-VOLUME ETF SYMBOLS. MOREOVER, ON A CERTAIN DATE, THE EQUITY MARKET-MAKING DESK ERRONEOUSLY SOLD SHORT, ON A PROPRIETARY BASIS, 2.75 MILLION SHARES OF AN ENTITY, CAUSING THE SHARE PRICE OF THE ENTITY TO FALL BY 77 PERCENT DURING AN ELEVEN MINUTE PERIOD. AT THE TIME OF THE ENTITY'S EVENT, THE FIRM HAD NEITHER FORMAL WRITTEN POLICIES, PROCEDURES, OR CONTROLS IN PLACE TO ADDRESS MODIFICATIONS TO ITS TRADING SYSTEMS, QUOTING SYSTEMS, OR ALGORITHMS, NOR AN ASSIGNED EMPLOYEE TO CONTINUOUSLY MONITOR THE SYSTEM INVOLVED IN THIS EVENT. FURTHERMORE, THE FIRM'S OPTIONS MARKET MAKING DESK RELEASED AN UPDATED VERSION OF ITS ORDER SIZING SOFTWARE FOR ONE OF ITS PROPRIETARY TRADING STRATEGIES. THE STRATEGY WAS FIRST RELEASED TO AN ELECTRONIC TRADING DESK QUOTER ("QUOTER") WITH A SMALL NUMBER OF SYMBOLS. THE QUOTER, HOWEVER, DID NOT HAVE A PROPERLY CONFIGURED WAIT TIMER. AS A RESULT, FOR A PERIOD, THE FIRM SENT MULTIPLE, PERIODIC BURSTS OF ORDER MESSAGES, AT 10,000 ORDERS PER SECOND, TO THE EXCHANGES. THIS EXCESSIVE MESSAGING ACTIVITY, WHICH INVOLVED HUNDREDS OF THOUSANDS OF ORDERS FOR MORE THAN 19 MILLION SHARES, OCCURRED TWO TO THREE TIMES PER DAY. BECAUSE OF THE BRIEF DURATION AND SMALL SIZE OF EACH ORDER, NONE OF THE RISK CONTROLS IN FORCE ON THE OPTIONS MARKET-MAKING DESK WERE TRIGGERED BY THE MESSAGE BURST EVENTS. AFTER RECEIVING AN INQUIRY ABOUT ITS ORDER ACTIVITY FROM FINRA, THE FIRM MODIFIED ITS TRADING SOFTWARE ON THE OPTIONS MARKET MAKING DESK TO PREVENT THE RECURRENCE OF THIS ACTIVITY. IN ADDITION, ON A CERTAIN DATE, THE FIRM'S DATA SERVER DEDICATED TO HANDLING NYSE AREA MARKET DATA USED BY ITS PROPRIETARY TRADING DESK FAILED TO START UP PROPERLY. THIS FAILURE CAUSED A DATA SERVER, OF THE FIRM, DEDICATED TO HANDLING NYSE STOCK EXCHANGE LLC MARKET DATA TO CONNECT AND DISSEMINATE NYSE STOCK EXCHANGE LLC MARKET DATA IN ITS PLACE, CAUSING ITS PROPRIETARY TRADING DESK TO SEND ERRONEOUS



HYPER-MARKETABLE LIMIT ORDERS IN 16 DIFFERENT STOCK SYMBOLS TO THE EXCHANGES DURING A TWO MINUTE PERIOD. THE FIRM INCURRED A LOSS OF APPROXIMATELY \$1.4 MILLION ON THE RESULTING ERRONEOUS EXECUTIONS. THE EXCHANGES GRANTED, IN PART, THE FIRM'S PETITION TO CANCEL THE EXECUTIONS, REDUCING ITS LOSS TO \$400,000.

Initiated By: NYSE ARCA, INC.

Date Initiated: 06/25/2014

Docket/Case Number: 2010022334501

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED EQUITY SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 06/25/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$160,000.00

Other Sanctions Ordered: UNDERTAKING: ORDERED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE DECISION.

THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA EQUITIES RULE 11.2(A)(2)(II).

THIS \$160,000 FINE IS PART OF A GLOBAL SETTLEMENT WHEREBY THE FIRM AGREED TO A TOTAL FINE OF \$800,000 PAYABLE TO FIVE SELF-REGULATORY ORGANIZATIONS (\$420,000 TO NASDAQ, \$160,000 TO NYSE ARCA, \$100,000 TO BZX, \$70,000 TO BYX, AND \$50,000 TO FINRA).



Sanction Details: SEE ABOVE

Reporting Source: Firm

Current Status: Final

Allegations: ON JUNE 25, 2014, NYSE ARCA, INC. ("ARCA"), AS PART OF A GLOBAL RESOLUTION AMONG SEVERAL SELF-REGULATORY ORGANIZATIONS, NOTIFIED CITADEL SECURITIES LLC (CDRG") THAT IT HAD ACCEPTED ITS OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION RELATING TO CDRG'S TRANSMISSION OF ERRONEOUS ORDERS TO ARCA, NASDAQ STOCK MARKET LLC, BATS EXCHANGE, INC., AND BATS Y-EXCHANGE, INC. (THE "EXCHANGES"). FOR THE SOLE PURPOSE OF SETTling THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT DURING THE PERIOD OF MARCH 18, 2010 THROUGH JANUARY 8, 2013: (A) ON 24 OCCASIONS BETWEEN MARCH 18, 2010 AND JANUARY 8, 2013, CDRG USED THE EXCHANGES' CLEARLY ERRONEOUS PROCESSES TO OBTAIN CANCELLATIONS OF ERRONEOUS CUSTOMER ORDERS THAT THE FIRM'S SUPERVISORY PROCEDURES AND RISK CONTROLS FAILED TO REASONABLY DETECT AND PREVENT; (II) IN APRIL 2010, CDRG RELEASED A TEST VERSION OF A PREVIOUSLY ABANDONED SOFTWARE UPDATE, CAUSING A QUOTING SYSTEM TO SEND AGGRESSIVELY PRICED MARKETABLE SELL LIMIT ORDERS TO THE EXCHANGES, RESULTING IN A LARGE, ERRONEOUS SHORT POSITION; (III) IN AUGUST 2011, CDRG RELEASED AN UPDATED VERSION OF ITS ORDER SIZING SOFTWARE THAT CAUSED THE TRADING STRATEGY TO ENTER INTO AN ORDER SENDING AND CANCELLATION LOOP; AND (IV) ON DECEMBER 13, 2012, CDRG APPLIED INACCURATE MARKET DATA TO THE FIRM'S ORDER BOOK WHEN A FAILURE ASSOCIATED WITH A CDRG DATA SERVER CAUSED CDRG'S PROPRIETARY TRADING DESK TO SEND ERRONEOUS HYPER-MARKETABLE LIMIT ORDERS TO THE EXCHANGES.

THE DECISION FOUND THAT CDRG VIOLATED NYSE ARCA EQUITIES RULES 6.1 AND 6.18 (FOR CONDUCT OCCURRING DURING MARCH 18, 2010 THROUGH JANUARY 8, 2013), AND RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 (FOR CONDUCT OCCURRING ON OR AFTER JULY 14, 2011).

Initiated By: NYSE ARCA, INC.

Date Initiated: 06/25/2014

Docket/Case Number: 2010023345



| | |
|---|---|
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE AND UNDERTAKING |
| Resolution: | Decision & Order of Offer of Settlement |
| Resolution Date: | 06/25/2014 |
| Sanctions Ordered: | Censure Monetary/Fine \$160,000.00 |
| Other Sanctions Ordered: | UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE DECISION. |
| Sanction Details: | FOR THE SOLE PURPOSE OF SETTLING THE DISCIPLINARY PROCEEDING, WITHOUT ADMITTING OR DENYING THE FINDINGS, CDRG SUBMITTED AN OFFER OF SETTLEMENT AND CONSENT TO FINRA ON BEHALF OF NYSE REGULATION, INC. WHICH WAS ACCEPTED BY THE HEARING OFFICER. THE HEARING OFFICER ISSUED A DECISION IN ACCORDANCE WITH NYSE ARCA EQUITIES RULES ORDERING A CENSURE, A FINE IN THE AMOUNT OF \$160,000, AND AN UNDERTAKING FOR CDRG TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE DECISION. |
| Firm Statement | CDRG SUBMITTED AN OFFER OF SETTLEMENT AND CONSENT TO FINRA ON BEHALF OF NYSE REGULATION, INC. ON JUNE 4, 2014. THIS OFFER WAS ACCEPTED BY A HEARING OFFICER AND A DECISION, DATED JUNE 25, 2014, WAS ISSUED. THE RELEVANT FINDINGS IN THE DECISION ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE DECISION ARE EXPLAINED ABOVE IN ITEM 12.C. THE FINE WAS PAID ON JULY 14, 2014, AND CDRG IS IN PROCESS OF UPDATING ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE DECISION. |

Disclosure 35 of 59

| | |
|--------------------------|--|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REASONABLY PREVENT THE TRANSMISSION OF ERRONEOUS ORDERS TO |



NASDAQ, BATS EXCHANGE, INC. (BZX), BATS Y-EXCHANGE, INC. (BYX), AND NYSE ARCA, INC. (NYSE ARCA) (THE EXCHANGES). THE FINDINGS STATED THAT THE FIRM'S EQUITY MARKET MAKING DESK FAILED TO PREVENT THE TRANSMISSION OF ERRONEOUS CUSTOMER ORDERS TO THE EXCHANGES. TRANSACTIONS RESULTING FROM THE ERRONEOUS CUSTOMER ORDERS AFFECTED THE PRICE OF EACH SECURITY, IN SOME CASES, DRAMATICALLY. IN EACH INSTANCE, THE FIRM PETITIONED THE EXCHANGES TO CANCEL THE RESULTING EXECUTIONS ON THE GROUND THAT THE ORDERS WERE CLEARLY ERRONEOUS. MOST OF THE PETITIONS WERE SUBMITTED ON THE GROUND THAT THE CUSTOMER MISTAKENLY ENTERED A MARKET ORDER OR STOP ORDER INSTEAD OF A LIMIT ORDER OR STOP LIMIT ORDER. IN MOST INSTANCES, THE EXCHANGES GRANTED THE FIRM'S PETITIONS, IN WHOLE OR IN PART, AND CANCELED THE TRANSACTIONS RESULTING FROM THE ERRONEOUS ORDERS. THE FIRM RELIED PRIMARILY ON POST-TRADE NOTIFICATIONS FROM THE EXCHANGES, OR IN A FEW INSTANCES, FROM ITS CUSTOMERS, TO IDENTIFY THE ERRONEOUS CUSTOMER ORDERS AND THE EXECUTIONS RESULTING THEREFROM. THE FIRM MODIFIED A SIZE/VOLUME CONTROL ON MULTIPLE OCCASIONS, NARROWING ITS PARAMETERS AND ADDING NEW PARAMETERS TO DETECT A BROADER RANGE OF POTENTIALLY ERRONEOUS ORDERS. NOTWITHSTANDING THESE CHANGES, ERRONEOUS CUSTOMER ORDERS CONTINUED TO PASS THROUGH THIS CONTROL BECAUSE THE ORDERS DID NOT EXCEED THE SIZE AND VOLUME PARAMETERS OR, THE SECURITY OR ORDER TYPE WAS EXCLUDED FROM THIS PRE-TRADE CONTROL'S REVIEW. THE FIRM'S RISK CONTROL PARAMETERS ON THE EQUITY MARKET MAKING DESK WERE INADEQUATE BECAUSE THEY EXCLUDED FROM REVIEW WHOLE CATEGORIES OF SECURITIES SYMBOLS, INCLUDING NASDAQ 100, S&P 100, AND HIGH-VOLUME EXCHANGE-TRADED FUND (ETF) SYMBOLS. THE FINDINGS ALSO STATED THAT THE EQUITY MARKET MAKING DESK ERRONEOUSLY SOLD SHORT, ON A PROPRIETARY BASIS, 2.75 MILLION SHARES OF A STOCK, CAUSING THE SHARE PRICE OF THE STOCK TO FALL BY 77 PERCENT DURING AN 11 MINUTE PERIOD. THE FIRM'S PROFIT AND LOSS SERVER REFLECTED THE LARGE SHORT POSITION ACCUMULATING IN THE STOCK. UPON DISCOVERY OF THIS ACTIVITY, THE FIRM DISABLED THE DESK'S ABILITY TO SEND QUOTES IN THE STOCK. THE ERRONEOUS EXECUTIONS IN THE STOCK WERE TRIGGERED BY AN UPDATE TO PART OF THE FIRM'S TRADING SYSTEM. THE FIRM HAD NO FORMAL WRITTEN POLICIES, PROCEDURES OR CONTROLS IN PLACE TO ADDRESS MODIFICATIONS TO THE FIRM'S TRADING SYSTEMS, QUOTING SYSTEMS, OR ALGORITHMS AT THE TIME OF THIS EVENT. NOR DID THE FIRM ASSIGN AN EMPLOYEE TO CONTINUOUSLY MONITOR THE SYSTEM INVOLVED IN THIS EVENT. THE FINDINGS ALSO INCLUDED THAT THE FIRM SENT MULTIPLE, PERIODIC BURSTS OF ORDER MESSAGES, AT 10,000 ORDERS PER SECOND, TO THE EXCHANGES. NONE OF THE RISK CONTROLS IN



FORCE ON THE OPTIONS MARKET MAKING DESK WERE TRIGGERED BY THE MESSAGE BURST EVENTS DUE TO THE BRIEF DURATION, AND SMALL SIZE, OF EACH ORDER. AFTER RECEIVING AN INQUIRY ABOUT THE FIRM'S ORDER ACTIVITY FROM FINRA, THE FIRM MODIFIED ITS TRADING SOFTWARE ON THE OPTIONS MARKET MAKING DESK TO PREVENT RECURRENCE OF THIS ACTIVITY. DUE TO A SOFTWARE CODE MISCONFIGURATION, A CONTROL FAILED TO ACTIVATE WHEN REARRANGED CODE WAS INTRODUCED INTO A PRODUCTION ENVIRONMENT. AS A RESULT, THE FIRM FAILED TO PREVENT THE STRATEGY FROM SENDING MILLIONS OF ORDERS TO THE EXCHANGES WITH FEW OR NO EXECUTIONS. [CONTINUED IN COMMENT]

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 06/16/2014

Docket/Case Number: 2010022334502

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/16/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$800,000.00

Other Sanctions Ordered: OF THE \$800,000 FINE, \$420,000 SHALL BE PAID TO NASDAQ, \$160,000 TO NYSE ARCA, \$100,000 TO BZX, \$70,000 TO BYX, AND \$50,000 TO FINRA; UNDERTAKING: REQUIRED TO REVISE THE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS

Sanction Details: SEE ABOVE

Regulator Statement [CONTINUED FROM ALLEGATIONS]: AFTER RECEIVING AN INQUIRY FROM NASDAQ CONCERNING AN INCREASE IN ORDER MESSAGING ACTIVITY IN ANOTHER STOCK, THE FIRM DISABLED A TRADING STRATEGY, MODIFIED



ITS SOFTWARE CODE TO ADDRESS THE ISSUE, AND IMPLEMENTED AN ADDITIONAL THRASHING CONTROL TO PREVENT ITS RECURRENCE. A FIRM DATA SERVER DEDICATED TO HANDLING NYSE ARCA MARKET DATA USED BY THE FIRM'S PROPRIETARY TRADING DESK FAILED TO START UP PROPERLY, WHICH CAUSED A FIRM DATA SERVER DEDICATED TO HANDLING NYSE STOCK EXCHANGE LLC MARKET DATA TO CONNECT AND DISSEMINATE NYSE STOCK EXCHANGE LLC MARKET DATA IN ITS PLACE. THE FIRM INCURRED A LOSS OF APPROXIMATELY \$1.4 MILLION ON THE RESULTING ERRONEOUS EXECUTIONS. THE EXCHANGES GRANTED, IN PART, THE FIRM'S PETITION TO CANCEL THE EXECUTIONS, REDUCING THE FIRM'S LOSS TO \$400,000. THE FIRM FAILED TO HAVE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO DETECT AND PREVENT THE ENTRY OF ERRONEOUS ORDERS. BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS REASONABLY DESIGNED TO: CHECK FOR ORDER ACCURACY; REJECT ORDERS THAT EXCEEDED APPROPRIATE PRICE AND/OR SIZE PARAMETERS; REJECT DUPLICATIVE ORDERS; AND MONITOR APPROPRIATE MESSAGE LEVEL ACTIVITY, INCLUDING MESSAGE ACTIVITY AT THE DESK, FIRM AND MARKET LEVEL, THE FIRM VIOLATED NASDAQ RULES 2110, 2010A AND 3010, AND SECURITIES EXCHANGE ACT OF 1934 RULE 15C3-5.

