

BrokerCheck Report

ELECTRONIC TRANSACTION CLEARING, INC.

CRD# 146122

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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)



ELECTRONIC TRANSACTION CLEARING, INC.

CRD# 146122

SEC# 8-67790

Main Office Location

660 S. FIGUEROA STREET SUITE 1450
LOS ANGELES, CA 90017
Regulated by FINRA Los Angeles Office

Mailing Address

660 S. FIGUEROA STREET SUITE 1450
LOS ANGELES, CA 90017

Business Telephone Number

213-402-1570

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 corporation.

This firm was formed in Delaware on 11/02/2007.

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
- 16 Self-Regulatory Organizations
- 53 U.S. states and territories

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

This firm conducts 4 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm has 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	28



Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 11/02/2007.

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.

ELECTRONIC TRANSACTION CLEARING, INC.

Doing business as ELECTRONIC TRANSACTION CLEARING, INC.

CRD# 146122

SEC# 8-67790

Main Office Location

660 S. FIGUEROA STREET SUITE 1450
LOS ANGELES, CA 90017

Regulated by FINRA Los Angeles Office

Mailing Address

660 S. FIGUEROA STREET SUITE 1450
LOS ANGELES, CA 90017

Business Telephone Number

213-402-1570

Other Names of this Firm

Name	Where is it used
APEX PRO	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VA, VI, VT, WA, WI, WV, WY



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):	APEX FINTECH SOLUTIONS, LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity
Position	OWNER
Position Start Date	12/2019
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):	BECKERMAN, JARRED 6683745
Is this a domestic or foreign entity or an individual?	Individual
Position	FINOP, PRINCIPAL FINANCIAL OFFICER
Position Start Date	09/2021
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):	BRENNAN, WILLIAM ROBERT 2447538
Is this a domestic or foreign entity or an individual?	Individual
Position	PRESIDENT & CEO
Position Start Date	09/2019

Firm Profile



Direct Owners and Executive Officers (continued)

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): COPPOLETTA, JAY CHRISTIAN
6049053

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

Position BOARD MEMBER

Position Start Date 09/2019

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): MORGAN, JUSTIN
5086178

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

Position AMLCO

Position Start Date 08/2021

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): RAY, TERRY DAVID

Firm Profile



Direct Owners and Executive Officers (continued)

5295510

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

Position PRINCIPAL OPERATIONS OFFICER

Position Start Date 09/2021

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): SPRINGER, CHRISTOPHER MICHAEL
1814987

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

Position CFO, CAO

Position Start Date 12/2017

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

Legal Name & CRD# (if any): TOURNEY, ROBERT ANDREW
6251742

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

Position CHIEF COMPLIANCE OFFICER

Position Start Date 09/2021

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



Firm Profile

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

Indirect Owners

Legal Name & CRD# (if any):	PEAK6 INVESTMENTS LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	APEX FINTECH SOLUTIONS LLC
Relationship to Direct Owner	MEMBER
Relationship Established	12/2019
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):	PEAK6 LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	PEAK6 INVESTMENTS LLC
Relationship to Direct Owner	MEMBER
Relationship Established	09/2018
Percentage of Ownership	50% but less than 75%
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, 16 SROs and 53 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	06/27/2008

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: No

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	07/15/2009
Cboe BYX Exchange, Inc.	Approved	09/01/2010
Cboe BZX Exchange, Inc.	Approved	10/23/2008
Cboe EDGA Exchange, Inc.	Approved	05/25/2010
Cboe EDGX Exchange, Inc.	Approved	05/27/2010
Investors' Exchange LLC	Approved	08/18/2016
MEMX LLC	Approved	11/03/2020
MIAX PEARL, LLC	Approved	09/25/2020
NYSE American LLC	Approved	09/15/2009
NYSE Arca, Inc.	Approved	08/21/2008
NYSE Chicago, Inc.	Approved	02/12/2015
NYSE National, Inc.	Approved	05/18/2018
Nasdaq BX, Inc.	Approved	10/15/2009
Nasdaq PHLX LLC	Approved	10/05/2010
Nasdaq Stock Market	Approved	09/26/2008
New York Stock Exchange	Approved	09/15/2009



Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	07/21/2016	North Carolina	Approved	09/17/2012
Alaska	Approved	06/23/2016	North Dakota	Approved	07/27/2016
Arizona	Approved	12/06/2012	Ohio	Approved	07/28/2016
Arkansas	Approved	07/05/2016	Oklahoma	Approved	07/11/2016
California	Approved	07/20/2009	Oregon	Approved	10/19/2011
Colorado	Approved	08/25/2016	Pennsylvania	Approved	07/11/2014
Connecticut	Approved	02/06/2013	Puerto Rico	Approved	02/25/2015
Delaware	Approved	06/24/2016	Rhode Island	Approved	06/02/2016
District of Columbia	Approved	06/22/2016	South Carolina	Approved	09/01/2016
Florida	Approved	02/14/2013	South Dakota	Approved	06/07/2016
Georgia	Approved	08/12/2013	Tennessee	Approved	07/23/2014
Hawaii	Approved	08/15/2016	Texas	Approved	01/03/2013
Idaho	Approved	06/08/2016	Utah	Approved	07/21/2016
Illinois	Approved	02/01/2013	Vermont	Approved	07/13/2016
Indiana	Approved	07/12/2016	Virgin Islands	Approved	07/26/2016
Iowa	Approved	06/02/2016	Virginia	Approved	06/24/2016
Kansas	Approved	11/05/2009	Washington	Approved	04/03/2013
Kentucky	Approved	07/07/2016	West Virginia	Approved	06/22/2016
Louisiana	Approved	08/25/2014	Wisconsin	Approved	06/28/2016
Maine	Approved	07/20/2016	Wyoming	Approved	06/08/2016
Maryland	Approved	07/11/2013			
Massachusetts	Approved	11/08/2013			
Michigan	Approved	01/30/2013			
Minnesota	Approved	07/07/2016			
Mississippi	Approved	06/07/2016			
Missouri	Approved	07/28/2016			
Montana	Approved	06/07/2016			
Nebraska	Approved	03/26/2015			
Nevada	Approved	05/22/2013			
New Hampshire	Approved	02/08/2013			
New Jersey	Approved	05/20/2014			
New Mexico	Approved	07/11/2016			
New York	Approved	08/17/2009			

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 4 types of businesses.

Types of Business

Exchange member engaged in exchange commission business other than floor activities

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

Put and call broker or dealer or option writer

Other - CORRESPONDENT CLEARING BROKER/DEALER EQUITIES, OPTIONS, PRIME BROKERAGE AND SECURITIES LENDING. (09/2019)

Other Types of Business

This firm does not effect transactions in commodities, commodity futures, or commodity options.

This firm does not engage in other non-securities business.

Non-Securities Business Description:

Firm Operations



Clearing Arrangements

This firm does hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

Name:	APEX CLEARING CORPORATION
CRD #:	13071
Business Address:	350 N ST PAUL STREET SUITE 1300 DALLAS, TX 75201
Effective Date:	09/01/2020
Description:	APEX CLEARING CLEARS OPTIONS AND EQUITIES TRADING FOR ELECTRONIC TRANSACTION CLEARING.

Firm Operations

Industry Arrangements



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

Name: GLOBAL RELAY
Business Address: 220 CAMBIE STREET, 2ND FLOOR
VANCOUVER, BC, CANADA V6B 2M9
Effective Date: 03/01/2009
Description: THIRD PARTY ELECTRONIC COMMUNICATION /MEDIA STORAGE PER
SEC RULE 17A-3 AND 17A-4

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

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

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

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.

HARDCASTLE TRADING USA L.L.C. is under common control with the firm.

CRD #:	126497
Business Address:	755 SECAUCUS ROAD SECAUCUS, NJ 07094
Effective Date:	12/21/2020
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	PEAK6 INVESTMENTS LLC OWNS HARDCASTLE TRADING USA LLC AND IS AN INDIRECT OWNER OF THE APPLICANT.

PEAK6 TRADING LLC is under common control with the firm.

CRD #:	300209
Business Address:	141 WEST JACKSON BOULEVARD SUITE 500 CHICAGO, IL 60604
Effective Date:	11/10/2020
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No

Firm Operations**Organization Affiliates (continued)**

Description: PEAK6 TRADING LLC IS WHOLLY OWNED BY PEAK6 INVESTMENTS LLC.

PEAK6 CAPITAL MANAGEMENT LLC is under common control with the firm.

CRD #: 43773

Business Address: 141 WEST JACKSON BOULEVARD
SUITE 500
CHICAGO, IL 60604

Effective Date: 09/06/2019

Foreign Entity: No

Country: N/A

Securities Activities: Yes

Investment Advisory Activities: No

Description: PEAK6 INVESTMENTS LLC OWNS APEX CLEARING CORPORATION AND IS AN INDIRECT OWNER OF THE APPLICANT.

APEX CLEARING CORPORATION is under common control with the firm.

CRD #: 13071

Business Address: ONE DALLAS CENTER, 350 NORTH ST. PAUL STREET
SUITE 1300
DALLAS, TX 75201

Effective Date: 08/26/2019

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: PEAK6 INVESTMENTS LLC OWNS APEX CLEARING CORPORATION AND IS AN INDIRECT OWNER OF THE APPLICANT. EFFECTIVE DATE 09/06/2019 (DATE OF CLOSING, NOT FINRA 1017 APPROVAL).