Reporting Source: Firm

Current Status: Final

Allegations: ON JUNE 19, 2014, CITADEL SECURITIES LLC ("CDRG") WAS NOTIFIED THAT THE NASDAQ STOCK MARKET LLC ("NASDAQ") AS PART OF A GLOBAL RESOLUTION AMONG SEVERAL SELF-REGULATORY ORGANIZATIONS HAD ACCEPTED A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") RELATING TO CDRG'S TRANSMISSION OF ERRONEOUS ORDERS TO NASDAQ, BATS EXCHANGE, INC., BATS Y-EXCHANGE, INC., AND NYSE ARCA (THE "EXCHANGES"). FOR THE SOLE PURPOSE OF SETTling THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT DURING THE PERIOD OF MARCH 18, 2010 THROUGH FEBRUARY 28, 2014: (A) ON 24 OCCASIONS BETWEEN MARCH 18, 2010 AND JANUARY 8, 2013, CDRG USED THE EXCHANGES' CLEARLY ERRONEOUS PROCESSES TO OBTAIN CANCELLATIONS OF ERRONEOUS CUSTOMER ORDERS THAT THE FIRM'S SUPERVISORY PROCEDURES AND RISK CONTROLS FAILED TO REASONABLY DETECT AND PREVENT; (II) IN APRIL 2010, CDRG RELEASED A TEST VERSION OF A PREVIOUSLY ABANDONED SOFTWARE UPDATE, CAUSING A QUOTING SYSTEM TO SEND AGGRESSIVELY PRICED



MARKETABLE SELL LIMIT ORDERS TO THE EXCHANGES, RESULTING IN A LARGE, ERRONEOUS SHORT POSITION; (III) IN AUGUST 2011, CDRG RELEASED AN UPDATED VERSION OF ITS ORDER SIZING SOFTWARE THAT CAUSED THE TRADING STRATEGY TO ENTER INTO AN ORDER SENDING AND CANCELLATION LOOP; (IV) ON DECEMBER 13, 2012, CDRG APPLIED INACCURATE MARKET DATA TO THE FIRM'S ORDER BOOK WHEN A FAILURE ASSOCIATED WITH A CDRG DATA SERVER CAUSED CDRG'S PROPRIETARY TRADING DESK TO SEND ERRONEOUS HYPER-MARKETABLE LIMIT ORDERS TO THE EXCHANGES; AND (V) CDRG SENT MILLIONS OF ORDERS TO THE EXCHANGES WITH FEW OR NO EXECUTIONS WHEN, IN CONNECTION WITH A CODE REARRANGEMENT PROJECT COMPLETED IN JANUARY 2014, A CONTROL DESIGNED TO PREVENT CDRG FROM ENTERING ORDERS IN EXCESS OF 200 ORDERS PER SECOND IN A GIVEN SECURITY SYMBOL WAS DEACTIVATED.

THE AWC FOUND THAT CDRG VIOLATED NASDAQ RULES 2110 (FOR CONDUCT OCCURRING PRIOR TO NOVEMBER 21, 2012), 2010A (FOR CONDUCT OCCURRING ON OR AFTER NOVEMBER 21, 2012) AND 3010 (THROUGHOUT THE REVIEW PERIOD), AND RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 (FOR CONDUCT OCCURRING ON OR AFTER JULY 14, 2011).

Initiated By: THE NASDAQ STOCK MARKET LLC

Date Initiated: 06/19/2014

Docket/Case Number: 20100223345-02

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE AND UNDERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/19/2014

Sanctions Ordered: Censure
Monetary/Fine \$420,000.00

Other Sanctions Ordered: UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Sanction Details: FOR THE SOLE PURPOSE OF SETTLING THE DISCIPLINARY PROCEEDING, WITHOUT ADMITTING OR DENYING THE FINDINGS, CDRG CONSENTED TO



THE ISSUANCE OF THE AWC, RESULTING IN A CENSURE, A FINE IN THE AMOUNT OF \$420,000, AND AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Firm Statement

CDRG SUBMITTED A PROPOSED AWC ON JUNE 4, 2014. NASDAQ ACCEPTED THE AWC ON JUNE 12, 2014 AND ISSUED A NOTICE OF ACCEPTANCE DATED JUNE 16, 2014, WHICH WAS RECEIVED BY CDRG ON JUNE 19, 2014. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE EXPLAINED ABOVE IN ITEM 12.C. THE FINE WILL BE PAID ONCE NASDAQ INVOICES CDRG FOR THE FINE, AND CDRG IS IN PROCESS OF UPDATING ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Disclosure 36 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REASONABLY PREVENT THE TRANSMISSION OF ERRONEOUS ORDERS TO NASDAQ, BATS EXCHANGE, INC. (BZX), BATS Y-EXCHANGE, INC. (BYX), AND NYSE ARCA, INC. (NYSE ARCA) (THE EXCHANGES). THE FINDINGS STATED THAT THE FIRM'S EQUITY MARKET MAKING DESK FAILED TO PREVENT THE TRANSMISSION OF ERRONEOUS CUSTOMER ORDERS TO THE EXCHANGES. TRANSACTIONS RESULTING FROM THE ERRONEOUS CUSTOMER ORDERS AFFECTED THE PRICE OF EACH SECURITY, IN SOME CASES, DRAMATICALLY. IN EACH INSTANCE, THE FIRM PETITIONED THE EXCHANGES TO CANCEL THE RESULTING EXECUTIONS ON THE GROUND THAT THE ORDERS WERE CLEARLY ERRONEOUS. MOST OF THE PETITIONS WERE SUBMITTED ON THE GROUND THAT THE CUSTOMER MISTAKENLY ENTERED A MARKET ORDER OR STOP ORDER INSTEAD OF A LIMIT ORDER OR STOP LIMIT ORDER. IN MOST INSTANCES, THE EXCHANGES GRANTED THE FIRM'S PETITIONS, IN WHOLE OR IN PART, AND CANCELED THE TRANSACTIONS RESULTING FROM THE ERRONEOUS ORDERS. THE FIRM RELIED PRIMARILY ON POST-TRADE NOTIFICATIONS FROM THE EXCHANGES, OR IN A FEW INSTANCES, FROM ITS CUSTOMERS, TO IDENTIFY THE ERRONEOUS CUSTOMER ORDERS AND THE EXECUTIONS RESULTING THEREFROM. THE FIRM MODIFIED A SIZE/VOLUME CONTROL ON MULTIPLE OCCASIONS, NARROWING ITS PARAMETERS AND ADDING NEW PARAMETERS TO DETECT A BROADER RANGE OF POTENTIALLY ERRONEOUS ORDERS. NOTWITHSTANDING THESE CHANGES, ERRONEOUS CUSTOMER ORDERS CONTINUED TO



PASS THROUGH THIS CONTROL BECAUSE THE ORDERS DID NOT EXCEED THE SIZE AND VOLUME PARAMETERS OR, THE SECURITY OR ORDER TYPE WAS EXCLUDED FROM THIS PRE-TRADE CONTROL'S REVIEW. THE FIRM'S RISK CONTROL PARAMETERS ON THE EQUITY MARKET MAKING DESK WERE INADEQUATE BECAUSE THEY EXCLUDED FROM REVIEW WHOLE CATEGORIES OF SECURITIES SYMBOLS, INCLUDING NASDAQ 100, S&P 100, AND HIGH-VOLUME EXCHANGE-TRADED FUND (ETF) SYMBOLS. THE FINDINGS ALSO STATED THAT THE EQUITY MARKET MAKING DESK ERRONEOUSLY SOLD SHORT, ON A PROPRIETARY BASIS, 2.75 MILLION SHARES OF A STOCK, CAUSING THE SHARE PRICE OF THE STOCK TO FALL BY 77 PERCENT DURING AN 11 MINUTE PERIOD. THE FIRM'S PROFIT AND LOSS SERVER REFLECTED THE LARGE SHORT POSITION ACCUMULATING IN THE STOCK. UPON DISCOVERY OF THIS ACTIVITY, THE FIRM DISABLED THE DESK'S ABILITY TO SEND QUOTES IN THE STOCK. THE ERRONEOUS EXECUTIONS IN THE STOCK WERE TRIGGERED BY AN UPDATE TO PART OF THE FIRM'S TRADING SYSTEM. THE FIRM HAD NO FORMAL WRITTEN POLICIES, PROCEDURES OR CONTROLS IN PLACE TO ADDRESS MODIFICATIONS TO THE FIRM'S TRADING SYSTEMS, QUOTING SYSTEMS, OR ALGORITHMS AT THE TIME OF THIS EVENT. NOR DID THE FIRM ASSIGN AN EMPLOYEE TO CONTINUOUSLY MONITOR THE SYSTEM INVOLVED IN THIS EVENT. THE FINDINGS ALSO INCLUDED THAT THE FIRM SENT MULTIPLE, PERIODIC BURSTS OF ORDER MESSAGES, AT 10,000 ORDERS PER SECOND, TO THE EXCHANGES. NONE OF THE RISK CONTROLS IN FORCE ON THE OPTIONS MARKET MAKING DESK WERE TRIGGERED BY THE MESSAGE BURST EVENTS DUE TO THE BRIEF DURATION, AND SMALL SIZE, OF EACH ORDER. AFTER RECEIVING AN INQUIRY ABOUT THE FIRM'S ORDER ACTIVITY FROM FINRA, THE FIRM MODIFIED ITS TRADING SOFTWARE ON THE OPTIONS MARKET MAKING DESK TO PREVENT RECURRENCE OF THIS ACTIVITY. DUE TO A SOFTWARE CODE MISCONFIGURATION, A CONTROL FAILED TO ACTIVATE WHEN REARRANGED CODE WAS INTRODUCED INTO A PRODUCTION ENVIRONMENT. AS A RESULT, THE FIRM FAILED TO PREVENT THE STRATEGY FROM SENDING MILLIONS OF ORDERS TO THE EXCHANGES WITH FEW OR NO EXECUTIONS. [CONTINUED IN COMMENT]

Initiated By: BATS Y-EXCHANGE, INC.
Date Initiated: 06/16/2014
Docket/Case Number: 2010022334504
Principal Product Type: Equity - OTC
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Other
Other Sanction(s)/Relief N/A

**Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 07/15/2014**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No**Sanctions Ordered:** Censure
Monetary/Fine \$800,000.00**Other Sanctions Ordered:** OF THE \$800,000 FINE, \$420,000 SHALL BE PAID TO NASDAQ, \$160,000 TO NYSE ARCA, \$100,000 TO BZX, \$70,000 TO BYX, AND \$50,000 TO FINRA; UNDERTAKING: REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS**Sanction Details:** SEE ABOVE**Regulator Statement** [CONTINUED FROM ALLEGATIONS]: A FIRM DATA SERVER DEDICATED TO HANDLING NYSE ARCA MARKET DATA USED BY THE FIRM'S PROPRIETARY TRADING DESK FAILED TO START UP PROPERLY, WHICH CAUSED A FIRM DATA SERVER DEDICATED TO HANDLING NYSE STOCK EXCHANGE LLC MARKET DATA TO CONNECT AND DISSEMINATE NYSE STOCK EXCHANGE LLC MARKET DATA IN ITS PLACE. THE FIRM INCURRED A LOSS OF APPROXIMATELY \$1.4 MILLION ON THE RESULTING ERRONEOUS EXECUTIONS. THE EXCHANGES GRANTED, IN PART, THE FIRM'S PETITION TO CANCEL THE EXECUTIONS, REDUCING THE FIRM'S LOSS TO \$400,000. THE FIRM FAILED TO HAVE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO DETECT AND PREVENT THE ENTRY OF ERRONEOUS ORDERS. BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS REASONABLY DESIGNED TO: CHECK FOR ORDER ACCURACY; REJECT ORDERS THAT EXCEEDED APPROPRIATE PRICE AND/OR SIZE PARAMETERS; REJECT DUPLICATIVE ORDERS; AND MONITOR APPROPRIATE MESSAGE LEVEL ACTIVITY, INCLUDING MESSAGE ACTIVITY AT THE DESK, FIRM AND MARKET LEVEL, THE FIRM VIOLATED BYX RULES 5.1 AND 5.2, AND SECURITIES EXCHANGE ACT OF 1934 RULE 15C3-5. THE DECISION IS FINAL ON JULY 15, 2014.**Reporting Source:** Firm

**Current Status:**

Final

Allegations:

ON JUNE 19, 2014, CITADEL SECURITIES LLC ("CDRG") WAS NOTIFIED THAT BATS Y-EXCHANGE, INC. ("BYX") AS PART OF A GLOBAL RESOLUTION AMONG SEVERAL SELF-REGULATORY ORGANIZATIONS HAD ACCEPTED A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") RELATING TO CDRG'S TRANSMISSION OF ERRONEOUS ORDERS TO BYZ, NASDAQ STOCK MARKET LLC, BATS EXCHANGE, INC., AND NYSE ARCA (THE "EXCHANGES"). FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT DURING THE PERIOD OF MARCH 18, 2010 THROUGH FEBRUARY 28, 2014: (A) ON 24 OCCASIONS BETWEEN MARCH 18, 2010 AND JANUARY 8, 2013, CDRG USED THE EXCHANGES' CLEARLY ERRONEOUS PROCESSES TO OBTAIN CANCELLATIONS OF ERRONEOUS CUSTOMER ORDERS THAT THE FIRM'S SUPERVISORY PROCEDURES AND RISK CONTROLS FAILED TO REASONABLY DETECT AND PREVENT; (II) IN APRIL 2010, CDRG RELEASED A TEST VERSION OF A PREVIOUSLY ABANDONED SOFTWARE UPDATE, CAUSING A QUOTING SYSTEM TO SEND AGGRESSIVELY PRICED MARKETABLE SELL LIMIT ORDERS TO THE EXCHANGES, RESULTING IN A LARGE, ERRONEOUS SHORT POSITION; (III) IN AUGUST 2011, CDRG RELEASED AN UPDATED VERSION OF ITS ORDER SIZING SOFTWARE THAT CAUSED THE TRADING STRATEGY TO ENTER INTO AN ORDER SENDING AND CANCELLATION LOOP; (IV) IN JULY 2012 AND NOVEMBER 2012, PRE-ORDER CHECKS IN USE BY CDRG, WHICH WERE DESIGNED TO PREVENT THE ENTRY OF REPETITIVE ORDERS, FAILED TO PREVENT THE TRANSMISSION OF MILLIONS OF REPETITIVE ORDERS TO BZX THAT WERE CANCELLED BEFORE EXECUTION AND WITHIN THE SAME MILLISECOND; (V) ON DECEMBER 13, 2012, CDRG APPLIED INACCURATE MARKET DATA TO THE FIRM'S ORDER BOOK WHEN A FAILURE ASSOCIATED WITH A CDRG DATA SERVER CAUSED CDRG'S PROPRIETARY TRADING DESK TO SEND ERRONEOUS HYPER-MARKETABLE LIMIT ORDERS TO THE EXCHANGES; AND (VI) CDRG SENT MILLIONS OF ORDERS TO THE EXCHANGES WITH FEW OR NO EXECUTIONS WHEN, IN CONNECTION WITH A CODE REARRANGEMENT PROJECT COMPLETED IN JANUARY 2014, A CONTROL DESIGNED TO PREVENT CDRG FROM ENTERING ORDERS IN EXCESS OF 200 ORDERS PER SECOND IN A GIVEN SECURITY SYMBOL WAS DEACTIVATED.

THE AWC FOUND THAT CDRG VIOLATED BYX RULES 5.1 AND 5.2 (FOR CONDUCT OCCURRING BETWEEN MARCH 18, 2010 AND FEBRUARY 28, 2014), AND RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 (FOR CONDUCT OCCURRING ON OR AFTER JULY 14, 2011).

Initiated By:

BATS Y-EXCHANGE, INC.



Date Initiated: 06/19/2014

Docket/Case Number: 20100223345-04

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE AND UNDETKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/19/2014

Sanctions Ordered: Censure
Monetary/Fine \$70,000.00

Other Sanctions Ordered: UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Sanction Details: FOR THE SOLE PURPOSE OF SETTLING THE DISCIPLINARY PROCEEDING, WITHOUT ADMITTING OR DENYING THE FINDINGS, CDRG CONSENTED TO THE ISSUANCE OF THE AWC, RESULTING IN A CENSURE, A FINE IN THE AMOUNT OF \$70,000, AND AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Firm Statement CDRG SUBMITTED A PROPOSED AWC ON JUNE 4, 2014. BYZ ACCEPTED THE AWC ON JUNE 10, 2014 AND ISSUED A NOTICE OF ACCEPTANCE DATED JUNE 16, 2014, WHICH WAS RECEIVED BY CDRG ON JUNE 19, 2014. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE EXPLAINED ABOVE IN ITEM 12.C. THE FINE WAS PAID ON JULY 15, 2014, AND CDRG IS IN PROCESS OF UPDATING ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Disclosure 37 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REASONABLY PREVENT THE TRANSMISSION OF ERRONEOUS ORDERS TO



NASDAQ, BATS EXCHANGE, INC. (BZX), BATS Y-EXCHANGE, INC. (BYX), AND NYSE ARCA, INC. (NYSE ARCA) (THE EXCHANGES). THE FINDINGS STATED THAT THE FIRM'S EQUITY MARKET MAKING DESK FAILED TO PREVENT THE TRANSMISSION OF ERRONEOUS CUSTOMER ORDERS TO THE EXCHANGES. TRANSACTIONS RESULTING FROM THE ERRONEOUS CUSTOMER ORDERS AFFECTED THE PRICE OF EACH SECURITY, IN SOME CASES, DRAMATICALLY. IN EACH INSTANCE, THE FIRM PETITIONED THE EXCHANGES TO CANCEL THE RESULTING EXECUTIONS ON THE GROUND THAT THE ORDERS WERE CLEARLY ERRONEOUS. MOST OF THE PETITIONS WERE SUBMITTED ON THE GROUND THAT THE CUSTOMER MISTAKENLY ENTERED A MARKET ORDER OR STOP ORDER INSTEAD OF A LIMIT ORDER OR STOP LIMIT ORDER. IN MOST INSTANCES, THE EXCHANGES GRANTED THE FIRM'S PETITIONS, IN WHOLE OR IN PART, AND CANCELED THE TRANSACTIONS RESULTING FROM THE ERRONEOUS ORDERS. THE FIRM RELIED PRIMARILY ON POST-TRADE NOTIFICATIONS FROM THE EXCHANGES, OR IN A FEW INSTANCES, FROM ITS CUSTOMERS, TO IDENTIFY THE ERRONEOUS CUSTOMER ORDERS AND THE EXECUTIONS RESULTING THEREFROM. THE FIRM MODIFIED A SIZE/VOLUME CONTROL ON MULTIPLE OCCASIONS, NARROWING ITS PARAMETERS AND ADDING NEW PARAMETERS TO DETECT A BROADER RANGE OF POTENTIALLY ERRONEOUS ORDERS. NOTWITHSTANDING THESE CHANGES, ERRONEOUS CUSTOMER ORDERS CONTINUED TO PASS THROUGH THIS CONTROL BECAUSE THE ORDERS DID NOT EXCEED THE SIZE AND VOLUME PARAMETERS OR, THE SECURITY OR ORDER TYPE WAS EXCLUDED FROM THIS PRE-TRADE CONTROL'S REVIEW. THE FIRM'S RISK CONTROL PARAMETERS ON THE EQUITY MARKET MAKING DESK WERE INADEQUATE BECAUSE THEY EXCLUDED FROM REVIEW WHOLE CATEGORIES OF SECURITIES SYMBOLS, INCLUDING NASDAQ 100, S&P 100, AND HIGH-VOLUME EXCHANGE-TRADED FUND (ETF) SYMBOLS. THE FINDINGS ALSO STATED THAT THE EQUITY MARKET MAKING DESK ERRONEOUSLY SOLD SHORT, ON A PROPRIETARY BASIS, 2.75 MILLION SHARES OF A STOCK, CAUSING THE SHARE PRICE OF THE STOCK TO FALL BY 77 PERCENT DURING AN 11 MINUTE PERIOD. THE FIRM'S PROFIT AND LOSS SERVER REFLECTED THE LARGE SHORT POSITION ACCUMULATING IN THE STOCK. UPON DISCOVERY OF THIS ACTIVITY, THE FIRM DISABLED THE DESK'S ABILITY TO SEND QUOTES IN THE STOCK. THE ERRONEOUS EXECUTIONS IN THE STOCK WERE TRIGGERED BY AN UPDATE TO PART OF THE FIRM'S TRADING SYSTEM. THE FIRM HAD NO FORMAL WRITTEN POLICIES, PROCEDURES OR CONTROLS IN PLACE TO ADDRESS MODIFICATIONS TO THE FIRM'S TRADING SYSTEMS, QUOTING SYSTEMS, OR ALGORITHMS AT THE TIME OF THIS EVENT. NOR DID THE FIRM ASSIGN AN EMPLOYEE TO CONTINUOUSLY MONITOR THE SYSTEM INVOLVED IN THIS EVENT. THE FINDINGS ALSO INCLUDED THAT THE FIRM SENT MULTIPLE, PERIODIC BURSTS OF ORDER MESSAGES, AT 10,000 ORDERS PER SECOND, TO THE EXCHANGES. NONE OF THE RISK CONTROLS IN



FORCE ON THE OPTIONS MARKET MAKING DESK WERE TRIGGERED BY THE MESSAGE BURST EVENTS DUE TO THE BRIEF DURATION, AND SMALL SIZE, OF EACH ORDER. AFTER RECEIVING AN INQUIRY ABOUT THE FIRM'S ORDER ACTIVITY FROM FINRA, THE FIRM MODIFIED ITS TRADING SOFTWARE ON THE OPTIONS MARKET MAKING DESK TO PREVENT RECURRENCE OF THIS ACTIVITY. DUE TO A SOFTWARE CODE MISCONFIGURATION, A CONTROL FAILED TO ACTIVATE WHEN REARRANGED CODE WAS INTRODUCED INTO A PRODUCTION ENVIRONMENT. AS A RESULT, THE FIRM FAILED TO PREVENT THE STRATEGY FROM SENDING MILLIONS OF ORDERS TO THE EXCHANGES WITH FEW OR NO EXECUTIONS. [CONTINUED IN COMMENT]

Initiated By: BATS Z-EXCHANGE, INC.

Date Initiated: 06/16/2014

Docket/Case Number: 2010022334503

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 07/15/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$800,000.00

Other Sanctions Ordered: OF THE \$800,000 FINE, \$420,000 SHALL BE PAID TO NASDAQ, \$160,000 TO NYSE ARCA, \$100,000 TO BZX, \$70,000 TO BYX, AND \$50,000 TO FINRA; UNDERTAKING: REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS

Sanction Details: SEE ABOVE

Regulator Statement [CONTINUED FROM ALLEGATIONS]: A FIRM DATA SERVER DEDICATED TO HANDLING NYSE ARCA MARKET DATA USED BY THE FIRM'S PROPRIETARY TRADING DESK FAILED TO START UP PROPERLY, WHICH CAUSED A FIRM



DATA SERVER DEDICATED TO HANDLING NYSE STOCK EXCHANGE LLC MARKET DATA TO CONNECT AND DISSEMINATE NYSE STOCK EXCHANGE LLC MARKET DATA IN ITS PLACE. THE FIRM INCURRED A LOSS OF APPROXIMATELY \$1.4 MILLION ON THE RESULTING ERRONEOUS EXECUTIONS. THE EXCHANGES GRANTED, IN PART, THE FIRM'S PETITION TO CANCEL THE EXECUTIONS, REDUCING THE FIRM'S LOSS TO \$400,000. THE FIRM FAILED TO HAVE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO DETECT AND PREVENT THE ENTRY OF ERRONEOUS ORDERS. BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM, INCLUDING SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS REASONABLY DESIGNED TO: CHECK FOR ORDER ACCURACY; REJECT ORDERS THAT EXCEEDED APPROPRIATE PRICE AND/OR SIZE PARAMETERS; REJECT DUPLICATIVE ORDERS; AND MONITOR APPROPRIATE MESSAGE LEVEL ACTIVITY, INCLUDING MESSAGE ACTIVITY AT THE DESK, FIRM AND MARKET LEVEL, THE FIRM VIOLATED BZX RULES 5.1 AND 5.2, AND SECURITIES EXCHANGE ACT OF 1934 RULE 15C3-5. THE DECISION IS FINAL ON JULY 15, 2014.

Reporting Source:

Firm

Current Status:

Final

Allegations:

ON JUNE 19, 2014, CITADEL SECURITIES LLC ("CDRG") WAS NOTIFIED THAT BATS EXCHANGE, INC. ("BZX") AS PART OF A GLOBAL RESOLUTION AMONG SEVERAL SELF-REGULATORY ORGANIZATIONS, HAD ACCEPTED A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") RELATING TO CDRG'S TRANSMISSION OF ERRONEOUS ORDERS TO BZX, NASDAQ STOCK MARKET LLC, BATS Y-EXCHANGE, INC., AND NYSE ARCA (THE "EXCHANGES"). FOR THE SOLE PURPOSE OF SETTling THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT DURING THE PERIOD OF MARCH 18, 2010 THROUGH FEBRUARY 28, 2014: (A) ON 24 OCCASIONS BETWEEN MARCH 18, 2010 AND JANUARY 8, 2013, CDRG USED THE EXCHANGES' CLEARLY ERRONEOUS PROCESSES TO OBTAIN CANCELLATIONS OF ERRONEOUS CUSTOMER ORDERS THAT THE FIRM'S SUPERVISORY PROCEDURES AND RISK CONTROLS FAILED TO REASONABLY DETECT AND PREVENT; (II) IN APRIL 2010, CDRG RELEASED A TEST VERSION OF A PREVIOUSLY ABANDONED SOFTWARE UPDATE, CAUSING A QUOTING SYSTEM TO SEND AGGRESSIVELY PRICED MARKETABLE SELL LIMIT ORDERS TO THE EXCHANGES, RESULTING IN A LARGE, ERRONEOUS SHORT POSITION; (III) IN AUGUST 2011, CDRG RELEASED AN UPDATED VERSION OF ITS ORDER SIZING SOFTWARE THAT



CAUSED THE TRADING STRATEGY TO ENTER INTO AN ORDER SENDING AND CANCELLATION LOOP; (IV) IN JULY 2012 AND NOVEMBER 2012, PRE-ORDER CHECKS IN USE BY CDRG, WHICH WERE DESIGNED TO PREVENT THE ENTRY OF REPETITIVE ORDERS, FAILED TO PREVENT THE TRANSMISSION OF MILLIONS OF REPETITIVE ORDERS TO BZX THAT WERE CANCELLED BEFORE EXECUTION AND WITHIN THE SAME MILLISECOND; (V) ON DECEMBER 13, 2012, CDRG APPLIED INACCURATE MARKET DATA TO THE FIRM'S ORDER BOOK WHEN A FAILURE ASSOCIATED WITH A CDRG DATA SERVER CAUSED CDRG'S PROPRIETARY TRADING DESK TO SEND ERRONEOUS HYPER-MARKETABLE LIMIT ORDERS TO THE EXCHANGES; AND (VI) CDRG SENT MILLIONS OF ORDERS TO THE EXCHANGES WITH FEW OR NO EXECUTIONS WHEN, IN CONNECTION WITH A CODE REARRANGEMENT PROJECT COMPLETED IN JANUARY 2014, A CONTROL DESIGNED TO PREVENT CDRG FROM ENTERING ORDERS IN EXCESS OF 200 ORDERS PER SECOND IN A GIVEN SECURITY SYMBOL WAS DEACTIVATED.

THE AWC FOUND THAT CDRG VIOLATED BZX RULES 5.1 AND 5.2 (FOR CONDUCT OCCURRING BETWEEN MARCH 18, 2010 AND FEBRUARY 28, 2014), AND RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 (FOR CONDUCT OCCURRING ON OR AFTER JULY 14, 2011).

Initiated By: BATS EXCHANGE, INC.