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

- bank holding company
- national bank

Firm Operations



Organization Affiliates (continued)

- 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	28	0



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 28

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 SATISFY ITS CUSTOMER PROTECTION REQUIREMENTS FOR ITS CUSTOMER AND PROPRIETARY BUSINESS, INCLUDING HINDSIGHT DEFICIENCIES. THE FINDINGS STATED THAT WHEN CALCULATING RESERVES IN CUSTOMER AND PROPRIETARY ACCOUNTS OF BROKER-DEALERS, THE FIRM FAILED TO MAKE REQUIRED REDUCTIONS TO CERTAIN DEBIT BALANCES. THIS CAUSED THE FIRM'S CUSTOMER AND PROPRIETARY ACCOUNTS OF BROKER-DEALERS RESERVE ACCOUNTS TO BE UNDERFUNDED, RESULTING IN HINDSIGHT DEFICIENCIES OF \$19.3 MILLION AND \$23 MILLION IN THE CUSTOMER RESERVE ACCOUNT AND \$46.8 MILLION AND \$12.8 MILLION IN THE PROPRIETARY ACCOUNTS OF BROKER-DEALERS RESERVE ACCOUNT. THE FIRM FAILED TO TIMELY NOTIFY THE SEC AND FINRA OF THESE DEFICIENCIES. IN ADDITION, THE FIRM IMPROPERLY OVERSTATED DEBITS IN ITS CUSTOMER RESERVE CALCULATIONS WHEN IT INCLUDED AN AMOUNT THAT WAS DOUBTFUL OF COLLECTION. THE FINDINGS ALSO STATED THAT THE FIRM MADE UNSECURED ADVANCES TO ITS PARENT COMPANY TOTALING APPROXIMATELY \$1 MILLION, AN AMOUNT THAT EXCEEDED 10% OF THE FIRM'S EXCESS NET CAPITAL FOR THAT PERIOD, WITHOUT OBTAINING WRITTEN PERMISSION FROM FINRA PRIOR TO DOING SO. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO COMPLY WITH RECORDKEEPING RULES REQUIRING THE CREATION AND MAINTENANCE OF CERTAIN BUSINESS RECORDS. THE FIRM DID NOT MAINTAIN AN INDEX OF ELECTRONIC RECORDS, STORE ELECTRONIC RECORDS IN THE PROPER FORMAT, MAINTAIN AN AUDIT SYSTEM FOR ELECTRONIC RECORDS, OR PROVIDE REQUIRED NOTICES AND UNDERTAKINGS REGARDING ITS ELECTRONIC RECORDS. SEPARATELY, THE FIRM DID NOT COMPLY WITH RECORDKEEPING REQUIREMENTS REGARDING PAYMENTS MADE TO ITS AFFILIATED ENTITIES. THE FIRM MAINTAINED AN EXPENSE SHARING AGREEMENT WITH THE PARENT, BUT THAT AGREEMENT DID NOT SPECIFY, AND THE FIRM DID NOT MAINTAIN RECORDS SHOWING, HOW THE AFFILIATES WERE INDIRECTLY COMPENSATED THROUGH THE PARENT. IN ADDITION, THE AGREEMENT WITH THE PARENT DID NOT ACCURATELY REFLECT THE MONTHLY PAYMENT AMOUNTS SENT FROM THE FIRM TO THE PARENT, UNDERSTATING THE MONTHLY BASE AMOUNT BY APPROXIMATELY \$5,000, AND FAILING TO ACCOUNT FOR ANOTHER APPROXIMATELY \$10,000 ALSO TRANSFERRED. FINALLY, THE EXPENSE SHARING AGREEMENT DID NOT SPECIFY THE METHOD OF ALLOCATION PURSUANT TO WHICH THE AMOUNTS PAID FROM THE FIRM TO THE PARENT WERE DETERMINED. FINRA FOUND THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS AND FINRA RULES. THE FIRM RELIED ON PROPRIETARY ELECTRONIC SYSTEMS TO HELP IT CALCULATE RESERVES, TRACK MARGIN CALLS, GENERATE



CUSTOMER STATEMENTS, AND MAINTAIN POSITION RECONCILIATIONS. ALTHOUGH THE FIRM WAS AWARE OF DEFICIENCIES IN ITS ELECTRONIC SYSTEMS, IT FAILED TO REPLACE OR IMPROVE THEM. THE FIRM, AS PART OF ITS SUPERVISORY SYSTEM, AT TIMES DEVELOPED BACK-UP MANUAL PROCESSES IN AN ATTEMPT TO SATISFY ITS OBLIGATIONS. HOWEVER, THESE MANUAL PROCESSES DID NOT RESULT IN ACCURATE CALCULATIONS AND RECORDS, GIVEN THE VOLUME OF TRADING AND NUMBER OF ACCOUNTS AT THE FIRM, AND THE FIRM FAILED TO REASONABLY MONITOR THESE MANUAL PROCESSES TO ENSURE THAT THEY COMPLIED WITH REGULATORY REQUIREMENTS. THE FIRM ALSO FAILED TO REASONABLY SUPERVISE ITS AFFILIATE THAT WAS OPERATING THE FIRM'S ELECTRONIC STORAGE SYSTEMS AND FAILED TO REASONABLY SUPERVISE INTERCOMPANY TRANSFERS BETWEEN THE FIRM AND ITS AFFILIATES. THE FIRM ALSO FAILED TO REASONABLY ADDRESS DEFICIENCIES WITH RESPECT TO ITS MARGIN MODEL.

Initiated By: FINRA

Date Initiated: 06/05/2020

Docket/Case Number: [2017054054101](#)

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: 06/05/2020

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 \$450,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$450,000, AND REQUIRED TO CERTIFY TO FINRA THAT IT HAS ESTABLISHED AND IMPLEMENTED POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY DESIGNED TO



ADDRESS AND REMEDIATE THE ISSUES IDENTIFIED IN THE AWC. FINES PAID IN FULL ON JUNE 10, 2020.

Reporting Source:	Firm
Current Status:	Final
Appealed To and Date Appeal Filed:	NOT APPLICABLE.
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO SATISFY ITS CUSTOMER PROTECTION REQUIREMENTS FOR ITS CUSTOMER AND PROPRIETARY BUSINESS, INCLUDING HINDSIGHT DEFICIENCIES. THE FINDINGS STATED THAT WHEN CALCULATING RESERVES IN CUSTOMER AND PROPRIETARY ACCOUNTS OF BROKER-DEALERS, THE FIRM FAILED TO MAKE REQUIRED REDUCTIONS TO CERTAIN DEBIT BALANCES. THIS CAUSED THE FIRM'S CUSTOMER AND PROPRIETARY ACCOUNTS OF BROKER-DEALERS RESERVE ACCOUNTS TO BE UNDERFUNDED, RESULTING IN HINDSIGHT DEFICIENCIES OF \$19.3 MILLION AND \$23 MILLION IN THE CUSTOMER RESERVE ACCOUNT AND \$46.8 MILLION AND \$12.8 MILLION IN THE PROPRIETARY ACCOUNTS OF BROKER-DEALERS RESERVE ACCOUNT FOR CALCULATIONS ON MARCH 31, 2016 AND AUGUST 26, 2016, RESPECTIVELY. AS THE FIRM WAS UNAWARE OF THESE DEFICIENCIES DURING THAT TIME, THE FIRM FAILED TO TIMELY NOTIFY THE SEC AND FINRA OF THESE DEFICIENCIES. IN ADDITION, THE FIRM IMPROPERLY OVERSTATED DEBITS IN ITS CUSTOMER RESERVE CALCULATIONS WHEN IT INCLUDED AN AMOUNT THAT WAS DOUBTFUL OF COLLECTION. THE FINDINGS ALSO STATED THAT, IN NOVEMBER AND DECEMBER 2016, THE FIRM MADE UNSECURED ADVANCES TO ITS PARENT COMPANY TOTALING APPROXIMATELY \$1 MILLION, AN AMOUNT THAT EXCEEDED 10% OF THE FIRM'S EXCESS NET CAPITAL FOR THAT PERIOD, WITHOUT OBTAINING WRITTEN PERMISSION FROM FINRA PRIOR TO DOING SO. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO COMPLY WITH RECORDKEEPING RULES REQUIRING THE CREATION AND MAINTENANCE OF CERTAIN BUSINESS RECORDS. BETWEEN JANUARY AND JUNE 2017, THE FIRM DID NOT MAINTAIN AN INDEX OF ELECTRONIC RECORDS, STORE ELECTRONIC RECORDS IN THE PROPER FORMAT, MAINTAIN AN AUDIT SYSTEM FOR ELECTRONIC RECORDS, OR PROVIDE REQUIRED NOTICES AND UNDERTAKINGS REGARDING ITS ELECTRONIC RECORDS. SEPARATELY, THROUGHOUT 2016, THE FIRM DID NOT COMPLY WITH RECORDKEEPING REQUIREMENTS REGARDING PAYMENTS MADE TO ITS AFFILIATED ENTITIES. FINRA FOUND THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE</p>



SECURITIES LAWS AND FINRA RULES. THE FIRM RELIED ON PROPRIETARY ELECTRONIC SYSTEMS TO HELP IT CALCULATE RESERVES, TRACK MARGIN CALLS, GENERATE CUSTOMER STATEMENTS, AND MAINTAIN POSITION RECONCILIATIONS. ALTHOUGH THE FIRM WAS AWARE OF DEFICIENCIES IN ITS ELECTRONIC SYSTEMS, IT FAILED TO REPLACE OR IMPROVE THEM. THE FIRM, AS PART OF ITS SUPERVISORY SYSTEM, AT TIMES DEVELOPED BACK-UP MANUAL PROCESSES IN AN ATTEMPT TO SATISFY ITS OBLIGATIONS. HOWEVER, THESE MANUAL PROCESSES DID NOT RESULT IN ACCURATE CALCULATIONS AND RECORDS, GIVEN THE VOLUME OF TRADING AND NUMBER OF ACCOUNTS AT THE FIRM, AND THE FIRM FAILED TO REASONABLY MONITOR THESE MANUAL PROCESSES TO ENSURE THAT THEY COMPLIED WITH REGULATORY REQUIREMENTS. THE FIRM ALSO FAILED TO REASONABLY SUPERVISE ITS AFFILIATE THAT WAS OPERATING THE FIRM'S ELECTRONIC STORAGE SYSTEMS AND FAILED TO REASONABLY SUPERVISE INTERCOMPANY TRANSFERS BETWEEN THE FIRM AND ITS AFFILIATES. THE FIRM ALSO FAILED TO REASONABLY ADDRESS DEFICIENCIES WITH RESPECT TO ITS MARGIN MODEL.

Initiated By: FINRA

Date Initiated: 06/05/2020

Docket/Case Number: [2017054054101](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: ACCEPTANCE, WAIVER & CONSENT (AWC)

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/05/2020

Sanctions Ordered: Censure
Monetary/Fine \$450,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED AND FINED \$450,000 AND REQUIRED TO CERTIFY TO FINRA THAT IT HAS ESTABLISHED AND IMPLEMENTED POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY DESIGNED TO ADDRESS AND REMEDIATE THE ISSUES IDENTIFIED IN THIS AWC.

**Disclosure 2 of 28****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 ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH ITS ORDER AUDIT TRAIL SYSTEM (OATS) REPORTING OBLIGATIONS. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY DEFICIENCIES ALLOWED OATS REPORTING VIOLATIONS TO OCCUR WITHOUT DETECTION, AND ALSO CONTRIBUTED TO ITS FAILURE TO TIMELY CORRECT OR ADDRESS DEFICIENCIES ONCE IDENTIFIED. FURTHER, THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES (WSPS) CONCERNING OATS REPORTING. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM FAILED TO COMPARE ACCEPTED OATS DATA TO ITS BOOKS AND RECORDS TO ENSURE ALL REPORTABLE ORDER EVENTS (ROES) WERE SUBMITTED, AND IN A TIMELY MANNER. THE FIRM'S SUPERVISORY SYSTEM ALSO FAILED TO ENSURE THAT REJECTED ROES WERE PROPERLY REPAIRED, RESUBMITTED TO OATS, AND WERE ACCEPTED BY OATS. ADDITIONAL, THE FIRM'S SUPERVISORY SYSTEM FAILED TO CONDUCT A REPRESENTATIVE PERIODIC SAMPLING OF ITS OATS REPORTS TO ENSURE ITS SUBMISSIONS WERE ACCURATE. THE FIRM FAILED TO ENFORCE ITS WSPS, WHICH SPECIFIED THAT ANY EXCEPTIONS IDENTIFIED BY ITS OATS REVIEWS WOULD BE BROUGHT TO THE ATTENTION OF THE CHIEF COMPLIANCE OFFICER FOR APPROPRIATE ACTION. ALTHOUGH THE FIRM IDENTIFIED SOME EXCEPTIONS THROUGH ITS OATS REVIEWS PERTAINING TO CERTAIN REJECTED AND LATE ROES, IT FAILED TO TAKE APPROPRIATE ACTION TO RESOLVE THE EXCEPTIONS IN A TIMELY MANNER. IN ADDITION, WHILE ITS WSPS STATED THAT THE FIRM WILL EVIDENCE REVIEWS BY INITIALING AND DATING PRINTOUTS OF THE REPORTING SUMMARIES, OATS CASE LOGS, AND MONTHLY REPORT CARDS, THE DOCUMENTATION PROVIDED BY THE FIRM DID NOT CONTAIN SUCH EVIDENCE. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO SUBMIT, UNTIMELY SUBMITTED, OR INACCURATELY SUBMITTED BILLIONS OF ROES OVER A FOUR-YEAR PERIOD. NOTABLY, THE FIRM FAILED TO SUBMIT TO OATS MORE THAN 3.1 BILLION ROUTE REPORTS RELATED TO A SINGLE CUSTOMER, WHICH REPRESENTED ROUTES BACK TO THE EXCHANGE THAT RECEIVED THE ORDER FOLLOWING THE CUSTOMER'S MODIFICATION OF AN ORDER. DUE TO THE FIRM'S LACK OF REASONABLE SUPERVISION, ITS OATS VIOLATIONS WENT UNDETECTED UNTIL THE ISSUE WAS IDENTIFIED BY FINRA.

Initiated By: FINRA**Date Initiated:** 08/29/2018



Docket/Case Number: [2015046569001](#)

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: 08/29/2018

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 \$450,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$450,000. FINES PAID IN FULL ON OCTOBER 11, 2019.

Reporting Source: Firm

Current Status: Final

Appealed To and Date Appeal Filed: NOT APPLICABLE.

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH ITS ORDER AUDIT TRAIL SYSTEM (OATS) REPORTING OBLIGATIONS. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY DEFICIENCIES ALLOWED OATS REPORTING VIOLATIONS TO OCCUR WITHOUT DETECTION, AND ALSO CONTRIBUTED TO ITS FAILURE TO TIMELY CORRECT OR ADDRESS DEFICIENCIES ONCE IDENTIFIED. FURTHER, THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES (WSPS) CONCERNING OATS REPORTING. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM FAILED TO COMPARE ACCEPTED OATS DATA TO ITS BOOKS AND RECORDS TO ENSURE ALL



REPORTABLE ORDER EVENTS (ROES) WERE SUBMITTED, AND IN A TIMELY MANNER. THE FIRM'S SUPERVISORY SYSTEM ALSO FAILED TO ENSURE THAT REJECTED ROES WERE PROPERLY REPAIRED, RESUBMITTED TO OATS, AND WERE ACCEPTED BY OATS. ADDITIONAL, THE FIRM'S SUPERVISORY SYSTEM FAILED TO CONDUCT A REPRESENTATIVE PERIODIC SAMPLING OF ITS OATS REPORTS TO ENSURE ITS SUBMISSIONS WERE ACCURATE. THE FIRM FAILED TO ENFORCE ITS WSPS, WHICH SPECIFIED THAT ANY EXCEPTIONS IDENTIFIED BY ITS OATS REVIEWS WOULD BE BROUGHT TO THE ATTENTION OF THE CHIEF COMPLIANCE OFFICER FOR APPROPRIATE ACTION. ALTHOUGH THE FIRM IDENTIFIED SOME EXCEPTIONS THROUGH ITS OATS REVIEWS PERTAINING TO CERTAIN REJECTED AND LATE ROES, IT FAILED TO TAKE APPROPRIATE ACTION TO RESOLVE THE EXCEPTIONS IN A TIMELY MANNER. IN ADDITION, WHILE ITS WSPS STATED THAT THE FIRM WILL EVIDENCE REVIEWS BY INITIALING AND DATING PRINTOUTS OF THE REPORTING SUMMARIES, OATS CASE LOGS, AND MONTHLY REPORT CARDS, THE DOCUMENTATION PROVIDED BY THE FIRM DID NOT CONTAIN SUCH EVIDENCE. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO SUBMIT, UNTIMELY SUBMITTED, OR INACCURATELY SUBMITTED BILLIONS OF ROES OVER A FOUR-YEAR PERIOD. NOTABLY, THE FIRM FAILED TO SUBMIT TO OATS MORE THAN 3.1 BILLION ROUTE REPORTS RELATED TO A SINGLE CUSTOMER, WHICH REPRESENTED ROUTES BACK TO THE EXCHANGE THAT RECEIVED THE ORDER FOLLOWING THE CUSTOMER'S MODIFICATION OF AN ORDER. DUE TO THE FIRM'S LACK OF REASONABLE SUPERVISION, ITS OATS VIOLATIONS WENT UNDETECTED UNTIL THE ISSUE WAS IDENTIFIED BY FINRA.

Initiated By: FINRA

Date Initiated: 08/29/2018

Docket/Case Number: [2015046569001](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: MONETARY/FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/29/2018

Sanctions Ordered: Censure
Monetary/Fine \$450,000.00

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

THE FIRM WAS SANCTIONED AND FINED \$450,000

Firm Statement

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH ITS ORDER AUDIT TRAIL SYSTEM (OATS) REPORTING OBLIGATIONS. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY DEFICIENCIES ALLOWED OATS REPORTING VIOLATIONS TO OCCUR WITHOUT DETECTION, AND ALSO CONTRIBUTED TO ITS FAILURE TO TIMELY CORRECT OR ADDRESS DEFICIENCIES ONCE IDENTIFIED. FURTHER, THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES (WSPS) CONCERNING OATS REPORTING. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM FAILED TO COMPARE ACCEPTED OATS DATA TO ITS BOOKS AND RECORDS TO ENSURE ALL REPORTABLE ORDER EVENTS (ROES) WERE SUBMITTED, AND IN A TIMELY MANNER. THE FIRM'S SUPERVISORY SYSTEM ALSO FAILED TO ENSURE THAT REJECTED ROES WERE PROPERLY REPAIRED, RESUBMITTED TO OATS, AND WERE ACCEPTED BY OATS. ADDITIONAL, THE FIRM'S SUPERVISORY SYSTEM FAILED TO CONDUCT A REPRESENTATIVE PERIODIC SAMPLING OF ITS OATS REPORTS TO ENSURE ITS SUBMISSIONS WERE ACCURATE. THE FIRM FAILED TO ENFORCE ITS WSPS, WHICH SPECIFIED THAT ANY EXCEPTIONS IDENTIFIED BY ITS OATS REVIEWS WOULD BE BROUGHT TO THE ATTENTION OF THE CHIEF COMPLIANCE OFFICER FOR APPROPRIATE ACTION. ALTHOUGH THE FIRM IDENTIFIED SOME EXCEPTIONS THROUGH ITS OATS REVIEWS PERTAINING TO CERTAIN REJECTED AND LATE ROES, IT FAILED TO TAKE APPROPRIATE ACTION TO RESOLVE THE EXCEPTIONS IN A TIMELY MANNER. IN ADDITION, WHILE ITS WSPS STATED THAT THE FIRM WILL EVIDENCE REVIEWS BY INITIALING AND DATING PRINTOUTS OF THE REPORTING SUMMARIES, OATS CASE LOGS, AND MONTHLY REPORT CARDS, THE DOCUMENTATION PROVIDED BY THE FIRM DID NOT CONTAIN SUCH EVIDENCE. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO SUBMIT, UNTIMELY SUBMITTED, OR INACCURATELY SUBMITTED BILLIONS OF ROES OVER A FOUR-YEAR PERIOD. NOTABLY, THE FIRM FAILED TO SUBMIT TO OATS MORE THAN 3.1 BILLION ROUTE REPORTS RELATED TO A SINGLE CUSTOMER, WHICH REPRESENTED ROUTES BACK TO THE EXCHANGE THAT RECEIVED THE ORDER FOLLOWING THE CUSTOMER'S MODIFICATION OF AN ORDER. DUE TO THE FIRM'S LACK OF REASONABLE SUPERVISION, ITS OATS VIOLATIONS WENT UNDETECTED UNTIL THE ISSUE WAS IDENTIFIED BY FINRA.