Date Initiated: 06/19/2014

Docket/Case Number: 20100223345-03

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE AND UNDERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/19/2014

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered: UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Sanction Details: FOR THE SOLE PURPOSE OF SETTLING THE DISCIPLINARY PROCEEDING, WITHOUT ADMITTING OR DENYING THE FINDINGS, CDRG CONSENTED TO



THE ISSUANCE OF THE AWC, RESULTING IN A CENSURE, A FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Firm Statement

CDRG SUBMITTED A PROPOSED AWC ON JUNE 4, 2014. BZX ACCEPTED THE AWC ON JUNE 10, 2014 AND ISSUES A NOTICE OF ACCEPTANCE DATED JUNE 16, 2014, WHICH WAS RECEIVED BY CDRG ON JUNE 19, 2014. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE EXPLAINED ABOVE IN ITEM 12.C. THE FINE WAS PAID ON JULY 15, 2014, AND CDRG IS IN PROCESS OF UPDATING ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Disclosure 38 of 59

Reporting Source:

Regulator

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM FAILED TO REASONABLY PREVENT THE TRANSMISSION OF ERRONEOUS ORDERS TO NASDAQ, BATS EXCHANGE, INC, (BZX), BATS Y-EXCHANGE, INC. (BYX), AND NYSE ARCA, INC, (NYSE ARCA) (THE EXCHANGES). THE FINDINGS STATED THAT THE FIRM'S EQUITY MARKET MAKING DESK FAILED TO PREVENT THE TRANSMISSION OF ERRONEOUS CUSTOMER ORDERS TO THE EXCHANGES. TRANSACTIONS RESULTING FROM THE ERRONEOUS CUSTOMER ORDERS AFFECTED THE PRICE OF EACH SECURITY, IN SOME CASES, DRAMATICALLY. IN EACH INSTANCE, THE FIRM PETITIONED THE EXCHANGES TO CANCEL THE RESULTING EXECUTIONS ON THE GROUND THAT THE ORDERS WERE CLEARLY ERRONEOUS. MOST OF THE PETITIONS WERE SUBMITTED ON THE GROUND THAT THE CUSTOMER MISTAKENLY ENTERED A MARKET ORDER OR STOP ORDER INSTEAD OF A LIMIT ORDER OR STOP LIMIT ORDER. IN MOST INSTANCES, THE EXCHANGES GRANTED THE FIRM'S PETITIONS, IN WHOLE OR IN PART, AND CANCELED THE TRANSACTIONS RESULTING FROM THE ERRONEOUS ORDERS. THE FIRM RELIED PRIMARILY ON POST-TRADE NOTIFICATIONS FROM THE EXCHANGES, OR IN A FEW INSTANCES, FROM ITS CUSTOMERS, TO IDENTIFY THE ERRONEOUS CUSTOMER ORDERS AND THE EXECUTIONS RESULTING THEREFROM. THE FIRM MODIFIED THE SIZE/VOLUME RISK CONTROL ON MULTIPLE OCCASIONS, NARROWING ITS PARAMETERS AND ADDING NEW PARAMETERS TO DETECT A BROADER RANGE OF POTENTIALLY ERRONEOUS ORDERS. NOTWITHSTANDING THESE CHANGES, ERRONEOUS CUSTOMER ORDERS CONTINUED TO



PASS THROUGH THIS CONTROL BECAUSE THE ORDERS DID NOT EXCEED THE SIZE AND VOLUME PARAMETERS OR, THE SECURITY OR ORDER TYPE WAS EXCLUDED FROM THIS PRE-TRADE CONTROL'S REVIEW. THE FIRM'S RISK CONTROL PARAMETERS ON THE EQUITY MARKET MAKING DESK WERE INADEQUATE BECAUSE THEY EXCLUDED FROM REVIEW WHOLE CATEGORIES OF SECURITIES SYMBOLS, INCLUDING NASDAQ 100, S&P 100, AND HIGH-VOLUME EXCHANGE-TRADED FUND (ETF) SYMBOLS. THE FINDINGS ALSO STATED THAT THE EQUITY MARKET MAKING DESK ERRONEOUSLY SOLD SHORT, ON A PROPRIETARY BASIS, 2.75 MILLION SHARES OF A STOCK, CAUSING THE SHARE PRICE TO FALL BY 77 PERCENT DURING AN 11 MINUTE PERIOD. THE FIRM'S PROFIT AND LOSS SERVER REFLECTED THE LARGE SHORT POSITION ACCUMULATING IN THE STOCK. UPON DISCOVERY OF THIS ACTIVITY, THE FIRM DISABLED THE DESK'S ABILITY TO SEND QUOTES IN THE STOCK. THE ERRONEOUS EXECUTIONS IN THE STOCK WERE TRIGGERED BY AN UPDATE TO PART OF THE FIRM'S TRADING SYSTEM. THE FIRM HAD NO FORMAL WRITTEN POLICIES, PROCEDURES OR CONTROLS IN PLACE TO ADDRESS MODIFICATIONS TO THE FIRM'S TRADING SYSTEMS, QUOTING SYSTEMS, OR ALGORITHMS AT THE TIME OF THIS EVENT. NOR DID THE FIRM ASSIGN AN EMPLOYEE TO CONTINUOUSLY MONITOR THE SYSTEM INVOLVED IN THIS EVENT. THE FINDINGS ALSO INCLUDED THAT THE FIRM SENT MULTIPLE, PERIODIC BURSTS OF ORDER MESSAGES, AT 10,000 ORDERS PER SECOND, TO THE EXCHANGES. NONE OF THE RISK CONTROLS IN FORCE ON THE OPTIONS MARKET MAKING DESK WERE TRIGGERED BY THE MESSAGE BURST EVENTS DUE TO THE BRIEF DURATION, AND SMALL SIZE, OF EACH ORDER. AFTER RECEIVING AN INQUIRY ABOUT THE FIRM'S ORDER ACTIVITY FROM FINRA, THE FIRM MODIFIED ITS TRADING SOFTWARE ON THE OPTIONS MARKET MAKING DESK TO PREVENT RECURRENCE OF THIS ACTIVITY. FINRA FOUND THAT A FIRM DATA SERVER DEDICATED TO HANDLING NYSE ARCA MARKET DATA USED BY THE FIRM'S PROPRIETARY TRADING DESK FAILED TO START UP PROPERLY. THIS FAILURE CAUSED A FIRM DATA SERVER DEDICATED TO HANDLING NYSE STOCK EXCHANGE LLC MARKET DATA TO CONNECT AND DISSEMINATE NYSE STOCK EXCHANGE LLC MARKET DATA IN ITS PLACE. THE FIRM INCURRED A LOSS OF APPROXIMATELY \$1.4 MILLION ON THE RESULTING ERRONEOUS EXECUTIONS. THE EXCHANGES GRANTED, IN PART, THE FIRM'S PETITION TO CANCEL THE EXECUTIONS, REDUCING THE FIRM'S LOSS TO \$400,000. THE FIRM FAILED TO HAVE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO DETECT AND PREVENT THE ENTRY OF ERRONEOUS ORDERS.

Initiated By: FINRA
Date Initiated: 06/16/2014
Docket/Case Number: [2010022334505](#)



Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/16/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$800,000.00

Other Sanctions Ordered: OF THE \$800,000 FINE, \$420,000 SHALL BE PAID TO NASDAQ, \$160,000 TO NYSE ARCA, \$100,000 TO BZX, \$70,000 TO BYX, AND \$50,000 TO FINRA; UNDERTAKING: REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS

Sanction Details: SEE ABOVE FOR THE SANCTION DETAILS-

FINRA'S \$50,000 FINE PAID IN FULL ON JULY 7, 2014.

Reporting Source: Firm

Current Status: Final

Allegations: ON JUNE 19, 2014, THE FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA"), AS PART OF A GLOBAL RESOLUTION AMONG SEVERAL SELF-REGULATORY ORGANIZATIONS, NOTIFIED CITADEL SECURITIES LLC (CDRG") THAT IT HAD ACCEPTED A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") RELATING TO CDRG'S TRANSMISSION OF ERRONEOUS ORDERS TO THE NASDAQ STOCK MARKET LLC, BATS EXCHANGE, INC., BATS Y-EXCHANGE, INC., AND NYSE ARCA (THE "EXCHANGES"). FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT DURING THE PERIOD OF MARCH 18, 2010 THROUGH JANUARY 8, 2013: (A) ON 24 OCCASIONS BETWEEN MARCH 18, 2010 AND



JANUARY 8, 2013, CDRG USED THE EXCHANGES' CLEARLY ERRONEOUS PROCESSES TO OBTAIN CANCELLATIONS OF ERRONEOUS CUSTOMER ORDERS THAT THE FIRM'S SUPERVISORY PROCEDURES AND RISK CONTROLS FAILED TO REASONABLY DETECT AND PREVENT; (II) IN APRIL 2010, CDRG RELEASED A TEST VERSION OF A PREVIOUSLY ABANDONED SOFTWARE UPDATE, CAUSING A QUOTING SYSTEM TO SEND AGGRESSIVELY PRICED MARKETABLE SELL LIMIT ORDERS TO THE EXCHANGES, RESULTING IN A LARGE, ERRONEOUS SHORT POSITION; (III) IN AUGUST 2011, CDRG RELEASED AN UPDATED VERSION OF ITS ORDER SIZING SOFTWARE THAT CAUSED THE TRADING STRATEGY TO ENTER INTO AN ORDER SENDING AND CANCELLATION LOOP; AND (IV) ON DECEMBER 13, 2012, CDRG APPLIED INACCURATE MARKET DATA TO THE FIRM'S ORDER BOOK WHEN A FAILURE ASSOCIATED WITH A CDRG DATA SERVER CAUSED CDRG'S PROPRIETARY TRADING DESK TO SEND ERRONEOUS HYPER-MARKETABLE LIMIT ORDERS TO THE EXCHANGES.

THE AWC FOUND THAT CDRG VIOLATED FINRA RULE 2010 AND NASD RULE 3010 (FOR CONDUCT OCCURRING BETWEEN MARCH 18, 2010 AND JANUARY 8, 2013) AND RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 (FOR CONDUCT OCCURRING ON OR AFTER JULY 14, 2011)"

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 06/19/2014

Docket/Case Number: 20100223345-05

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE AND UNDERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/19/2014

Sanctions Ordered: Censure
Monetary/Fine \$50,000.00

Other Sanctions Ordered: UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Sanction Details: FOR THE SOLE PURPOSE OF SETTLING THE DISCIPLINARY PROCEEDING, WITHOUT ADMITTING OR DENYING THE FINDINGS, CDRG CONSENTED TO THE ISSUANCE OF THE AWC, RESULTING IN A CENSURE, A FINE IN THE



AMOUNT OF \$50,000, AND AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Firm Statement

CDRG SUBMITTED A PROPOSED AWC ON JUNE 4, 2014. FINRA ACCEPTED THE AWC ON JUNE 12, 2014 AND ISSUED A NOTICE OF ACCEPTANCE DATED JUNE 16, 2014, WHICH WAS RECEIVED BY CDRG ON JUNE 19, 2014. THE RELEVANT FINDINGS IN THE AWC ARE DESCRIBED ABOVE IN ITEM 7. THE SANCTIONS IMPOSED BY THE AWC ARE EXPLAINED ABOVE IN ITEM 12.C. THE FINE WAS PAID ON JULY 7, 2014 AND CDRG IS IN PROCESS OF UPDATING ITS WRITTEN SUPERVISORY PROCEDURES AND RISK MANAGEMENT CONTROLS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC.

Disclosure 39 of 59

| | |
|---|---|
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | CBOE ISSUED A \$4,000 SUMMARY FINE TO THE APPLICANT FOR FAILING TO ENSURE THE TIMELY INITIATION OF A TRADING ROTATION FOLLOWING THE OPENING OF THE UNDERLYING SECURITY IN A SUB-SET OF ITS ASSIGNED DESIGNATED PRIMARY MARKET MAKER NAMES ON 10 BUSINESS DAYS DURING FEBRUARY 2014. |
| Initiated By: | CHICAGO BOARD OPTIONS EXCHANGE |
| Date Initiated: | 03/19/2014 |
| Docket/Case Number: | N/A |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Other |
| Other Sanction(s)/Relief Sought: | SUMMARY FINE |
| Resolution: | Other |
| Resolution Date: | 03/19/2014 |
| Sanctions Ordered: | Monetary/Fine \$4,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | A \$4,000.00 SUMMARY FINE WHICH WILL |



Firm Statement N/A

Disclosure 40 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: NYSE RULE 342: DURING THE RELEVANT PERIOD, THE FIRM PARTICIPATED IN THE NYSE'S SUPPLEMENTAL LIQUIDITY PROVIDER (SLP) PROGRAM. AS A SLP, THE FIRM PROVIDED LIQUIDITY IN ITS ASSIGNED SECURITIES BY ELECTRONICALLY ENTERING RESTING ORDERS INTO THE SYSTEMS AND FACILITIES OF THE NYSE. THE FIRM'S ELECTRONIC MARKET MAKING DESK (ELMM) IS THE TRADING DESK THAT SENT ORDERS TO THE NYSE DURING THE RELEVANT PERIOD IN THE FIRM'S CAPACITY AS A SLP. ELMM'S ORDERS WERE ELECTRONICALLY GENERATED BY SEPARATE ALGORITHMIC TRADING STRATEGIES. OVER THE RELEVANT PERIOD, ELMM EMPLOYED A NUMBER OF SEPARATE TRADING STRATEGIES, EACH OF WHICH GENERATED ORDERS INDEPENDENTLY. DURING THE RELEVANT PERIOD, APPROXIMATELY 502,243 SLP ORDERS THE FIRM ENTERED THROUGH ONE OF ITS ALGORITHMS CONDUCTING SLP ACTIVITY IN THE ELMM TRADING DESK RESULTED IN EXECUTIONS ON THE NYSE AGAINST OTHER SLP ORDERS ENTERED BY SEPARATE ALGORITHMS ON THE SAME TRADING DESK ON THE OPPOSITE SIDE OF THE MARKET. THE FIRM BUILT ITS SELF-TRADE CONTROLS INTO ITS TRADING SOFTWARE TO PREVENT THE SAME ALGORITHM IN THE ELMM DESK FROM HAVING OPEN ORDERS ON BOTH SIDES OF THE MARKET THAT WOULD RESULT IN AN EXECUTION BY DETERMINING IF THE ALGORITHM HAD OUTSTANDING SELL (BUY) ORDERS AT THE SAME OR LOWER (HIGHER) PRICE THAN THE BUY (SELL) ORDER BEING GENERATED. HOWEVER, THE FIRM DID NOT HAVE SPECIFIC CONTROLS TO PREVENT SELF-TRADES ACROSS DIFFERENT ALGORITHMS IN THE ELMM DESK, WHICH IS WHAT OCCURRED IN THIS MATTER. BEGINNING, AT SOME POINT IN THE PERIOD, THE FIRM UTILIZED A SELF-MATCH REPORT WHICH IDENTIFIES INSTANCES IN WHICH ELMM'S BUY AND SELL ORDERS CROSS AND SHARE THE SAME DBK LINK ID. THE DBK LINK ID, WHICH IS PROVIDED BY THE NYSE TO FIRMS, IS A UNIQUE IDENTIFIER ASSIGNED AT THE POINT OF SALE, WHICH IS USED TO LINK ALL BUYER AND SELLER EXECUTIONS THAT HAVE PARTICIPATED IN A DISPLAY BOOK TRANSACTION. WHILE THE SELF MATCH REPORT WAS REVIEWED ON A DAILY BASIS BY AN ELMM SUPERVISOR TO DETERMINE WHETHER THE IDENTIFIED CROSSED TRADES WERE EXCESSIVE OR POTENTIALLY MANIPULATIVE, AS A RESULT OF LIMITATIONS TO THE REPORT, IT WAS NOT CAPABLE OF REASONABLY PREVENTING SLP TRADES ACROSS SLP ALGORITHMS THAT RESULTED IN NO CHANGE OF BENEFICIAL OWNERSHIP.



Initiated By: NEW YORK STOCK EXCHANGE
Date Initiated: 01/09/2014
Docket/Case Number: 2012033045801
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 01/09/2014
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No
Sanctions Ordered: Censure
 Monetary/Fine \$115,000.00
Other Sanctions Ordered:
Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$115,000.