Disclosure 3 of 28**Reporting Source:**

Regulator



Current Status: Final

Allegations: SEC ADMIN RELEASE 34-82898 / MARCH 19, 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 ELECTRONIC TRANSACTION CLEARING, INC. ("ETC" OR "RESPONDENT"). THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF ETC'S VIOLATIONS OF SECTIONS 15(C)(2), 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C2-1(A), 15C3-3 AND 17A-5 THEREUNDER. RULE 15C3-3, KNOWN AS THE "CUSTOMER PROTECTION RULE," SEEKS TO AVOID, IN THE EVENT OF A BROKER-DEALER FAILURE, A DELAY IN RETURNING THE CUSTOMER'S SECURITIES OR WORSE, A SHORTFALL WHERE THE CUSTOMERS ARE NOT MADE WHOLE. IT ACCOMPLISHES THIS BY REQUIRING BROKER-DEALERS TO SAFEGUARD THE CASH AND SECURITIES OF THEIR CUSTOMERS, AND BY REQUIRING A BROKER-DEALER TO MAINTAIN PHYSICAL POSSESSION OR CONTROL OF ITS CUSTOMERS' FULLY PAID AND EXCESS MARGIN SECURITIES. PHYSICAL POSSESSION OR CONTROL GENERALLY MEANS THAT THE BROKER-DEALER MUST HOLD THESE SECURITIES IN A LOCATION SPECIFIED BY THE RULE AND THAT THE SECURITIES BE FREE OF ANY LIENS OR OTHER INTEREST THAT A THIRD-PARTY COULD EXERCISE TO SECURE AN OBLIGATION OF THE BROKER-DEALER. PARAGRAPH (A)(1) OF RULE 15C2-1, KNOWN AS ONE OF THE HYPOTHECATION RULES, GENERALLY PROVIDES THAT A BROKER-DEALER MAY NOT, WITHOUT PRIOR CUSTOMER CONSENT, HYPOTHECATE OR PLEDGE AS COLLATERAL A CUSTOMER'S SECURITIES IN A WAY THAT WOULD ALLOW THE SECURITIES TO BE COMMINGLED WITH OTHER CUSTOMERS' SECURITIES. IN ADDITION, PARAGRAPH (A) OF RULE 17A-5, KNOWN AS THE FINANCIAL REPORTING RULE, REQUIRES BROKER-DEALERS TO FILE MONTHLY AND QUARTERLY FOCUS REPORTS AND ANNUAL FINANCIAL REPORTS, AND PARAGRAPH (D)(2)(II) OF RULE 17A-5 REQUIRES BROKER-DEALERS TO FILE SUPPORTING SCHEDULES TO ITS ANNUAL FINANCIAL REPORTS THAT INCLUDE INFORMATION CONTAINED IN THE FOCUS REPORTS RELATING TO THE POSSESSION AND CONTROL REQUIREMENTS UNDER RULE 15C3-3.

ON SEVERAL OCCASIONS IN NOVEMBER AND DECEMBER 2015, ETC MOVED APPROXIMATELY \$7.8 MILLION IN CASH CUSTOMERS' FULLY PAID SECURITIES TO ITS OMNIBUS MARGIN ACCOUNT MAINTAINED AT ANOTHER CLEARING FIRM ("CLEARING FIRM A"), TO MEET THE IN-HOUSE MARGIN REQUIREMENTS OF THAT CLEARING FIRM. ALSO, ON THREE OCCASIONS IN SEPTEMBER AND NOVEMBER 2015, ETC DELIVERED FULLY PAID SECURITIES OF TWO CASH CUSTOMERS VALUED AT OVER \$17.77



MILLION FROM ITS DEPOSITORY TRUST COMPANY ("DTC") ACCOUNT TO CLEARING FIRM A'S DTC ACCOUNT IN EXCHANGE FOR IMMEDIATE FUNDS. AND IN DECEMBER 2015, ETC FAILED TO PROPERLY SEGREGATE A CUSTOMER'S EXCESS MARGIN SECURITIES, CAUSING APPROXIMATELY \$17.7 MILLION OF THE CUSTOMER'S EXCESS MARGIN SECURITIES TO BE LOANED OUT BY CLEARING FIRM A. ETC DID NOT OBTAIN THE CUSTOMERS' CONSENT BEFORE MOVING OR PLEDGING THESE SECURITIES. IN DOING SO, ETC VIOLATED THE CUSTOMER PROTECTION RULE AND THE HYPOTHECATION RULES. ETC'S FAILURE TO OBTAIN AND MAINTAIN PHYSICAL POSSESSION OR CONTROL OF CUSTOMER ASSETS ALSO CAUSED IT TO VIOLATE THE FINANCIAL REPORTING RULE, BECAUSE IT FAILED TO REPORT SUCH POSSESSION OR CONTROL FAILURES IN ITS MONTHLY AND QUARTERLY FOCUS REPORTS AND THE SUPPORTING SCHEDULE TO ITS ANNUAL FINANCIAL REPORT FOR 2015. AS A RESULT OF THE CONDUCT DESCRIBED, ETC WILLFULLY VIOLATED SECTIONS 15(C)(2) AND (3), AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C2-1(A)(1), 15C3-3, 17A-5(A) AND 17A-5(D)(2) THEREUNDER.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 03/19/2018

Docket/Case Number: 3-18406

Principal Product Type: Other

Other Product Type(s):

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

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 03/19/2018

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

Sanctions Ordered: Censure
Monetary/Fine \$80,000.00
Cease and Desist/Injunction

Other Sanctions Ordered:



Sanction Details: ETC IS CENSURED AND ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(2) AND (3), AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C2(A)(1), 15C3-3 AND 17A-5 THEREUNDER. ETC IS ALSO ORDERED TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$80,000.

Regulator Statement RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT.

ETC WILLFULLY VIOLATED SECTIONS 15(C)(2) AND (3), AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C2-1(A)(1), 15C3-3, 17A-5(A) AND 17A-5(D)(2) THEREUNDER.

IT IS ORDERED THAT ETC IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(2) AND (3), AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C2(A)(1), 15C3-3 AND 17A-5 THEREUNDER.

ETC IS ALSO ORDERED TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$80,000.

Reporting Source: Firm

Current Status: Final

Allegations: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") FOUND THAT RESPONDENT VIOLATED SECTIONS 15(C)(2), 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C2-1(A), 15C3-3 AND 17A-5 THEREUNDER.

UNDER PRIOR SENIOR MANAGEMENT:

ON SEVERAL OCCASIONS IN NOVEMBER AND DECEMBER 2015, RESPONDENT MOVED APPROXIMATELY \$7.8 MILLION IN CASH CUSTOMERS' FULLY PAID SECURITIES TO ITS OMNIBUS MARGIN ACCOUNT MAINTAINED AT ANOTHER CLEARING FIRM ("CLEARING FIRM A"), TO MEET THE IN-HOUSE MARGIN REQUIREMENTS OF THAT CLEARING FIRM.

ON THREE OCCASIONS IN SEPTEMBER AND NOVEMBER 2015, RESPONDENT DELIVERED FULLY PAID SECURITIES OF TWO CASH CUSTOMERS VALUED AT OVER \$17.77 MILLION FROM ITS DEPOSITORY TRUST COMPANY ("DTC") ACCOUNT TO CLEARING FIRM A'S DTC ACCOUNT IN EXCHANGE FOR IMMEDIATE FUNDS.



IN DECEMBER 2015, RESPONDENT FAILED TO PROPERLY SEGREGATE A CUSTOMER'S EXCESS MARGIN SECURITIES, CAUSING APPROXIMATELY \$17.7 MILLION OF THE CUSTOMER'S EXCESS MARGIN SECURITIES TO BE LOANED OUT BY CLEARING FIRM A. RESPONDENT DID NOT OBTAIN THE CUSTOMERS' CONSENT BEFORE MOVING OR PLEDGING THESE SECURITIES. IN DOING SO, RESPONDENT VIOLATED THE CUSTOMER PROTECTION RULE AND THE HYPOTHECATION RULES.

FURTHER, RESPONDENT'S FAILURE TO OBTAIN AND MAINTAIN PHYSICAL POSSESSION OR CONTROL OF CUSTOMER ASSETS ALSO CAUSED IT TO VIOLATE THE FINANCIAL REPORTING RULE, BECAUSE IT FAILED TO REPORT SUCH POSSESSION OR CONTROL FAILURES IN ITS MONTHLY AND QUARTERLY FOCUS REPORTS AND THE SUPPORTING SCHEDULE TO ITS ANNUAL FINANCIAL REPORT FOR 2015.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC")

Date Initiated: 03/19/2018

Docket/Case Number: 3-18406

Principal Product Type: Other

Other Product Type(s):

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

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 03/19/2018

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

Other Sanctions Ordered:

Sanction Details: RESPONDENT IS CENSURED AND ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(2) AND (3), AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C2(A)(1), 15C3-3 AND 17A-5 THEREUNDER. RESPONDENT IS ALSO ORDERED TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$80,000.

Firm Statement ALL VIOLATIONS WERE THE DECISIONS AND ACTIONS OF PRIOR SENIOR MANAGEMENT. AS A RESULT, ETC WAS FOUND TO HAVE WILLFULLY VIOLATED SECTIONS 15(C)(2) AND (3), AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C2-1(A)(1), 15C3-3, 17A-5(A) AND 17A-5(D)(2)



THEREUNDER.

IT WAS ORDERED THAT RESPONDENT IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(2) AND (3), AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C2(A)(1), 15C3-3 AND 17A-5 THEREUNDER. RESPONDENT IS ALSO ORDERED TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$80,000.