 IN DETERMINING TO RESOLVE THIS MATTER ON THE TERMS SET FORTH HEREIN, MARKET REGULATION TOOK INTO CONSIDERATION THAT, ON APRIL 10, 2013, THE NYSE INTRODUCED A NEW SELF-TRADE PREVENTION (STP) MODIFIER TO ENABLE FIRMS TO BETTER MANAGE THEIR ORDER FLOW AND PREVENT UNINTENDED EXECUTIONS WITH THEMSELVES. ON THAT DATE, THE FIRM BEGAN TO AVAIL ITSELF OF THE NYSE STP FOR THE FIRM'S SLP ACTIVITY.
Regulator Statement OTHER ASSOCIATED CASE NUMBERS ARE 20130354720 & 20130382690

Reporting Source: Firm
Current Status: Final



| | |
|---|--|
| Allegations: | FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT, DURING THE PERIOD JANUARY 2010 THROUGH APRIL 2013, IT VIOLATED NYSE RULE 342 IN ITS CAPACITY AS A NYSE SUPPLEMENTAL LIQUIDITY PROVIDER, BY FAILING TO MAINTAIN SUPERVISORY PROCEDURES, INCLUDING A SYSTEM OF FOLLOW-UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO DETECT AND PREVENT POTENTIALLY VIOLATIVE WASH TRADING ACTIVITY. |
| Initiated By: | FINANCIAL INDUSTRY REGULATORY AUTHORITY ON BEHALF OF NEW YORK STOCK EXCHANGE |
| Date Initiated: | 01/07/2014 |
| Docket/Case Number: | 20120330458-01 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 01/07/2014 |
| Sanctions Ordered: | Censure Monetary/Fine \$115,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | CITADEL SECURITIES CONSENTED TO A CENSURE AND AGREED TO PAY A \$115,000 FINE, WHICH WAS PAID ON JANUARY 22, 2014. |
| Firm Statement | CITADEL SECURITIES EXECUTED AND SUBMITTED AN AWC, WHICH WAS ACCEPTED ON JANUARY 7, 2014. CITADEL SECURITIES CONSENTED TO A CENSURE AND AGREED TO PAY A \$115,000 FINE, WHICH WAS PAID ON JANUARY 22, 2014. |

Disclosure 41 of 59

| | |
|--------------------------|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | FINRA RULE 5260, NASD RULE 3340 - CITADEL SECURITIES LLC EFFECTED TRANSACTIONS DURING NUMEROUS TRADING HALTS. IN EACH INSTANCE, |



THE FIRM EFFECTED A TRANSACTION IN A SECURITY WHILE A TRADING HALT WAS IN EFFECT FOR SUCH SECURITY. THE FIRM EFFECTED TRANSACTIONS IN A SECURITY WHILE A TRADING PAUSE WAS IN EFFECT WITH RESPECT TO THE SECURITY.

Initiated By: FINRA

Date Initiated: 12/23/2013

Docket/Case Number: [2011029287501](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/23/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$30,000. FINE PAID IN FULL ON JANUARY 13, 2014.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA FOUND THAT DURING THE PERIOD JANUARY 1, 2009 THROUGH DECEMBER 1, 2011 THE APPLICANT EFFECTED 364 TRANSACTIONS IN 64 SECURITIES WHILE A TRADING HALT WAS IN EFFECT WITH RESPECT TO EACH OF THE SECURITIES IN VIOLATION OF NASD RULE 3340 (FOR CONDUCT OCCURRING PRIOR TO DECEMBER 14, 2009) AND FINRA RULE



5260 (FOR CONDUCT OCCURRING ON OR AFTER DECEMBER 14, 2009).

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 12/20/2013

Docket/Case Number: 20110292875-01

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/20/2013

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE AND AGREED TO PAY A \$30,000 FINE, WHICH WAS PAID ON JANUARY 13, 2014.

Firm Statement CITADEL SECURITIES EXECUTED AND SUBMITTED AN AWC, WHICH WAS ACCEPTED ON DECEMBER 20, 2013. CITADEL SECURITIES CONSENTED TO A CENSURE AND AGREED TO PAY A \$30,000 FINE, WHICH WAS PAID ON JANUARY 13, 2014.

Disclosure 42 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: CITADEL SECURITIES LLC ("CITADEL"), AN EXCHANGE PERMIT HOLDER APPROVED TO CONDUCT BUSINESS AS A MARKET-MAKER, WAS CENSURED AND FINED \$10,000 FOR THE FOLLOWING CONDUCT. CITADEL SUBMITTED RESPONSES TO COA ON 6,350 OCCASIONS, RECEIVING EXECUTION ON 1,085 CONTRACTS, IN OPTIONS CLASSES IN WHICH IT DID NOT HOLD AN APPOINTMENT. IN ADDITION, CITADEL FAILED TO SUPERVISE TO ASSURE COMPLIANCE WITH EXCHANGE RULE 6.13 IN ORDER TO PREVENT CITADEL FROM SUBMITTING RESPONSES TO COA IN OPTIONS CLASSES IN WHICH IT DID NOT HOLD AN APPOINTMENT. (C2 RULES 4.2 - ADHERENCE TO LAW AND 6.13 - COMPLEX ORDER EXECUTION)



Initiated By: CHICAGO BOARD OPTIONS EXCHANGE
Date Initiated: 10/24/2013
Docket/Case Number: C2 13-0001
Principal Product Type: Options
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:
Resolution: Decision & Order of Offer of Settlement
Resolution Date: 04/29/2014
Sanctions Ordered: Censure
 Monetary/Fine \$10,000.00
Other Sanctions Ordered:
Sanction Details: A \$10,000 FINE AND A CENSURE.

Reporting Source: Firm
Current Status: Final
Allegations: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, APPLICANT STIPULATED THAT, DURING THE PERIOD NOVMBER 2011 THROUGH IN OR ABOUT FEBRUARY 2012, AND FROM IN OR ABOUT SEPTEMBER 2012 THROUGH IN OR ABOUT DECEMBER 2012, IT VIOLATED C2 RULE 6.13 IN ITS CAPACITY AS A C2 MARKET MAKER BY RESPONDING TO THE C2 COMPLEX ORDER AUCTION ON 6,350 OCCASIONS IN THE VXX OPTIONS CLASS, RESULTING IN THE EXECUTION OF 1,085 CONTRACTS, WHILE THE APPLICANT DID NOT HOLD AN APPOINTMENT IN THE VXX OPTIONS CLASS ON THE C2. ADDITIONALLY, DURING THE SAME TIME PERIOD THE APPLICANT VIOALTED C2 RULE 4.2 IN THAT IT FAILED TO SUPERVISE TO ASSURE COMPLIANCE WITH EXCHANGE RULE 6.13.

Initiated By: C2 OPTIONS EXCHANGE, INC.
Date Initiated: 12/04/2013
Docket/Case Number: C2 13-0001



| | |
|---|--|
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Decision & Order of Offer of Settlement |
| Resolution Date: | 04/29/2014 |
| Sanctions Ordered: | Censure Monetary/Fine \$10,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | APPLICANT CONSENTED TO A CENSURE AND AGREED TO PAY A \$10,000 FINE, WHICH WAS PAID ON MAY 12, 2014. |
| Firm Statement | APPLICANT EXECUTED AND SUBMITTED AN OFFER OF SETTLEMENT, WHICH WAS ACCEPTED ON APRIL 29, 2014. APPLICANT CONSENTED TO A CENSURE AND AGREED TO PAY A \$10,000 FINE, WHICH WAS PAID ON MAY 12, 2014. |

Disclosure 43 of 59

| | |
|---|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | NYSE ARCA EQUITIES RULE 7.33: THE FIRM FAILED TO USE THE CORRECT CODE INDICATING THE CAPACITY OF 558,107 PROPRIETARY ORDERS WHEN ROUTING THOSE ORDERS TO NYSE ARCA. THE FIRM FAILED TO USE THE CORRECT CODE INDICATING THE CAPACITY OF 60,069,462 PROPRIETARY ORDERS WHEN ROUTING THOSE ORDERS TO NYSE ARCA. FOR THE FOREGOING REASONS, THE FIRM VIOLATED NYSE AREA EQUITIES RULE 7.33 DURING THE TWO RELEVANT PERIODS. |
| Initiated By: | NYSE ARCA, INC. |
| Date Initiated: | 10/08/2013 |
| Docket/Case Number: | 20110279854 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | |


Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 10/08/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$60,000.00

Other Sanctions Ordered:

Sanction Details: A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION; THEREFORE, THE FIRM IS CENSURED AND FINED A TOTAL OF \$60,000 (\$15,000 FOR THE 558,107 VIOLATIONS RELATED TO MATTER NUMBER 20110279854, AND \$45,000 FOR THE 60,069,462 VIOLATIONS RELATED TO MATTER NUMBER 20120327758). THE SANCTIONS SHALL TAKE EFFECT IMMEDIATELY. THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION.

Regulator Statement OTHER CASE NUMBERS: 20120327758, 13-ARCA-22,

Reporting Source: Firm

Current Status: Final

Allegations: NYSE ARCA FOUND THAT CITADEL SECURITIES LLC FAILED TO USE THE CORRECT CAPACITY CODE ON A PORTION OF ORDERS ROUTED TO NYSE ARCA AS REQUIRED BY NYSE ARCA EQUITIES RULE 7.33 DURING TWO SEPARATE TIME PERIODS.

Initiated By: NYSE ARCA EQUITIES

Date Initiated: 10/08/2013

Docket/Case Number: 20110279854

Principal Product Type: Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 10/08/2013

Sanctions Ordered: Censure
Monetary/Fine \$60,000.00

Other Sanctions Ordered:

Sanction Details: THE APPLICANT CONSENTED TO A CENSURE AND AGREED TO PAY A \$60,000.00 FINE. THE APPLICANT PAID THE FINE ON OCTOBER 11, 2013.

Firm Statement

NYSE ARCA FOUND THAT CITADEL SECURITIES LLC FAILED TO USE THE CORRECT CAPACITY CODE ON A PORTION OF ORDERS ROUTED TO THE NYSE ARCA EQUITIES EXCHANGE AS REQUIRED BY NYSE ARCA EQUITIES RULE 7.33 DURING THE TIME PERIODS OF JANUARY 1, 2007 THROUGH DECEMBER 12, 2012, AND SEPTEMBER 1, 2012 THROUGH MAY 31, 2012. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR FINDINGS, CITADEL SECURITIES ENTERED INTO AN OFFER OF SETTLEMENT AND CONSENT, WHICH WAS ACCEPTED BY NYSE ARCA ON OCTOBER 8, 2013. CITADEL SECURITIES CONSENTED TO A CENSURE AND AGREED TO PAY A \$60,000 FINE, WHICH WAS PAID ON OCTOBER 11, 2013.

Disclosure 44 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: FINRA RULES 2010, 6380A, 7450, NASD RULE 3010 - CITADEL SECURITIES LLC TRANSMITTED REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT OMITTED SPECIAL HANDLING CODES OR CONTAINED INACCURATE SPECIAL HANDLING CODES. THE FIRM INCORRECTLY DESIGNATED AS ".PRP" TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND/OR FINRA RULES ADDRESSING QUALITY OF MARKET TOPICS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR ADEQUATE WSPS IN TRADE REPORTING (ACCURATE AND TIMELY REPORTING); ACCEPTING



MATCHING TRADES IN A TIMELY MANNER; REPORTING TRADES ON MEMBER'S BEHALF; OATS (ACCURACY OF OATS DATA); OTHER RULES (SUB-PENNY ORDERS W/.01, SUB-PENNY ORDERS W/.0001); USE OF MULTIPLE MARKET PARTICIPANT IDENTIFIERS (USE OF MPIDS, MPID ACCESS, MPID ACTIVITY); AND SALE TRANSACTIONS FOR A PARTICULAR DESK (LOCATE REQUIREMENTS). THE FIRM FAILED TO PROVIDE DOCUMENTARY EVIDENCE THAT IT PERFORMED THE SUPERVISORY REVIEWS SET FORTH IN ITS WSPS CONCERNING: BEST EXECUTION (EXECUTION OF BLOCK-SIZED, "NOT-HELD" OR CUSTOMER ORDERS WITH SPECIAL PRICING CONDITIONS, (HANDLING OF MULTIPLE ORDERS CONCURRENTLY); AND USE OF MULTIPLE MPIDS.

Initiated By: FINRA

Date Initiated: 09/27/2013

Docket/Case Number: [2010021590501](#)

Principal Product Type: Other

Other Product Type(s): DESIGNATED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/27/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$35,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$35,000 AND REQUIRED TO REVISE ITS WSPS REGARDING TRADE REPORTING (ACCURATE AND TIMELY REPORTING); ACCEPTING MATCHING TRADES IN A TIMELY MANNER; REPORTING TRADES ON MEMBER'S BEHALF; OATS (ACCURACY OF OATS DATA); OTHER RULES (SUB-PENNY ORDERS W/.01, SUB-PENNY



ORDERS W/.0001); USE OF MULTIPLE MARKET PARTICIPANT IDENTIFIERS (USE OF MPIDS, MPID ACCESS, MPID ACTIVITY); AND SALE TRANSACTIONS FOR A PARTICULAR DESK (LOCATE REQUIREMENTS) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID IN FULL 10/17/13.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA FOUND THAT CITADEL SECURITIES LLC VIOLATED CERTAIN FINRA RULES GOVERNING OATS REPORTING AND TRADE REPORTING, AND THAT THE FIRM'S SUPERVISORY SYSTEM WAS DEFICIENT. SPECIFICALLY, THE AWC FOUND THAT: (A) ON JULY 27, 2010, THE FIRM VIOLATED FINRA RULE 7450 AS TO NINE ORDERS; (B) ON JULY 27, 2010, THE FIRM VIOLATED FINRA RULE 6380A, AS TO EIGHT LAST SALE REPORTS; AND (C) THE FIRMS WRITTEN SUPERVISORY PROCEDURES WERE DEFICIENT IN VARIOUS AREAS IN VIOLATION OF FINRA RULES 2010 AND 3010.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 09/27/2013

Docket/Case Number: [2010021590501](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE AND REVISE WRITTEN SUPERVISORY PROCEDURES

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/27/2013

Sanctions Ordered: Censure
Monetary/Fine \$35,000.00

Other Sanctions Ordered: REVISE WRITTEN SUPERVISORY PROCEDURES

Sanction Details: CITADEL SECURITIES CONSENTED TO A CENSURE, AND AGREED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES AND PAY A \$35,000.00 FINE. THE WRITTEN SUPERVISORY PROCEDURES WERE REVISED IN OCTOBER 2011, AND THE FIRM PAID THE FINE ON OCTOBER 17, 2013.

Firm Statement FINRA FOUND THAT CITADEL SECURITIES LLC VIOLATED CERTAIN FINRA RULES GOVERNING OATS REPORTING AND TRADE REPORTING, AND THAT



THE FIRM'S SUPERVISORY SYSTEM WAS DEFICIENT. SPECIFICALLY, THE AWC FOUND THAT: (A) ON JULY 27, 2010, THE FIRM VIOLATED FINRA RULE 7450 AS TO NINE ORDERS; (B) ON JULY 27, 2010, THE FIRM VIOLATED FINRA RULE 6380A, AS TO EIGHT LAST SALE REPORTS; AND (C) THE FIRMS WRITTEN SUPERVISORY PROCEDURES WERE DEFICIENT IN VARIOUS AREAS IN VIOLATION OF FINRA RULES 2010 AND 3010. CITADEL SECURITIES NEITHER ADMITTED NOR DENIED THE AWC'S FINDINGS. CITADEL SECURITIES SUBMITTED AND EXECUTED AN AWC, WHICH WAS ACCEPTED ON SEPTEMBER 27, 2013. CITADEL SECURITIES CONSENTED TO A CENSURE, AGREED TO UPDATE ITS WRITTEN SUPERVISORY PROCEDURES AND PAY A \$35,000 FINE. THE WRITTEN SUPERVISORY PROCEDURES WERE REVISED IN OCTOBER 2011, AND THE FINE WAS PAID ON OCTOBER 17, 2013.

Disclosure 45 of 59

| | |
|---|--|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | FINRA RULE 7230A(D)(7), NASD RULE 6130(D)(7) - CITADEL SECURITIES LLC FAILED TO REPORT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) THE CORRECT SYMBOL INDICATING THE CAPACITY IN WHICH THE FIRM EXECUTED ORDERS IN REPORTABLE SECURITIES IN NUMEROUS INSTANCES. |
| Initiated By: | FINRA |
| Date Initiated: | 09/26/2013 |
| Docket/Case Number: | 2011027985401 |
| Principal Product Type: | Other |
| Other Product Type(s): | REPORTABLE SECURITIES |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 09/26/2013 |



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000. FINE PAID IN FULL 10/08/13.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA FOUND THAT CITADEL SECURITIES LLC FAILED TO REPORT TO A FINRA TRADE REPORTING FACILITY THE CORRECT CAPACITY CODE REQUIRED BY NASD RULE 6130(D)(7) AND FINRA RULE 7230A(D)(7).

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 09/26/2013

Docket/Case Number: [2011027985401](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: AND CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/26/2013

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: THE APPLICANT CONSENTED TO A CENSURE AND AGREED TO PAY A \$10,000.00 FINE. THE APPLICANT PAID THE FINE ON OCTOBER 8, 2013.



Firm Statement

FINRA FOUND THAT CITADEL SECURITIES LLC FAILED TO REPORT TO A FINRA TRADE REPORTING FACILITY THE CORRECT CAPACITY CODE REQUIRED BY NASD RULE 6130(D)(7) AND FINRA RULE 7230A(D)(7). WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR FINDINGS, CITADEL SECURITIES ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT, WHICH WAS ACCEPTED BY FINRA ON SEPTEMBER 26, 2013. CITADEL SECURITIES CONSENTED TO A CENSURE AND AGREED TO PAY A \$10,000 FINE, WHICH WAS PAID ON OCTOBER 8, 2013.

Disclosure 46 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULE 17A-4, NASD RULES 2110, 2320, 3010, 3110 - ON A CERTAIN DATE, THE AMERICAN STOCK EXCHANGE (AMEX) OPENED FOR EQUITY TRADING APPROXIMATELY 70 MINUTES LATER THAN ITS REGULAR OPENING DUE TO SYSTEM PROBLEMS; ITS TRANSMISSION LINES WERE SHUT DOWN AND ALL ORDERS TRANSMITTED TO AMEX WERE REJECTED. AT THE TIME, CITADEL SECURITIES LLC HAD NO WRITTEN SUPERVISORY PROCEDURES TO ADDRESS HOW IT WOULD HANDLE CUSTOMER ORDERS IN THE EVENT A PRIMARY MARKET FAILED TO OPEN FOR TRADING, OR WAS UNAVAILABLE FOR TRADING. WITH THE EXCEPTION OF A FEW SECURITIES THAT THE FIRM DECIDED TO BEGIN TRADING ON A MANUAL BASIS, IT FOLLOWED ITS REGULAR PRACTICE AND HANDLED ALL CUSTOMER ORDERS ON A FULLY AUTOMATED BASIS. REGULAR ORDERS RECEIVED PRIOR TO THE OPENING OF THE AMEX WERE ROUTED, ON A RISKLESS PRINCIPAL BASIS, TO THE AMEX TO PARTICIPATE IN THE EXCHANGE'S OPENING PROCESS. THE FIRM HELD THE CUSTOMER ORDERS IN-HOUSE ON ITS BOOK, SENT IDENTICAL REPRESENTATIVE ORDERS TO THE AMEX FLOOR FOR EXECUTION. RELYING ON THIS PROCEDURE, THE FIRM CONTINUED TO ACCEPT NEW CUSTOMER ORDERS, AND TO SEND REPRESENTATIVE ORDERS TO THE AMEX AFTER RECEIVING NOTICE THAT THE AMEX WAS REJECTING ALL ORDERS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SYSTEM OF SUPERVISION AND WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ADDRESS THE HANDLING OF CUSTOMER ORDERS DURING MARKET-DISRUPTING EVENTS. THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES CONCERNING THE PROMPT AND FAIR HANDLING OF CUSTOMER ORDERS IN INSTANCES WHERE A PRIMARY MARKET FAILS TO OPEN FOR TRADING, OR THE MARKET IS UNAVAILABLE FOR TRADING. THE FIRM FAILED TO PRESERVE FOR A PERIOD OF NOT LESS THAN THREE YEARS, THE FIRST TWO IN AN ACCESSIBLE PLACE, MEMORANDA OF THE CANCELLATION OF NUMEROUS BROKERAGE ORDERS. IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM



FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

Initiated By: FINRA

Date Initiated: 05/28/2013

Docket/Case Number: [2007010875201](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/28/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$215,000.00
Disgorgement/Restitution

Other Sanctions Ordered: UNDERTAKING`

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$215,000, ORDERED TO PAY \$239,582.12, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS, AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING THE HANDLING OF CUSTOMER ORDERS DURING MARKET-DISRUPTING EVENTS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. A REGISTERED PRINCIPAL OF THE FIRM SHALL SUBMIT SATISFACTORY PROOF OF PAYMENT OF THE RESTITUTION, OR OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT RESTITUTION, TO FINRA NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THIS AWC. ANY UNDISTRIBUTED RESTITUTION AND INTEREST SHALL BE FORWARDED TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY



OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED. FINE PAID JUNE 12, 2013.

Reporting Source: Firm

Current Status: Final

Appealed To and Date Appeal Filed: N/A

Allegations: FINRA FOUND THAT CITADEL SECURITIES LLC, DURING THE PERIODS SPECIFIED IN THE LETTER OF ACCEPTANCE, WAIVER & CONSENT (AWC), VIOLATED CERTAIN NASD RULES GOVERNING TRADE EXECUTION, SEC RECORDKEEPING RULES, AND THAT THE FIRM'S SUPERVISORY SYSTEM WAS DEFICIENT. SPECIFICALLY, THE AWC FOUND THAT: (A) DURING THE PERIOD NOVEMBER 28, 2007 THROUGH SEPTEMBER 29, 2008 THE FIRM VIOLATED NASD RULES 2110 AND 2320 AS TO 1,587 TRANSACTIONS; AND (B) AT THE TIME OF A MARKET DISRUPTION ON THE AMEX ON AUGUST 17, 2007, THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES ADDRESSING THE UNAVAILABILITY OF A PRIMARY MARKET IN VIOLATION OF NASD RULES 2110 AND 3010 AND FAILED TO PRESERVE CERTAIN ORDER CANCELLATION RECORDS IN VIOLATION OF SEC RULE 17A-4 AND NASD RULE 3110. CITADEL SECURITIES NEITHER ADMITTED NOR DENIED THE AWC'S FINDINGS.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 05/28/2013

Docket/Case Number: 20070108752-01

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s): EQUITY-OTC

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/28/2013

Sanctions Ordered: Censure
Monetary/Fine \$215,000.00
Disgorgement/Restitution

Other Sanctions Ordered: RESTITUTION \$239,582.12

**Sanction Details:**

CITADEL SECURITIES CONSENTED TO A CENSURE AND AGREED TO PAY A \$215,000 FINE AND \$239,582 IN RESTITUTION. CITADEL SECURITIES PAID THE FINE JUNE 12, 2013, AND WAS ORDERED TO COMPLETE RESTITUTION PAYMENTS WITHIN 120 DAYS OF THE AWC'S ACCEPTANCE.

Firm Statement

FINRA FOUND THAT CITADEL SECURITIES LLC, DURING THE PERIODS SPECIFIED IN THE LETTER OF ACCEPTANCE, WAIVER & CONSENT (AWC), VIOLATED CERTAIN NASD RULES GOVERNING TRADE EXECUTION, SEC RECORDKEEPING RULES, AND THAT THE FIRM'S SUPERVISORY SYSTEM WAS DEFICIENT. SPECIFICALLY, THE AWC FOUND THAT: (A) DURING THE PERIOD NOVEMBER 28, 2007 THROUGH SEPTEMBER 29, 2008 THE FIRM VIOLATED NASD RULES 2110 AND 2320 AS TO 1,587 TRANSACTIONS; AND (B) AT THE TIME OF A MARKET DISRUPTION ON THE AMEX ON AUGUST 17, 2007, THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES ADDRESSING THE UNAVAILABILITY OF A PRIMARY MARKET IN VIOLATION OF NASD RULES 2110 AND 3010 AND FAILED TO PRESERVE CERTAIN ORDER CANCELLATION RECORDS IN VIOLATION OF SEC RULE 17A-4 AND NASD RULE 3110. CITADEL SECURITIES NEITHER ADMITTED NOR DENIED THE AWC'S FINDINGS.

ON APRIL 9, 2013, CITADEL SECURITIES SUBMITTED AND EXECUTED AWC, WHICH WAS ACCEPTED ON MAY 28, 2013. IN THE AWC, AND SOLELY FOR THE PURPOSES OF THAT PROCEEDING AND ANY OTHER PROCEEDING BROUGHT BY OR ON BEHALF OF FINRA, CITADEL SECURITIES CONSENTED TO THE FINDINGS DESCRIBED ABOVE. CITADEL SECURITIES ALSO CONSENTED TO A CENSURE AND AGREED TO PAY A \$215,000 FINE AND \$239,582 IN RESTITUTION.

Disclosure 47 of 59**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

SEC RULE 204T(A)(3), SEC RULE 204T(B) OF REGULATION SHO, FINRA RULE 2010, NASD RULE 3010 - CITADEL SECURITIES LLC HAD FAIL-TO-DELIVER POSITIONS IN EQUITY SECURITIES AT A REGISTERED CLEARING AGENCY THAT WAS ATTRIBUTABLE TO MARKET MAKING ACTIVITIES AND DID NOT CLOSE OUT THE FAIL-TO-DELIVER POSITIONS BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIME FRAME PRESCRIBED. THE FIRM ACCEPTED SHORT SALE ORDERS INVOLVING EQUITY SECURITIES FROM ANOTHER PERSON, OR EFFECTED SHORT SALE ORDERS FOR ITS OWN ACCOUNT, WITHOUT FIRST BORROWING THE SECURITY OR ENTERING TO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY AND HAD A FAIL-TO DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN SUCH SECURITY THAT HAD NOT BEEN CLOSED OUT



IN ACCORDANCE WITH THE REQUIREMENTS OF PARAGRAPHS (A) AND (B) OF SEC RULE 204T. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING SEC RULES 203(A)(LONG SALES), 203(B)(1)(LOCATE REQUIREMENT) AND 203(B)(3)(THRESHOLD CLOSEOUT REQUIREMENT).

Initiated By: FINRA

Date Initiated: 05/28/2013

Docket/Case Number: [2009018256501](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/28/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$50,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$50,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEEDINGS REGARDING SEC RULES 203(A)(LONG SALES), 203(B)(1)(LOCATE REQUIREMENT) AND 203(B)(3)(THRESHOLD CLOSEOUT REQUIREMENT) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID ON JUNE 17, 2013.

Reporting Source: Firm



| | |
|---|---|
| Current Status: | Final |
| Allegations: | FINRA FOUND THAT THE APPLICANT, DURING THE PERIODS SPECIFIED IN THE LETTER OF ACCEPTANCE, WAIVER & CONSENT (AWC), VIOLATED PORTIONS OF SEC RULE REG SHO, FINRA RULE 2010, AND NASD RULE 3010. SPECIFICALLY, THE AWC FOUND THAT: A) DURING THE TIME PERIOD OF DECEMBER 26, 2008 THROUGH FEBRUARY 2, 2009 THERE WERE 14 INSTANCES IN WHICH THE APPLICANT VIOLATED SEC RULE 204T(A)(3) OF REG SHO AS TO FAIL TO DELIVERS IN FOUR EQUITY SECURITIES; B) DURING THE SAME TIME PERIOD THE APPLICANT VIOLATED SEC RULE 204T(B) OF REG SHO AS TO THE ACCEPTANCE OF 49 SHORT SALE ORDERS IN TWO EQUITY SECURITIES; AND C) DURING THE PERIOD JANUARY 1, 2009 THROUGH FEBRUARY 28, 2009 THE APPLICANTS'S REG SHO WRITTEN SUPERVISORY PROCEDURES DID NOT ADDRESS CERTAIN REQUIREMENTS OF FINRA RULE 2010 AND NASD RULE 3010. THE APPICANT NEITHER ADMITTED NOR DENIED THE AWC'S FINDINGS. |
| Initiated By: | FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA) |
| Date Initiated: | 05/28/2013 |
| Docket/Case Number: | 2009018256501 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 05/28/2013 |
| Sanctions Ordered: | Censure Monetary/Fine \$50,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE APPLICANT CONSENTED TO A CENSURE AND AGREED TO PAY A \$50,000 FINE. THE APPLICANT PAID THE FINE JUNE 17, 2013. |
| Firm Statement | FINRA FOUND THAT THE APPLICANT, DURING THE PERIODS SPECIFIED IN THE LETTER OF ACCEPTANCE, WAIVER & CONSENT (AWC), VIOLATED PORTIONS OF SEC RULE REG SHO, FINRA RULE 2010, AND NASD RULE 3010. SPECIFICALLY, THE AWC FOUND THAT: A) DURING THE TIME PERIOD OF DECEMBER 26, 2008 THROUGH FEBRUARY 2, 2009 THERE WERE 14 INSTANCES IN WHICH THE APPLICANT VIOLATED SEC RULE 204T(A)(3) OF |

REG SHO AS TO FAIL TO DELIVERS IN FOUR EQUITY SECURITIES; B) DURING THE SAME TIME PERIOD THE APPLICANT VIOLATED SEC RULE 204T(B) OF REG SHO AS TO THE ACCEPTANCE OF 49 SHORT SALE ORDERS IN TWO EQUITY SECURITIES; AND C) DURING THE PERIOD JANUARY 1, 2009 THROUGH FEBRUARY 28, 2009 THE APPLICANTS'S REG SHO WRITTEN SUPERVISORY PROCEDURES DID NOT ADDRESS CERTAIN REQUIREMENTS OF FINRA RULE 2010 AND NASD RULE 3010. THE APPICANT NEITHER ADMITTED NOR DENIED THE AWC'S FINDINGS. THE APPLICANT ACCEPTED AND EXECUTED THE AWC ON APRIL 25, 2013, WHICH WAS ACCEPTED ON MAY 28, 2013. IN THE AWC, AND SOLELY FOR THE PURPOSES OF THAT PROCEEDING AND ANY OTHER PROCEEDING BROUGHT BY OR ON BEHALF OF FINRA, THE APPLICANT CONSENTED TO THE FINDINGS DESCRIBED ABOVE. THE APPLICANT ALSO CONSENTED TO A CENSURE AND AGREED TO PAY A \$50,000 FINE.

Disclosure 48 of 59

| | |
|---|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | FINRA RULE 7450 - CITADEL SECURITIES LLC FAILED TO TRANSMIT NUMEROUS REPORTABLE ORDER EVENTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) FOR ONE OF THE FIRM'S MARKET PARTICIPANT IDENTIFIERS. |
| Initiated By: | FINRA |
| Date Initiated: | 11/21/2012 |
| Docket/Case Number: | 2011029696001 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 11/21/2012 |



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS FINED \$5,000. FINE PAID IN FULL ON 12/6/12.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA ALLEGED THAT DURING THE PERIOD MAY 1, 2010 AND JUNE 30, 2010 THE APPLICANT FAILED TO TRANSMIT 55,487 REPORTABLE ORDER EVENTS ON 28 BUSINESS DATES FOR ONE OF THE APPLICANTS'S MPIDS (CTDL), IN VIOLATION OF FINRA RULE 7450.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 09/04/2012

Docket/Case Number: 2011029696001

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/21/2012

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: THE APPLICANT WAS FINED \$5,000.00 WHICH WAS PAID ON DECEMBER 6, 2012.