RESPONDENT, UNDER NEW SENIOR MANAGEMENT, SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS ACCEPTED.

Disclosure 4 of 28

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 TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FINDINGS STATED THAT THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. IN ADDITION, THE MARKET DATA SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. AS SUCH, THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). AS A CONSEQUENCE, THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING BYX, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM ALSO DID NOT PROVIDE FOR SUPERVISION, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND BYX RULE 11.13(B)(3)(F). IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY,



THE FIRM VIOLATED BYX RULES 11.13(B)(3)(F), 5.1 AND 3.1, AND RULE 611(C).

Initiated By: BATS BYX EXCHANGE, INC.

Date Initiated: 02/07/2018

Docket/Case Number: 2014043787005

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: 03/08/2018

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 \$6,800.00

Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WSPS

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES, OF WHICH \$6,800 SHALL BE PAID TO BYX AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. THE AWC BECAME FINAL ON MARCH 8, 2018.

Reporting Source: Firm

Current Status: Final

Appealed To and Date Appeal Filed: --

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET



SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FINDINGS STATED THAT THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. IN ADDITION, THE MARKET DATA SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. AS SUCH, THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). AS A CONSEQUENCE, THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING BYX, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND IN SOME INSTANCES FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM ALSO DID NOT PROVIDE FOR SUPERVISION, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND BYX RULE 11.13(B)(3)(F). IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY, THE FIRM VIOLATED BYX RULES 11.13(B)(3)(F), 5.1 AND 3.1, AND RULE 611(C).

Initiated By: BATS BYX EXCHANGE, INC.

Date Initiated: 11/07/2017

Docket/Case Number: 2014043787005

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: --

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/26/2018

Sanctions Ordered: Censure
Monetary/Fine \$6,800.00



Other Sanctions Ordered: --

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES, OF WHICH \$6,800 SHALL BE PAID TO BATS BYX EXCHANGE, INC. AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. THIS AWC SHALL BECOME FINAL ON FEBRUARY 26, 2018

Firm Statement --

Disclosure 5 of 28

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 TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FINDINGS STATED THAT THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. IN ADDITION, THE MARKET DATA SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. AS SUCH, THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). AS A CONSEQUENCE, THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING BZX, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM ALSO DID NOT PROVIDE FOR SUPERVISION, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND BZX RULE 11.9(D). IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY, THE FIRM VIOLATED BZX RULES 11.9(D), 5.1 AND 3.1, AND RULE 611(C).

Initiated By: BATS BZX EXCHANGE, INC.



Date Initiated: 02/07/2018
Docket/Case Number: 2014043787004
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: 03/08/2018
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 \$6,800.00
Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WSPS
Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES IN RELATED DISCIPLINARY MATTERS, OF WHICH \$6,800 SHALL BE PAID TO BZX AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. THE AWC BECAME FINAL ON MARCH 8, 2018.

Reporting Source: Firm
Current Status: Final
Appealed To and Date Appeal Filed: --
Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FINDINGS STATED THAT THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA



SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. IN ADDITION, THE MARKET DATA SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. AS SUCH, THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). AS A CONSEQUENCE, THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING BZX, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND IN SOME INSTANCES FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM ALSO DID NOT PROVIDE FOR SUPERVISION, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND BZX RULE 11.9(D). IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY, THE FIRM VIOLATED BZX RULES 11.9(D), 5.1 AND 3.1, AND RULE 611(C).

Initiated By: BATS BZX EXCHANGE, INC.

Date Initiated: 11/07/2017

Docket/Case Number: 2014043787004

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: --

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/26/2018

Sanctions Ordered: Censure
Monetary/Fine \$6,800.00

Other Sanctions Ordered: --

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID



JOINTLY TO FINRA AND THE EXCHANGES, OF WHICH \$6,800 SHALL BE PAID TO BATS BZX EXCHANGE, INC. AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. THIS AWC SHALL BECOME FINAL ON FEBRUARY 26, 2018.

Firm Statement

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Disclosure 6 of 28

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 TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FINDINGS STATED THAT THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. IN ADDITION, THE MARKET DATA SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. AS SUCH, THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). AS A CONSEQUENCE, THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING NYSE AMERICAN, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM ALSO DID NOT PROVIDE FOR SUPERVISION, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND NYSE RULE 13(3) DURING THE REVIEW PERIOD. IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY, THE FIRM VIOLATED NYSE RULES 13(3), 342 (FOR CONDUCT PRIOR TO DECEMBER 1, 2014), 3110 (FOR CONDUCT ON OR AFTER DECEMBER 1, 2014), AND 2010, AND RULE 611(C).

Initiated By:

NEW YORK STOCK EXCHANGE



Date Initiated: 01/26/2018

Docket/Case Number: 2014043787001

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: 02/26/2018

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 \$6,800.00

Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WSPS

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000 TO BE PAID JOINTLY TO THE EXCHANGES IN RELATED DISCIPLINARY MATTERS, OF WHICH \$6,800 SHALL BE PAID TO THE NYSE, AND UNDERTAKES TO REVISE THE FIRM'S WSPS. THE AWC BECAME FINAL ON FEBRUARY 26, 2018.

Reporting Source: Firm

Current Status: Final

Appealed To and Date Appeal Filed: --

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. THE SNAPSHOTS THAT THE FIRM



OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING NYSE AMERICAN, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND IN SOME INSTANCES FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM'S WSPS WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND NYSE RULE 13(3) DURING THE REVIEW PERIOD. IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY, THE FIRM VIOLATED NYSE RULES 13(3), 342 (FOR CONDUCT PRIOR TO DECEMBER 1, 2014), 3110 (FOR CONDUCT ON OR AFTER DECEMBER 1, 2014), AND 2010, AND RULE 611(C).

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 11/07/2017

Docket/Case Number: 2014043787001

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: --

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/26/2018

Sanctions Ordered: Censure
Monetary/Fine \$6,800.00

Other Sanctions Ordered: --

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES, OF WHICH \$6,800 SHALL BE PAID TO THE NYSE AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND



WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. THIS AWC SHALL BECOME FINAL ON FEBRUARY 26, 2018, UNLESS REVIEW BY THE NYSE EXCHANGE BOARD OF DIRECTORS IS REQUESTED.

Firm Statement

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Disclosure 7 of 28

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 TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FINDINGS STATED THAT THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. IN ADDITION, THE MARKET DATA SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. AS SUCH, THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). AS A CONSEQUENCE, THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING EDGX, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM ALSO DID NOT PROVIDE FOR SUPERVISION, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND EDGX RULE 11.8(C) DURING THE REVIEW PERIOD. IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY, THE FIRM VIOLATED EDGX RULES 11.5(D)(1) (FOR CONDUCT PRIOR TO OCTOBER 29, 2014), 11.8(C) (FOR CONDUCT ON OR AFTER OCTOBER 29, 2014), 5.1, AND 3.1, AND RULE 611(C).

Initiated By:

BATS EDGX EXCHANGE, INC.



Date Initiated: 02/07/2018
Docket/Case Number: 2014043787006
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: 03/08/2018
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 \$6,800.00
Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WSPS
Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES, OF WHICH \$6,800 SHALL BE PAID TO EDGX AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. THE AWC BECAME FINAL ON MARCH 8, 2018.

Reporting Source: Firm
Current Status: Final
Appealed To and Date Appeal Filed: --
Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FINDINGS STATED THAT THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA



SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. IN ADDITION, THE MARKET DATA SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. AS SUCH, THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). AS A CONSEQUENCE, THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING EDGX, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND IN SOME INSTANCES FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM ALSO DID NOT PROVIDE FOR SUPERVISION, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND EDGX RULE 11.8(C) DURING THE REVIEW PERIOD. IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY, THE FIRM VIOLATED EDGX RULES 11.5(D)(1) (FOR CONDUCT PRIOR TO OCTOBER 29, 2014), 11.8(C) (FOR CONDUCT ON OR AFTER OCTOBER 29, 2014), 5.1, AND 3.1, AND RULE 611(C).

Initiated By: BATS EDGX EXCHANGE, INC.

Date Initiated: 11/07/2017

Docket/Case Number: 2014043787006

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: --

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/26/2018

Sanctions Ordered: Censure
Monetary/Fine \$6,800.00

Other Sanctions Ordered: --



Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES, OF WHICH \$6,800 SHALL BE PAID TO BATS EDGX EXCHANGE, INC. AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. THIS AWC SHALL BECOME FINAL ON FEBRUARY 26, 2018

Firm Statement --

Disclosure 8 of 28

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 TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FINDINGS STATED THAT THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. IN ADDITION, THE MARKET DATA SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. AS SUCH, THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). AS A CONSEQUENCE, THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM ALSO DID NOT PROVIDE FOR SUPERVISION, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C). IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER.

Initiated By: FINRA

Date Initiated: 02/07/2018

Docket/Case Number: [2014043787003](#)



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: 02/07/2018

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 \$6,000.00

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES, OF WHICH \$6,000 SHALL BE PAID TO FINRA AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. FINES PAID IN FULL ON FEBRUARY 15, 2018.

Reporting Source: Firm

Current Status: Final

Appealed To and Date Appeal Filed: --

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. THE SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. THE FIRM FAILED



TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING NYSE AMERICAN, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND IN SOME INSTANCES FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM'S WSPS WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND NYSE RULE 13(3) DURING THE REVIEW PERIOD. IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER.

Initiated By: FINRA

Date Initiated: 11/07/2017

Docket/Case Number: [2014043787003](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: --

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/26/2018

Sanctions Ordered: Censure
Monetary/Fine \$6,000.00

Other Sanctions Ordered: --

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES, OF WHICH \$6,000 SHALL BE PAID TO FINRA AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. THIS AWC SHALL BECOME FINAL ON FEBRUARY 26, 2018.