Firm Statement THIS MATTER WAS RESOLVED BY AN ACCEPTANCE, WAIVER & CONSENT



(AWC) AGREEMENT. THE APPLICANT ACCEPTED AND EXECUTED THE AWC ON SEPTEMBER 4, 2012. THE OFFICE OF DISCIPLINARY AFFAIRS ACCEPTED THE AWC ON NOVEMBER 21, 2012, AND THE APPLICANT WAS OFFICIALLY INFORMED OF THE ACCEPTANCE OF THE AWC ON DECEMBER 3, 2012 AND RECEIVED THE FINE INVOICE ON DECEMBER 4, 2012. THE FINE WAS PAID ON DECEMBER 6, 2012.

Disclosure 49 of 59

| | |
|---|--|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | SEC RULE 203(B)(1) OF REGULATION SHO - CITADEL SECURITIES LLC, ON NUMEROUS OCCASIONS, ACCEPTED A SHORT SALE ORDER IN AN EQUITY SECURITY FROM ANOTHER PERSON, OR EFFECTED A SHORT SALE IN AN EQUITY SECURITY FOR ITS OWN ACCOUNT, WITHOUT BORROWING THE SECURITY, OR ENTERING INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY; OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO THAT IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE; AND DOCUMENTING COMPLIANCE WITH SEC RULE 203(B)(1) OF REGULATION SHO. |
| Initiated By: | FINRA |
| Date Initiated: | 11/13/2012 |
| Docket/Case Number: | 2009020604501 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 11/13/2012 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Censure |



Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500. FINE PAID IN FULL ON 11/30/2012.

Reporting Source:

Firm

Current Status:

Final

Allegations:

FINRA ALLEGED THAT DURING THE PERIOD JULY 1, 2009 AND SEPTEMBER 30, 2009 THE APPLICANT, ON 50 OCCASIONS, ACCEPTED A SHORT SALE ORDER IN AN EQUITY SECURITY FROM A NON-US BROKER DEALER WITHOUT HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO THAT IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE AND DID NOT DOCUMENT COMPLIANCE WITH SEC RULE 203(B)(1) OF REGULATION SHO, IN VIOLATION OF SEC RULE 203(B)(1) OF REGULATION SHO.

Initiated By:

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated:

10/12/2012

Docket/Case Number:

2009020604501

Principal Product Type:

Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

CENSURE

Resolution:

Acceptance, Waiver & Consent(AWC)

Resolution Date:

11/13/2012

Sanctions Ordered:

Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details:

THE APPLICANT WAS FINED \$7,500.00 WHICH WAS PAID ON NOVEMBER 30, 2012.

Firm Statement

THIS MATTER WAS RESOLVED BY AN ACCEPTANCE, WAIVER & CONSENT

(AWC) AGREEMENT. THE APPLICANT ACCEPTED AND EXECUTED THE AWC ON OCTOBER 12, 2012. THE OFFICE OF DISCIPLINARY AFFAIRS ACCEPTED THE AWC ON NOVEMBER 13, 2012, AND THE APPLICANT WAS OFFICIALLY INFORMED OF THE ACCEPTANCE OF THE AWC ON NOVEMBER 26, 2012, AND RECEIVED THE FINE INVOICE ON NOVEMBER 27, 2012. THE FINE WAS PAID ON NOVEMBER 30, 2012.

Disclosure 50 of 59

| | |
|---|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | FINRA RULES 7230A(D), 7450 - IN NUMEROUS INSTANCES, CITADEL SECURITIES LLC FAILED TO REPORT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) THE CORRECT SYMBOL INDICATING THE CAPACITY OF THE CONTRA PARTY TRANSMITTING ORDERS TO THE FIRM FOR EXECUTION IN REPORTABLE SECURITIES AND IN TWO INSTANCES, THE FIRM FAILED TO REPORT THE CORRECT SYMBOL INDICATING THE CAPACITY IN WHICH IT EXECUTED TRANSACTIONS IN REPORTABLE SECURITIES. THE FIRM TRANSMITTED REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT CONTAINED INACCURATE SPECIAL HANDLING CODES OR IN SOME INSTANCES, THE REPORTS CONTAINED INACCURATE CAPACITY CODES. |
| Initiated By: | FINRA |
| Date Initiated: | 11/21/2011 |
| Docket/Case Number: | 2009017006101 |
| Principal Product Type: | Other |
| Other Product Type(s): | REPORTABLE SECURITIES |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 11/21/2011 |



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$15,000.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA ALLEGED THAT ON OCTOBER 28, 2009 THE APPLICANT TRANSMITTED 34 OATS REPORTS THAT CONTAINED INACCURATE SPECIAL HANDLING CODES AND 5 OATS REPORTS THAT CONTAINED INACCURATE CAPACITY CODES, IN VIOLATION OF FINRA RULE 7450. ADDITIONALLY, IN 1,268 INSTANCES, THE APPLICANT FAILED TO REPORT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY THE CORRECT CAPACITY OF THE CONTRA SUBMITTING THE ORDERS TO THE APPLICANT, AND IN TWO INSTANCES THE APPLICANT FAILED TO REPORT THE CORRECT CAPACITY CODE IN WHICH THE APPLICANT EXECUTED THE TRANSACTIONS, IN VIOLATION OF FINRA RULE 7230(A(D)).

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 10/19/2011

Docket/Case Number: 20090170061-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/21/2011



Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: THE APPLICANT WAS FINED \$15,000.00, WHICH WAS PAID ON 11/29/2011

Firm Statement THIS MATTER WAS RESOLVED BY AN ACCEPTANCE, WAIVER & CONSENT (AWC) AGREEMENT. THE APPLICANT ACCEPTED AND EXECUTED THE AWC ON OCTOBER 19, 2011. FINRA'S NATIONAL ADJUDICATORY COUNCIL ("NAC") REVIEW SUBCOMMITTEE, OR BY THE OFFICE OF DISCIPLINARY AFFAIRS ON BEHALF OF THE NAC PURSUANT TO FINRA RULE 9216, ACCEPTED THE AWC ON NOVEMBER 21, 2011 AND THE APPLICANT WAS OFFICIALLY INFORMED OF THE ACCEPTANCE OF THE AWC ON NOVEMBER 28, 2011.

Disclosure 51 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULE 3340 - CITADEL SECURITIES LLC EFFECTED TRANSACTIONS IN SECURITIES WHILE A TRADING HALT WAS IN EFFECT WITH RESPECT TO EACH OF THE SECURITIES.

Initiated By: FINRA

Date Initiated: 09/20/2011

Docket/Case Number: 2007011847101

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/20/2011

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No



Sanctions Ordered: Censure
Monetary/Fine \$9,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$9,500.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA ALLEGED THAT DURING THE PERIOD JANUARY 1, 2007 THROUGH JUNE 30, 2007 THE APPLICANT EFFECTED 175 TRANSACTIONS IN SIX SECURITIES WHILE A TRADING HALT WAS IN EFFECT WITH RESPECT TO EACH OF THE SECURITIES IN VIOLATION OF NASD RULE 3340.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 08/22/2011

Docket/Case Number: 20070118471-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/20/2011

Sanctions Ordered: Censure
Monetary/Fine \$9,500.00

Other Sanctions Ordered:

Sanction Details: THE APPLICANT WAS FINED \$9,500.00 WHICH WAS PAID ON 09/28/2011.

Firm Statement THIS MATTER WAS RESOLVED BY AN ACCEPTANCE, WAIVER & CONSENT (AWC) AGREEMENT. THE APPLICANT ACCEPTED AND EXECUTED THE AWC ON AUGUST 22, 2001. FINRA'S NATIONAL ADJUDICATORY COUNCIL ("NAC") REVIEW SUBCOMMITTEE, OR BY THE OFFICE OF DISCIPLINARY AFFAIRS ON BEHALF OF THE NAC PURSUANT TO FINRA RULE 9216 ACCEPTED THE AWC ON SEPTEMBER 20, 2011, AND THE APPLICANT WAS OFFICIALLY



INFORMED OF THE ACCEPTANCE OF THE AWC ON SEPTEMBER 23, 2011.
THE FINE WAS PAID ON SEPTEMBER 28, 2011.

Disclosure 52 of 59

| | |
|---|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | NASD RULE 2110, INTERPRETATIVE MATERIAL 2110-2 - CITADEL SECURITIES LLC FAILED TO CONTEMPORANEOUSLY OR PARTIALLY EXECUTE CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET-MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER. |
| Initiated By: | FINRA |
| Date Initiated: | 09/20/2011 |
| Docket/Case Number: | 2008012322801 |
| Principal Product Type: | Other |
| Other Product Type(s): | NASDAQ SECURITIES |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 09/20/2011 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Censure Monetary/Fine \$8,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$8,000. |



Reporting Source: Firm

Current Status: Final

Allegations: FINRA ALLEGED THAT DURING THE PERIOD JANUARY 1, 2007 THROUGH JUNE 30, 2007 THE APPLICANT FAILED TO CONTEMPORANEOUSLY OR PARTIALLY EXECUTE A TOTAL OF 110 CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET-MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER IN VIOLATION OF NASD RULE 2110 AND IM-2110-2.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 08/24/2011

Docket/Case Number: 20080123228-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/20/2011

Sanctions Ordered: Censure
Monetary/Fine \$8,000.00

Other Sanctions Ordered:

Sanction Details: THE APPLICANT WAS FINED \$8,000.00 WHICH WAS PAID ON 9/27/2011.

Firm Statement THIS MATTER WAS RESOLVED BY AN ACCEPTANCE, WAIVER & CONSENT (AWC) AGREEMENT. THE APPLICANT ACCEPTED AND EXECUTED THE AWC ON AUGUST 24, 2001. FINRA'S NATIONAL ADJUDICATORY COUNCIL ("NAC") REVIEW SUBCOMMITTEE, OR BY THE OFFICE OF DISCIPLINARY AFFAIRS ON BEHALF OF THE NAC PURSUANT TO FINRA RULE 9216 ACCEPTED THE AWC ON SEPTEMBER 20, 2011, AND THE APPLICANT WAS OFFICIALLY INFORMED OF THE ACCEPTANCE OF THE AWC ON SEPTEMBER 23, 2011. THE FINE WAS PAID ON SEPTEMBER 27, 2011.



Reporting Source: Regulator

Current Status: Final

Allegations: CITADEL SECURITIES, LLC ("CITADEL"), AN EXCHANGE DESIGNATED PRIMARY MARKET-MAKER AND AUTHORIZED TO CONDUCT A NON-MEMBER CUSTOMER BUSINESS, WAS FINED \$30,000 FOR THE FOLLOWING CONDUCT. ON OR ABOUT JANUARY 8, 2010 AND JANUARY 11, 2010, CITADEL'S CUSTOMER RESERVE BANK ACCOUNT WAS UNDER-RESERVED. IN ACCEPTING THE OFFER OF SETTLEMENT, THE BUSINESS CONDUCT COMMITTEE CONSIDERED THE FOLLOWING FACTORS: 1) THE RESERVE CALCULATIONS, WERE THE FIRST TWO CALCULATIONS PERFORMED BY CITADEL AFTER IT ELECTED TO BECOME SUBJECT TO RULE 15C3-3 OF THE ACT; 2) CITADEL SELF-REPORTED THE VIOLATION; 3) THE DURATION OF THE CONDUCT WAS LIMITED IN SCOPE; AND 4) CITADEL HAD NO PRIOR DISCIPLINARY HISTORY AT THE EXCHANGE. (CBOE RULES 4.2 - ADHERENCE TO LAW AND 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION; SECTION 15(C) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "ACT") AND RULE 15C3-3 - CUSTOMER PROTECTION, THEREUNDER; AND SECTION 17(A) OF THE ACT AND RULE 17A-3 - RECORDS TO BE MADE BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, THEREUNDER.)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 10/01/2010

Docket/Case Number: 10-0035

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 11/01/2010

Sanctions Ordered: Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: A \$30,000 FINE. IN ACCEPTING THE OFFER OF SETTLEMENT, THE BUSINESS CONDUCT COMMITTEE CONSIDERED THE FOLLOWING FACTORS: 1) THE RESERVE CALCULATIONS, WERE THE FIRST TWO CALCULATIONS PERFORMED BY CITADEL AFTER IT ELECTED TO BECOME



SUBJECT TO RULE 15C3-3 OF THE ACT; 2) CITADEL SELF-REPORTED THE VIOLATION; 3) THE DURATION OF THE CONDUCT WAS LIMITED IN SCOPE; AND 4) CITADEL HAD NO PRIOR DISCIPLINARY HISTORY AT THE EXCHANGE.

Reporting Source: Firm

Current Status: Final

Allegations: ON OR ABOUT JANUARY 8, 2010 AND JANUARY 11, 2010, THE APPLICANTS CUSTOMER RESERVE BANK ACCOUNT WAS UNDER-RESERVED IN VIOLATION CBOE RULES 4.2 AND 15.1, AND RULES 15C3-3 AND 17-A3 OF THE SECURITIES AND EXCHANGE ACT OF 1934.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 10/04/2010

Docket/Case Number: 10-0035

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 11/01/2010

Sanctions Ordered: Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: APPLICANT WAS FINED \$30,000, WHICH WAS PAID ON NOVEMBER 8, 2010.

Firm Statement THIS MATTER WAS RESOLVED BY AN OFFER OF SETTLEMENT. THE APPLICANT ACCEPTED AND EXECUTED THE OFFER OF SETTLEMENT ON OCTOBER 19, 2010. THE CBOE'S BUSINESS CONDUCT COMMITTEE ACCEPTED THE OFFER OF SETTLEMENT ON NOVEMBER 1, 2010, AND THE APPLICANT WAS OFFICIALLY INFORMED OF THE ACCEPTANCE OF THE OFFER OF SETTLEMENT ON NOVEMBER 3, 2010.

Disclosure 54 of 59

Reporting Source: Regulator



Current Status: Final

Allegations: SEC RULE 200(G) OF REGULATION SHO, NASD RULES 2110, 3010, 6130(D)(6) - CITADEL SECURITIES LLC EFFECTED SHORT SALE TRANSACTIONS AND FAILED TO REPORT EACH TRANSACTION WITH A SHORT SALE MODIFIER. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING SEC RULE 203(B)(1) AND NASD RULES 3350 AND 6130(D)(6). THE FIRM IMPROPERLY MARKED SHORT SALE ORDERS AS SHORT SALE EXEMPT AND, AS A RESULT, CAUSED THE RESULTING SHORT SALE TRANSACTIONS TO BE REPORTED INCORRECTLY TO THE NASD/NASDAQ TRADE REPORTING FACILITY AS SHORT SALE EXEMPT. THE FIRM EFFECTED LONG SALE TRANSACTIONS AND INCORRECTLY REPORTED EACH TRANSACTION WITH A SHORT SALE MODIFIER. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND/OR FINRA RULES ADDRESSING QUALITY OF MARKET TOPICS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE WRITTEN SUPERVISORY PROCEDURES IN REGISTRATION AND QUALIFICATIONS; TRADES REPORTED ON THE FIRM'S BEHALF; ORDER MARKING REQUIREMENTS; AND PROPRIETARY SALES-ACCURATE TRADE REPORTING OF PROPRIETARY SHORT SALES.