Firm Statement --



Disclosure 9 of 28

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 TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FINDINGS STATED THAT THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. IN ADDITION, THE MARKET DATA SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. AS SUCH, THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). AS A CONSEQUENCE, THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING NYSE AMERICAN, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM ALSO DID NOT PROVIDE FOR SUPERVISION, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND NYSE AMERICAN RULE 13(3) - EQUITIES DURING THE REVIEW PERIOD. IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY, THE FIRM VIOLATED NYSE AMERICAN RULES 13(3), 342 (FOR CONDUCT PRIOR TO DECEMBER 1, 2014), 3110 (FOR CONDUCT ON OR AFTER DECEMBER 1, 2014), AND 2010 - EQUITIES, AND RULE 611(C).

Initiated By: NYSE AMERICAN LLC

Date Initiated: 01/26/2018

Docket/Case Number: 2014043787002

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: 02/26/2018

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 \$6,800.00

Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WSPS

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000 TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES IN RELATED DISCIPLINARY MATTERS, OF WHICH \$6,800 SHALL BE PAID TO NYSE AMERICAN, AND UNDERTAKES TO REVISE THE FIRM'S WSPS. THE AWC BECAME FINAL ON FEBRUARY 26, 2018.

Reporting Source: Firm

Current Status: Final

Appealed To and Date Appeal Filed: --

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TAKE REASONABLE STEPS TO ESTABLISH THAT THE INTERMARKET SWEEP ORDERS (ISOS) IT ROUTED MET THE DEFINITIONAL REQUIREMENTS SET FORTH IN RULE 600(B)(30) OF REGULATION NMS. THE FIRM IMPROPERLY RELIED UPON THE SYSTEMS OF A NON-BROKER-DEALER CUSTOMER TO TAKE MARKET DATA SNAPSHOTS AND MAKE CORRECT ISO ROUTING DECISIONS. THE SNAPSHOTS THAT THE FIRM OBTAINED FROM ITS CUSTOMER FAILED TO CAPTURE PROTECTED QUOTATIONS FOR ALL OF THE APPLICABLE EXCHANGES. THE FIRM FAILED TO CAPTURE PROTECTED QUOTATIONS FOR CERTAIN SECURITIES, FOR PURPOSES OF COMPLYING WITH RULE 600(B)(30). THE FIRM FAILED TO SIMULTANEOUSLY SEND ISOS TO EXECUTE AGAINST THE FULL DISPLAYED



SIZE OF CERTAIN PROTECTED QUOTATIONS OF SECURITIES WHEN ROUTING ISOS TO OTHER MARKETS, INCLUDING NYSE AMERICAN, WHICH LED TO CERTAIN TRADE-THROUGHS OF SUCH PROTECTED QUOTATIONS. THE FIRM FAILED TO HAVE ADEQUATE PROCEDURES FOR COMPLYING WITH THE REGULATORY REQUIREMENTS OF RULE 611(C), AND IN SOME INSTANCES FAILED TO PROVIDE DOCUMENTATION EVIDENCING THAT IT CONDUCTED POST-TRADE REVIEWS OF THE ISOS THAT WERE HANDLED BY THE FIRM. THE FIRM'S WSPS WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO RULE 611(C) AND NYSE RULE 13(3) DURING THE REVIEW PERIOD. IN ADDITION, THE DATA THAT THE FIRM UTILIZED IN ITS SUPERVISORY REVIEWS DID NOT ALLOW THE FIRM TO ADEQUATELY VERIFY THE ACCURACY OF THE MARKET DATA SNAPSHOTS THAT WERE PROVIDED BY ITS CUSTOMER. ACCORDINGLY, THE FIRM VIOLATED NYSE AMERICAN RULES 13(3), 342 (FOR CONDUCT PRIOR TO DECEMBER 1, 2014), 3110 (FOR CONDUCT ON OR AFTER DECEMBER 1, 2014), AND 2010 - EQUITIES, AND RULE 611(C).

Initiated By: NYSE AMERICAN LLC

Date Initiated: 11/07/2017

Docket/Case Number: 2014043787002

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: --

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/26/2018

Sanctions Ordered: Censure
Monetary/Fine \$6,800.00

Other Sanctions Ordered: --

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$40,000, TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES, OF WHICH \$6,800 SHALL BE PAID TO THE NYSE AMERICAN LLC AND UNDERTAKES TO REVISE THE FIRM'S CONTROLS AND WSPS WITH RESPECT TO THE AREAS DESCRIBED IN THIS MATTER. THIS AWC SHALL BECOME FINAL ON FEBRUARY 26, 2018, UNLESS REVIEW BY THE NYSE EXCHANGE BOARD OF DIRECTORS IS REQUESTED.

Firm Statement --



Disclosure 10 of 28

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 IMPROPERLY CANCELED A TOTAL OF 45 MARKET-ON-CLOSE ("MOC") ORDERS AFTER THE PRESCRIBED CUTOFF TIME, WHEN CANCELLATIONS ARE ONLY PERMITTED TO CORRECT LEGITIMATE ERRORS.

THE FINDINGS STATED THAT AS THE BROKER PROVIDING MARKET ACCESS, THE FIRM IS ULTIMATELY RESPONSIBLE FOR ENSURING THAT ORDERS ENTERED AND CANCELED ON THE NYSE BY ITS MARKET ACCESS CUSTOMERS VIA ITS MNEMONIC COMPLY WITH ALL EXCHANGE RULES AND REGULATIONS. ON NOVEMBER 25, 2016, A 1:00 P.M. EARLY CLOSING DAY, THE FIRM'S CUSTOMER (THE "CUSTOMER") ENTERED 45 MOC ORDERS THROUGH A THIRD-PARTY ORDER MANAGEMENT SYSTEM (THE "OMS"). THE ORDERS WERE THEN ROUTED TO NYSE FOR EXECUTION.

THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO PREVENT THE ENTRY OF ORDERS UNLESS THERE HAS BEEN COMPLIANCE WITH ALL REGULATORY REQUIREMENTS AND FAILED TO MAINTAIN DIRECT AND EXCLUSIVE CONTROL OVER ITS RISK MANAGEMENT CONTROLS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES ("WSPS") CONCERNING COMPLIANCE WITH NYSE RULE 123C DID NOT ADDRESS EARLY CLOSING DAYS OR THE CANCELLATION OF MOC AND LIMIT-ON-CLOSE ("LOC") ORDERS FOR LEGITIMATE ERROR. ADDITIONALLY, WHILE THE FIRM'S WSPS DID PROVIDE FOR A DAILY "MOC/LOC POST 15:45 CANCELS" EXCEPTION REPORT, THE FIRM'S MOC/LOC EXCEPTION REPORT FAILED TO CAPTURE THE CUSTOMER'S 45 UNTIMELY MOC ORDER CANCELLATIONS BECAUSE THE OMS FAILED TO INCLUDE THE NECESSARY CODES TO IDENTIFY MOC/LOC ORDERS IN THE DAILY ORDER CANCEL FILE THE OMS PROVIDED TO THE FIRM. AS A RESULT, THE FIRM WAS UNAWARE OF THE CANCELLATIONS AT THE TIME OF OCCURRENCE. THE FIRM'S MARKET ACCESS WSPS STATED THAT THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES MUST BE UNDER ITS DIRECT AND EXCLUSIVE CONTROL, AND THAT "APPROPRIATE FIRM PERSONNEL WILL BE ABLE TO DIRECTLY MONITOR THE OPERATION OF THE FINANCIAL AND REGULATORY RISK MANAGEMENT CONTROLS IN REAL-TIME." AS DISCUSSED ABOVE, THE



FIRM FAILED TO EXERCISE DIRECT AND EXCLUSIVE CONTROL OVER ITS NYSE RULE 123C RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES AND ALSO FAILED TO DIRECTLY MONITOR THOSE CONTROLS IN REAL-TIME.

THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO IMPLEMENT ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NYSE RULE 123C. THE FIRM FAILED TO ESTABLISH AND MAINTAIN RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS, AND FAILED TO MAINTAIN DIRECT AND EXCLUSIVE CONTROL OVER ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 09/15/2017

Docket/Case Number: 2016-11-00072

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: 10/10/2017

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 \$18,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$18,000.

PURSUANT TO NYSE MKT RULE 9310(A)(1)(B), THIS AWC BECAME FINAL ON OCTOBER 10, 2017, SINCE NO REVIEW WAS REQUESTED BY THE NYSE EXCHANGE BOARD OF DIRECTORS.



Regulator Statement

IN RESOLVING THE MATTER, NYSE REGULATION ALSO CONSIDERED REPRESENTATIONS MADE BY THE FIRM CONCERNING ITS SUBSEQUENT REMEDIAL ACTIONS, INCLUDING TERMINATION OF THE RELATIONSHIP WITH THE CUSTOMER AND THE THIRD-PARTY ORDER MANAGEMENT SYSTEM.

Reporting Source:

Firm

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT IMPROPERLY CANCELED A TOTAL OF 45 MARKET-ON-CLOSE ("MOC") ORDERS AFTER THE PRESCRIBED CUTOFF TIME, WHEN CANCELLATIONS ARE ONLY PERMITTED TO CORRECT LEGITIMATE ERRORS. THE FINDINGS STATED THAT AS THE BROKER PROVIDING MARKET ACCESS, THE FIRM IS ULTIMATELY RESPONSIBLE FOR ENSURING THAT ORDERS ENTERED AND CANCELED ON THE NYSE BY ITS MARKET ACCESS CUSTOMERS VIA ITS MNEMONIC COMPLY WITH ALL EXCHANGE RULES AND REGULATIONS. ON NOVEMBER 25, 2016, A 1:00 P.M. EARLY CLOSING DAY, THE FIRM'S CUSTOMER (THE "CUSTOMER") ENTERED 45 MOC ORDERS THROUGH A THIRD-PARTY ORDER MANAGEMENT SYSTEM (THE "OMS"). THE ORDERS WERE THEN ROUTED TO NYSE FOR EXECUTION. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO PREVENT THE ENTRY OF ORDERS UNLESS THERE HAS BEEN COMPLIANCE WITH ALL REGULATORY REQUIREMENTS AND FAILED TO MAINTAIN DIRECT AND EXCLUSIVE CONTROL OVER ITS RISK MANAGEMENT CONTROLS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES ("WSPS") CONCERNING COMPLIANCE WITH NYSE RULE 123C DID NOT ADDRESS EARLY CLOSING DAYS OR THE CANCELLATION OF MOC AND LIMIT-ON-CLOSE ("LOC") ORDERS FOR LEGITIMATE ERROR. ADDITIONALLY, WHILE THE FIRM'S WSPS DID PROVIDE FOR A DAILY "MOC/LOC POST 15:45 CANCELS" EXCEPTION REPORT, THE FIRM'S MOC/LOC EXCEPTION REPORT FAILED TO CAPTURE THE CUSTOMER'S 45 UNTIMELY MOC ORDER CANCELLATIONS BECAUSE THE OMS FAILED TO INCLUDE THE NECESSARY CODES TO IDENTIFY MOC/LOC ORDERS IN THE DAILY ORDER CANCEL FILE THE OMS PROVIDED TO THE FIRM. AS A RESULT, THE FIRM WAS UNAWARE OF THE CANCELLATIONS AT THE TIME OF OCCURRENCE. THE FIRM'S MARKET ACCESS WSPS STATED THAT THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES MUST BE UNDER ITS DIRECT AND EXCLUSIVE CONTROL, AND THAT "APPROPRIATE FIRM PERSONNEL WILL BE ABLE TO DIRECTLY MONITOR THE OPERATION OF THE FINANCIAL AND REGULATORY RISK MANAGEMENT CONTROLS IN REAL-TIME." AS DISCUSSED ABOVE, THE



FIRM FAILED TO EXERCISE DIRECT AND EXCLUSIVE CONTROL OVER ITS NYSE RULE 123C RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES AND ALSO FAILED TO DIRECTLY MONITOR THOSE CONTROLS IN REAL-TIME. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO IMPLEMENT ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NYSE RULE 123C. THE FIRM FAILED TO ESTABLISH AND MAINTAIN RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS, AND FAILED TO MAINTAIN DIRECT AND EXCLUSIVE CONTROL OVER ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 09/15/2017

Docket/Case Number: 2016-11-00072

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITY

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/10/2017

Sanctions Ordered: Censure
Monetary/Fine \$18,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$18,000. PURSUANT TO NYSE MKT RULE 9310(A)(1)(B), THIS AWC BECAME FINAL ON OCTOBER 10, 2017, SINCE NO REVIEW WAS REQUESTED BY THE NYSE EXCHANGE BOARD OF DIRECTORS.

Firm Statement IN RESOLVING THE MATTER, NYSE REGULATION ALSO CONSIDERED REPRESENTATIONS MADE BY THE FIRM CONCERNING ITS SUBSEQUENT REMEDIAL ACTIONS, INCLUDING TERMINATION OF THE RELATIONSHIP WITH THE CUSTOMER AND THE THIRD-PARTY ORDER MANAGEMENT SYSTEM.



Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT THE FIRM FAILED TO IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER. THE COMPLAINT ALLEGES THAT THE FIRM IDENTIFIED APPROXIMATELY 30 SITUATIONS IN WHICH TRADERS GIVEN DIRECT MARKET ACCESS BY THE FIRM PARTICIPATED IN ACTIVITY IT DEEMED SUFFICIENTLY SUSPICIOUS SO AS TO CAUSE IT TO RESTRICT OR PROHIBIT THE TRADER'S TRADING ACTIVITY, INCLUDING POTENTIAL PREARRANGED TRADING AND TRANSACTIONS WITHOUT AN APPARENT ECONOMIC PURPOSE. THE FIRM, HOWEVER, FAILED TO TAKE ADDITIONAL STEPS TO ASSESS WHETHER THIS ACTIVITY WARRANTED THE FILING OF A SUSPICIOUS ACTIVITY REPORT. THE COMPLAINT ALSO ALLEGES THE FIRM FAILED TO ESTABLISH AND IMPLEMENT AN APPROPRIATE DUE DILIGENCE PROGRAM FOR FFIS AND HAD NO WRITTEN PROCEDURES RELATING TO ANY DUE DILIGENCE FOR CORRESPONDENT ACCOUNTS OF FFIS. THE FIRM FAILED TO IDENTIFY A CUSTOMER BASED IN BULGARIA AS AN FFI AND THEN FAILED TO PERFORM THE REQUIRED DUE DILIGENCE. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM CALCULATED ITS CUSTOMER RESERVE MID-MONTH UTILIZING PROJECTED PASS-THROUGH FEES CHARGEABLE TO CLIENTS INSTEAD OF ACTUAL AMOUNTS NOT KNOWN UNTIL MONTH-END. THAT PRACTICE RESULTED IN A RECURRING DEFICIENCY IN THE CUSTOMER RESERVE FORMULA IN WILLFUL VIOLATION OF RULE 15C3-3 OF THE EXCHANGE ACT. IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM WILLFULLY VIOLATED RULES 15C3-1, 15C3-3 AND 15C3-3(D)(4) OF THE EXCHANGE ACT BY FAILING TO MAINTAIN SUFFICIENT NET CAPITAL AND CUSTOMER RESERVES AS A RESULT OF FLAWED OR ERRONEOUS COMPUTATIONS AND CHARACTERIZATIONS OF FUNDS HELD DURING THE RELEVANT PERIOD. THESE RESULTED FROM THE MOVEMENT OF FUNDS BETWEEN ACCOUNTS THE FIRM HAD WITH THE U.S. BROKER-DEALER AFFILIATE OF A CANADIAN ENTITY AND A RELATED CANADIAN BANK, WHERE FUNDS WERE HELD, HOW THEY WERE USED AND HOW THEY WERE REFLECTED IN NET CAPITAL AND RESERVE COMPUTATIONS. MOREOVER, THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS POSITION DATA PROCESSING AND CUSTOMER RESERVE CALCULATIONS, RESULTING IN INACCURATE SEGREGATION INSTRUCTIONS BEING PROVIDED TO THE U.S. BROKER-DEALER AFFILIATE OF A CHINESE ENTITY. AS A RESULT, THE AFFILIATE DELIVERED OUT CUSTOMER SECURITIES THAT SHOULD HAVE BEEN LOCKED UP AND FAILED TO PROPERLY SEGREGATE SHARES. IN ADDITION, THE FIRM'S CALCULATIONS FOR THE



SUFFICIENCY OF POSITIONS HELD AT THE AFFILIATE WERE INACCURATE, ITS EXCESS MARGIN CALCULATION PROCESS PRODUCED INACCURATE SEGREGATION REQUIREMENTS, AND THE FIRM PROVIDED INCORRECT TRADE INFORMATION TO THE AFFILIATE FOR TRANSACTIONS TO BE CLEARED BY THE AFFILIATE. FURTHERMORE, THE FIRM'S WSPS FOR MONITORING CUSTOMER MARGIN WERE INADEQUATE IN 2013. THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO PROPERLY IMPLEMENT ITS PROCEDURES REGARDING THIRD PARTY WIRES. AS A RESULT, FUNDS WERE WIRED TO THIRD PARTIES WITHOUT THE FIRM HAVING PROPER DOCUMENTATION OR DOING ADEQUATE REVIEW TO SUPPORT THE TRANSFER OF FUNDS. THE FIRM ALSO FAILED TO PROPERLY IMPLEMENT ITS NEW ACCOUNT PROCEDURES, FAILING TO DETECT AND ADEQUATELY INVESTIGATE NEGATIVE INFORMATION ABOUT CERTAIN INDIVIDUALS GIVEN AUTHORITY OVER ACCOUNTS. THE FIRM FAILED TO ADEQUATELY DOCUMENT PAYMENTS MADE TO ITS PARENT COMPANY AND THE REASONS OR BASIS FOR THOSE PAYMENTS. ADDITIONALLY, THE FIRM FAILED TO RECORD CUSTOMER PASS-THROUGH FEES IN CUSTOMER ACCOUNTS IN A TIMELY FASHION IN WILLFUL VIOLATION OF RULES 17A-3 AND 17A-4 OF THE EXCHANGE ACT. FURTHER, THE FIRM WILLFULLY VIOLATED RULE 200 OF REGULATION SHO BY FAILING TO NET ALL POSITIONS FOR ACCOUNTS THAT WERE RELATED OR UNDER COMMON CONTROL IN ORDER TO DETERMINE WHETHER SALES WERE LONG OR SHORT AND SUBJECT TO THE SHORT SALE RULE REQUIREMENTS, AS REQUIRED BY REGULATION SHO.

Initiated By: FINRA

Date Initiated: 03/20/2017

Docket/Case Number: [2013037709301](#)

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: 07/24/2017



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 \$250,000.00

Other Sanctions Ordered:

Sanction Details:

THE FIRM WAS CENSURED AND FINED \$250,000.