Initiated By: FINRA

Date Initiated: 09/24/2010

Docket/Case Number: [2005003619101](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/24/2010



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Censure
Monetary/Fine \$45,000.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$45,000.

Reporting Source:

Firm

Current Status:

Final

Allegations:

FINRA FOUND THAT CITADEL SECURITIES LLC AND A SINCE-MERGED AFFILIATE, DURING THE PERIODS SPECIFIED IN THE LETTER OF ACCEPTANCE, WAIVER & CONSENT (AWC), VIOLATED CERTAIN SEC AND NASD RULES GOVERNING THE REPORTING AND MARKING OF SHORT SALE TRANSACTIONS AND THAT THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) WERE DEFICIENT. SPECIFICALLY, THE AWC FOUND THAT: (A) DURING THE PERIOD 10/1/2005 - 12/7/2006, THE FIRM FAILED TO INCLUDE A SHORT SALE MODIFIER AS REQUIRED BY NASD RULE 6130(D)(6) IN 130 TRANSACTIONS AND HAD DEFICIENT WSPS GOVERNING SUPERVISORY REVIEWS IN VIOLATION OF NASD RULES 2110 AND 3010; (B) DURING THE PERIOD 11/1/2006 - 5/15/2007, CITADEL TRADING GROUP LLC, AN AFFILIATE SINCE MERGED INTO CITADEL SECURITIES, INACCURATELY MARKED 1,019 SHORT SALE ORDERS AS EXEMPT IN VIOLATION OF SEC RULE 200(G) AND NASD RULE 6130(D)(6); AND (C) DURING THE PERIOD 12/1/2008 - 12/5/2008, THE FIRM EFFECTED 118 TRANSACTIONS WITH AN INACCURATE OR OMITTED SHORT SALE MODIFIER IN VIOLATION OF NASD RULE 6130(D)(6) AND HAD DEFICIENT WSPS GOVERNING SUPERVISORY REVIEWS IN VIOLATION OF NASD RULES 2110 AND 3010. CITADEL SECURITIES NEITHER ADMITTED NOR DENIED THE AWC'S FINDINGS.

Initiated By:

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated:

09/23/2010

Docket/Case Number:

20050036191-01

Principal Product Type:

Equity - OTC

**Other Product Type(s):**

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/23/2010

Sanctions Ordered: Censure
Monetary/Fine \$45,000.00

Other Sanctions Ordered:

Sanction Details: AS OF SEPTEMBER 23, 2010, CITADEL SECURITIES LLC WAS CENSURED AND FINED BY FINRA PURSUANT TO THE AWC. CITADEL SECURITIES AGREED TO PAY A FINE IN THE AMOUNT OF \$45,000, WHICH WAS PAID ON OCTOBER 5, 2010.

Firm Statement ON AUGUST 2, 2010, CITADEL SECURITIES LLC SUBMITTED AN EXECUTED LETTER OF ACCEPTANCE, WAIVER & CONSENT (AWC) TO FINRA, WHICH WAS ACCEPTED ON SEPTEMBER 23, 2010. IN THE AWC, AND SOLELY FOR THE PURPOSES OF THAT PROCEEDING AND ANY OTHER PROCEEDING BROUGHT BY OR ON BEHALF OF FINRA, CITADEL SECURITIES CONSENTED TO THE ENTRY OF CERTAIN FINDINGS DESCRIBED IN 7, ABOVE. CITADEL SECURITIES ALSO CONSENTED TO A CENSURE AND AGREED TO PAY A \$45,000 FINE.

Disclosure 55 of 59

Reporting Source: Regulator

Current Status: Final

Allegations: NASDAQ RULES 2110, 3010 - CITADEL SECURITIES' SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS (INCLUDING NASD NOTICE TO MEMBERS 04-66) AND NASDAQ RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND FRIVOLOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 06/29/2010

Docket/Case Number: 2008015269201



Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/29/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$10,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING COMPLIANCE WITH NASD NOTICE TO MEMBERS 04-66 WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NASDAQ REVIEW COUNCIL.

Reporting Source: Firm

Current Status: Final

Allegations: NASDAQ ALLEGED THAT DURING THE PERIOD JANUARY 1, 2008 THROUGH JUNE 30, 2008 THE APPLICANTS WRITTEN SUPERVISORY PROCEDURES DID NOT ADDRESS THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS, AND FRIVOLOUS CLEARLY ERRONEOUS TRANSACTIONS COMPLAINTS IN VIOLATION OF NASDAQ RULES 2110 AND 3010.

Initiated By: NASDAQ STOCK MARKET LLC

Date Initiated: 05/21/2010

Docket/Case Number: 20080152692-01

Principal Product Type: Equity Listed (Common & Preferred Stock)



| | |
|---|---|
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS, AND FRIVOLOUS CLEARLY ERRONEOUS TRANSACTIONS COMPLAINTS. |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 06/29/2010 |
| Sanctions Ordered: | Censure Monetary/Fine \$10,000.00 |
| Other Sanctions Ordered: | UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS, AND FRIVOLOUS CLEARLY ERRONEOUS TRANSACTIONS COMPLAINTS. |
| Sanction Details: | APPLICANT PAID THE \$10,000.00 ON AUGUST 17,2010, VIA WIRE. |
| Firm Statement | APPLICANT UPDATED ITS WRITTEN SUPERVISORY PROCEDURES IN ACCORDANCE WITH THE AWC ON JULY 28, 2010. |

Disclosure 56 of 59

| | |
|---|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | NASD RULE 6130(G) - CITADEL SECURITIES LLC TRANSMITTED TRADE REPORTS FOR ODD-LOT TRADES AND FAILED TO REPORT THE TRANSACTIONS WITH THE REQUIRED ODD-LOT MODIFIER OF .RO TO THE NASD/NASDAQ TRADE REPORTING FACILITY OR FINRA/NASDAQ TRADE REPORTING FACILITY. |
| Initiated By: | FINRA |
| Date Initiated: | 04/28/2010 |
| Docket/Case Number: | 2009017828401 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | |



Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/28/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS FINED \$5,000.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA ALLEGED THAT DURING THE PERIOD DECEMBER 2006 THROUGH MARCH 2008 THE APPLICANT SUBMITTED 79 ODD-LOT TRADE REPORTS TO THE NASD OR FINRA TRADING REPORTING FACILITY WITHOUT THE ".RO" ODD-LOT MODIFIER IN VIOLATION OF NASD RULE 6130(G).

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 04/28/2010

Docket/Case Number: 20090178284-01

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/28/2010



| | |
|---------------------------------|--|
| Sanctions Ordered: | Monetary/Fine \$5,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE APPLICANT WAS FINED \$5,000.00 WHICH WAS PAID ON 05/07/2010. |
| Firm Statement | <p>THIS MATTER WAS RESOLVED BY AN ACCEPTANCE, WAIVER & CONSENT (AWC) AGREEMENT.</p> <p>THE APPLICANT ACCEPTED AND EXECUTED THE AWC ON APRIL 7, 2010. FINRA'S NATIONAL ADJUDICATORY COUNCIL ("NAC") REVIEW SUBCOMMITTEE, OR BY THE OFFICE OF DISCIPLINARY AFFAIRS ON BEHALF OF THE NAC PURSUANT TO FINRA RULE 9216 ACCEPTED THE AWC ON APRIL 28, 2010, AND THE APPLICANT WAS OFFICIALLY INFORMED OF THE ACCEPTANCE OF THE AWC ON APRIL 30, 2010. THE FINE WAS PAID ON MAY 7, 2010</p> |

Disclosure 57 of 59

| | |
|---|--|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | NASD RULES 2110, 6955(A), NASD INTERPRETATIVE MATERIAL- 2110-2: CITADEL DERIVATIVES GROUP LLC FAILED TO CONTEMPORANEOUSLY OR PARTIALLY EXECUTE CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET-MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER. THE FIRM TRANSMITTED INACCURATE DATA TO THE ORDER AUDIT TRAIL SYSTEM (OATS) - IT SUBMITTED LIMIT ORDERS WITH A LIMIT ORDER DISPLAY INDICATOR OF "Y" (YES) INDICATING IT HAD RECEIVED INSTRUCTIONS FROM THE CUSTOMERS THAT A NON-BLOCK LIMIT ORDER SHOULD NOT BE DISPLAYED WHEN NO SUCH INSTRUCTIONS HAD BEEN RECEIVED. |
| Initiated By: | FINRA |
| Date Initiated: | 01/08/2009 |
| Docket/Case Number: | 2006004936201 |
| Principal Product Type: | Other |
| Other Product Type(s): | NASDAQ SECURITIES |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |



Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/08/2009

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$15,000.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA ALLEGED THAT DURING THE PERIOD OCTOBER 2005 THROUGH DECEMBER 2005 THE APPLICANT FAILED TO CONTEMPORANEOUSLY OR PARTIALLY EXECUTE 25 CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER IN VIOLATION OF NASD CONDUCT RULE 2110 AND IM-2110-2.

FINRA ALSO ALLEGED THAT THE FIRM TRANSMITTED INACCURATE DATA TO OATS IN VIOLATION OF NASD RULE 6955(A) IN DECEMBER 2006 BY SUBMITTING 1,172,226 LIMIT ORDERS WITH A LIMIT ORDER DISPLAY INDICATOR OF "Y" (YES) INDICATING IT HAD RECEIVED INSTRUCTIONS FROM THE CUSTOMERS THAT A NON-BLOCK LIMIT ORDER SHOULD NOT BE DISPLAYED WHEN NO SUCH INSTRUCTIONS HAD BEEN RECEIVED.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)

Date Initiated: 01/08/2009

Docket/Case Number: 20060049362-01

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):



| | |
|---|--|
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 01/08/2009 |
| Sanctions Ordered: | Censure Monetary/Fine \$15,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | THE APPLICANT WAS FINED \$15,000.00 WHICH WAS PAID ON 01/22/2009. |
| Firm Statement | THIS MATTER WAS RESOLVED BY AN ACCEPTANCE, WAIVER & CONSENT (AWC) AGREEMENT. THE APPLICANT ACCEPTED AND EXECUTED THE AWC ON NOVEMBER 19, 2008. FINRA'S NATIONAL ADJUDICATORY COUNCIL ("NAC") REVIEW SUBCOMMITTEE, OR BY THE OFFICE OF DISCIPLINARY AFFAIRS ON BEHALF OF THE NAC PURSUANT TO FINRA RULE 9216 ACCEPTED THE AWC ON JANUARY 8 2009, AND THE APPLICANT WAS OFFICIALLY INFORMED OF THE ACCEPTANCE OF THE AWC ON JANURARY 16, 2009. |

Disclosure 58 of 59

| | |
|----------------------------|---|
| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | DURNING THE 4TH QUARTER OF 2006 CITADEL SUBMITTED QUOTATIONS PRIOR TO THE OPENING ROTATION THAT EXCEEDED THE REQUIRED SPREAD DIFFERENTIAL ON AN AVERAGE OF 1,180 DAILY VIOLATIONS. DURING THE 1ST QUARTER OF 2007 CITADEL SUBMITTED QUOTATIONS PRIOR TO THE OPENING ROTATION THAT EXCEEDED THE REQUIRED SPREAD DIFFERENTIAL ON AN AVERAGE OF 3,111 DAILY VIOLATIONS. DURING THE 2ND QUARTER OF 2007 CITADEL SUBMITTED QUOTATIONS PRIOR TO THE OPENING ROTATION THAT EXCEEDED THE REQUIRED SPREAD DIFFERENTIAL ON AN AVERAGE OF 1,516 DAILY VIOLATIONS. THE CONDUCT DESCRIBED ABOVE CONSTITUTES SEPERATE VIOLATIONS OF ISE RULE 803(B)(4). |
| Initiated By: | INTERNATIONAL SECURITIES EXCHANGE |
| Date Initiated: | 06/12/2008 |
| Docket/Case Number: | 2007-012; 2007-055; 2007-110 |



| | |
|---|---|
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 06/12/2008 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Monetary/Fine \$12,500.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | FIRM FINED \$12,500.00 |
| <hr/> | |
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | THE ISE ALLEGED THAT DURING THE PERIOD OF OCTOBER 2006 THROUGH MAY 2007 THE APPLICANT SUBMITTED QUOTATIONS PRIOR TO THE ISE OPENING THAT EXCEEDED THE SPREAD DIFFERENTIALS DEFINED IN ISE RULE 803(B)(4). |
| Initiated By: | INTERNATIONAL SECURITIES EXCHANGE (ISE) |
| Date Initiated: | 06/12/2008 |
| Docket/Case Number: | 2007-12; 2007-055; 2007-10 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Other |
| Other Sanction(s)/Relief Sought: | FINE |



Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/09/2008

Sanctions Ordered: Monetary/Fine \$12,500.00

Other Sanctions Ordered:

Sanction Details: \$12,500.00 FINED LEVIED AGAINST THE APPLICANT, WHICH WAS PAID ON SEPTEMBER 18, 2008.

Firm Statement THE APPLICANT EXECUTED AND RETURNED THE AWC TO THE ISE ON JUNE 12, 2008. THE ISE ACCEPTED THE AWC ON SEPTEMBER 9, 2008. THE APPLICANT RECEIVED THE FINAL EXECUTED/ACCEPTED AWC FROM THE ISE ON SEPTEMBER 16, 2008.

Disclosure 59 of 59

Reporting Source: Firm

Current Status: Final

Allegations: THE ISE ALLEGED THAT DURING THE PERIOD MARCH 2004 THROUGH AUGUST 2004 THE APPLICANT, A CMM, EFFECTED TRANSACTIONS FOR IT'S PRINCIPAL ORDERS IN OPTION SERIES AT PRICES THAT WERE INFERIOR TO THE NATIONAL BEST BID OR OFFER, IN VIOLATION OF ISE RULE 19.02.

Initiated By: INTERNATIONAL SECURITIES EXCHANGE (ISE)

Date Initiated: 03/01/2006

Docket/Case Number: 2004-0331-30

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/08/2006

Sanctions Ordered: Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: THE APPLICANT WAS FINED \$10,000.00 WHICH WAS PAID ON MARCH 14, 2006.



Firm Statement

THIS MATTER WAS RESOLVED BY AN ACCEPTANCE, WAIVER & CONSENT (AWC) AGREEMENT. THE APPLICANT ACCEPTED AND EXECUTED THE AWC ON FEBRUARY 10, 2006. THE ISE BUSINESS CONDUCT COMMITTEE AND CHIEF REGULATORY OFFICER ACCEPTED THE AWC ON MARCH 1, 2006, AND THE APPLICANT WAS OFFICIALLY INFORMED OF THE ACCEPTANCE OF THE AWC ON MARCH 8, 2006.

Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 1

| | |
|-------------------------------------|--|
| Reporting Source: | Regulator |
| Type of Event: | ARBITRATION |
| Allegations: | ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-ERRORS-CHARGES; EXECUTIONS-EXECUTION ERROR; TRADING DISPUTES-OTHER |
| Arbitration Forum: | FINRA |
| Case Initiated: | 12/08/2016 |
| Case Number: | 16-03545 |
| Disputed Product Type: | OPTIONS |
| Sum of All Relief Requested: | \$9,400.00 |
| Disposition: | AWARD AGAINST PARTY |
| Disposition Date: | 11/07/2017 |
| Sum of All Relief Awarded: | \$9,400.01 |

There may be a non-monetary award associated with this arbitration. Please select the Case Number above to view more detailed information.

End of Report



This page is intentionally left blank.