Regulator Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IMPLEMENT ANTI-MONEY LAUNDERING POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER BY THE DEPARTMENT OF THE TREASURY. THE FINDINGS STATED THAT THE FIRM IDENTIFIED APPROXIMATELY 30 SITUATIONS IN WHICH TRADERS GIVEN DIRECT MARKET ACCESS BY THE FIRM PARTICIPATED IN ACTIVITY IT DEEMED SUFFICIENTLY SUSPICIOUS SO AS TO CAUSE IT TO RESTRICT OR PROHIBIT THE TRADER'S TRADING ACTIVITY, INCLUDING POTENTIAL PREARRANGED TRADING AND TRANSACTIONS WITHOUT AN APPARENT ECONOMIC PURPOSE. HOWEVER, IN THOSE SITUATIONS, THE FIRM DID NOT TAKE ANY FURTHER INVESTIGATIVE STEPS TO ASSESS WHETHER FILING A SUSPICIOUS ACTIVITY REPORT (SAR) WAS WARRANTED, NOTWITHSTANDING HAVING BEEN NOTIFIED A SHORT TIME BEFORE THAT FINRA WAS INTENDING TO BRING CHARGES FOR AN EARLIER IDENTICAL VIOLATION. THE FINDINGS ALSO STATED THAT DESPITE BEING ADVISED BY BOTH FINRA AND THE SEC THAT PREVIOUS CUSTOMERS MAY HAVE BEEN FOREIGN FINANCIAL INSTITUTIONS (FFI), THE FIRM FAILED TO ESTABLISH AND IMPLEMENT AN APPROPRIATE DUE DILIGENCE PROGRAM FOR FFIS AND DID NOT HAVE ANY WRITTEN PROCEDURES RELATING TO ANY DUE DILIGENCE FOR CORRESPONDENT ACCOUNTS OF FFIS. THE FIRM FAILED TO IDENTIFY BULGARIAN CUSTOMER AS AN FFI OR MAKE THE INITIAL DETERMINATION OF WHETHER THE CUSTOMER WAS AN FFI UNDER THE TERMS OF APPLICABLE BANK SECRECY ACT RULE, AND THEN FAILED TO PERFORM THE REQUIRED DUE DILIGENCE. THE FINDINGS ALSO INCLUDED THAT THE FIRM CALCULATED ITS CUSTOMER RESERVE MID-MONTH UTILIZING PROJECTED PASS-THROUGH FEES CHARGEABLE TO CLIENTS INSTEAD OF ACTUAL AMOUNTS NOT KNOWN UNTIL MONTH-END. THAT PRACTICE RESULTED IN A RECURRING DEFICIENCY IN THE CUSTOMER RESERVE



FORMULA THROUGHOUT THE PERIOD IN WHICH THE PRACTICE WAS FOLLOWED. IN ADDITION, THE FIRM FAILED TO MAINTAIN SUFFICIENT NET CAPITAL AND CUSTOMER RESERVES AS A RESULT OF FLAWED OR ERRONEOUS COMPUTATIONS AND CHARACTERIZATIONS OF FUNDS HELD. FINRA FOUND THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS OMNIBUS ACCOUNT RELATIONSHIP WITH A U.S. BROKER-DEALER ENTERED AFTER IT TERMINATED ITS RELATIONSHIP WITH THE CANADIAN BROKER-DEALER. FINRA ALSO FOUND THAT THE FIRM HAD INADEQUATE WRITTEN SUPERVISORY PROCEDURES (WSPS) IN 2013 REGARDING MARGIN LENDING. WHILE IT HAD CERTAIN PROCEDURES IN PLACE, IT FAILED TO ADEQUATELY DOCUMENT ALL RELEVANT PROCEDURES. THE FIRM'S WSPS FOR MONITORING CUSTOMER MARGIN DID NOT DISCUSS THE SYSTEMS USED BY THE FIRM TO MONITOR CUSTOMER ACCOUNTS, THE MARGIN REQUIRED FOR DIFFERENT TYPES OF SECURITIES WAS NOT CLEAR, THE WSPS DID NOT ADDRESS "HOUSE REQUIREMENTS," AND THE FIRM FAILED TO MEMORIALIZE A PROCESS TO REGULARLY REVIEW ITS MARGIN CUSTOMERS TO DETERMINE IF THEY REQUIRED ADDITIONAL MARGIN. MOREOVER, FINRA FOUND THAT THE FIRM FAILED TO PROPERLY IMPLEMENT ITS PROCEDURES REGARDING THIRD-PARTY WIRES. AS A RESULT, FUNDS WERE WIRED TO THIRD PARTIES WITHOUT THE FIRM HAVING PROPER DOCUMENTATION OR CONDUCTING AN ADEQUATE REVIEW TO SUPPORT THE TRANSFER OF FUNDS. IN ADDITION, THE FIRM FAILED TO PROPERLY IMPLEMENT ITS NEW ACCOUNT PROCEDURES, FAILING TO DETECT AND ADEQUATELY INVESTIGATE NEGATIVE INFORMATION ABOUT CERTAIN INDIVIDUALS GIVEN AUTHORITY OVER ACCOUNTS. FURTHERMORE, FINRA FOUND THAT THE FIRM FAILED TO ADEQUATELY DOCUMENT PAYMENTS MADE TO ITS PARENT COMPANY AND THE REASONS OR BASIS FOR THOSE PAYMENTS. THE FIRM ALSO FAILED TO RECORD CUSTOMER PASS-THROUGH FEES IN CUSTOMER ACCOUNTS IN A TIMELY FASHION. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO NET ALL POSITIONS FOR ACCOUNTS THAT WERE RELATED OR UNDER COMMON CONTROL IN ORDER TO DETERMINE WHETHER SALES WERE LONG OR SHORT AND SUBJECT TO THE SHORT SALE RULE REQUIREMENTS, AS REQUIRED BY REGULATION SHO.

Reporting Source:

Firm

Current Status:

Final

Allegations:

THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT THE FIRM FAILED TO IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER. THE



COMPLAINT ALLEGES THAT THE FIRM IDENTIFIED APPROXIMATELY 30 SITUATIONS IN WHICH TRADERS GIVEN DIRECT MARKET ACCESS BY THE FIRM PARTICIPATED IN ACTIVITY IT DEEMED SUFFICIENTLY SUSPICIOUS SO AS TO CAUSE IT TO RESTRICT OR PROHIBIT THE TRADER'S TRADING ACTIVITY, INCLUDING POTENTIAL PREARRANGED TRADING AND TRANSACTIONS WITHOUT AN APPARENT ECONOMIC PURPOSE. THE FIRM, HOWEVER, FAILED TO TAKE ADDITIONAL STEPS TO ASSESS WHETHER THIS ACTIVITY WARRANTED THE FILING OF A SUSPICIOUS ACTIVITY REPORT. THE COMPLAINT ALSO ALLEGES THE FIRM FAILED TO ESTABLISH AND IMPLEMENT AN APPROPRIATE DUE DILIGENCE PROGRAM FOR FFIS AND HAD NO WRITTEN PROCEDURES RELATING TO ANY DUE DILIGENCE FOR CORRESPONDENT ACCOUNTS OF FFIS. THE FIRM FAILED TO IDENTIFY A CUSTOMER BASED IN BULGARIA AS AN FFI AND THEN FAILED TO PERFORM THE REQUIRED DUE DILIGENCE. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM CALCULATED ITS CUSTOMER RESERVE MID-MONTH UTILIZING PROJECTED PASS-THROUGH FEES CHARGEABLE TO CLIENTS INSTEAD OF ACTUAL AMOUNTS NOT KNOWN UNTIL MONTH-END. THAT PRACTICE RESULTED IN A RECURRING DEFICIENCY IN THE CUSTOMER RESERVE FORMULA IN WILLFUL VIOLATION OF RULE 15C3-3 OF THE EXCHANGE ACT. IN ADDITION, THE COMPLAINT ALLEGES THAT THE FIRM WILLFULLY VIOLATED RULES 15C3-1, 15C3-3 AND 15C3-3(D)(4) OF THE EXCHANGE ACT BY FAILING TO MAINTAIN SUFFICIENT NET CAPITAL AND CUSTOMER RESERVES AS A RESULT OF FLAWED OR ERRONEOUS COMPUTATIONS AND CHARACTERIZATIONS OF FUNDS HELD DURING THE RELEVANT PERIOD. THESE RESULTED FROM THE MOVEMENT OF FUNDS BETWEEN ACCOUNTS THE FIRM HAD WITH THE U.S. BROKER-DEALER AFFILIATE OF A CANADIAN ENTITY AND A RELATED CANADIAN BANK, WHERE FUNDS WERE HELD, HOW THEY WERE USED AND HOW THEY WERE REFLECTED IN NET CAPITAL AND RESERVE COMPUTATIONS. MOREOVER, THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS POSITION DATA PROCESSING AND CUSTOMER RESERVE CALCULATIONS, RESULTING IN INACCURATE SEGREGATION INSTRUCTIONS BEING PROVIDED TO THE U.S. BROKER-DEALER AFFILIATE OF A CHINESE ENTITY. AS A RESULT, THE AFFILIATE DELIVERED OUT CUSTOMER SECURITIES THAT SHOULD HAVE BEEN LOCKED UP AND FAILED TO PROPERLY SEGREGATE SHARES. IN ADDITION, THE FIRM'S CALCULATIONS FOR THE SUFFICIENCY OF POSITIONS HELD AT THE AFFILIATE WERE INACCURATE, ITS EXCESS MARGIN CALCULATION PROCESS PRODUCED INACCURATE SEGREGATION REQUIREMENTS, AND THE FIRM PROVIDED INCORRECT TRADE INFORMATION TO THE AFFILIATE FOR TRANSACTIONS TO BE CLEARED BY THE AFFILIATE. FURTHERMORE, THE FIRM'S WSPS FOR MONITORING CUSTOMER MARGIN WERE INADEQUATE IN 2013. THE COMPLAINT ALLEGES THAT THE FIRM FAILED TO PROPERLY IMPLEMENT ITS PROCEDURES REGARDING THIRD PARTY WIRES. AS A RESULT, FUNDS WERE WIRED TO THIRD PARTIES WITHOUT THE FIRM HAVING PROPER



DOCUMENTATION OR DOING ADEQUATE REVIEW TO SUPPORT THE TRANSFER OF FUNDS. THE FIRM ALSO FAILED TO PROPERLY IMPLEMENT ITS NEW ACCOUNT PROCEDURES, FAILING TO DETECT AND ADEQUATELY INVESTIGATE NEGATIVE INFORMATION ABOUT CERTAIN INDIVIDUALS GIVEN AUTHORITY OVER ACCOUNTS. THE FIRM FAILED TO ADEQUATELY DOCUMENT PAYMENTS MADE TO ITS PARENT COMPANY AND THE REASONS OR BASIS FOR THOSE PAYMENTS. ADDITIONALLY, THE FIRM FAILED TO RECORD CUSTOMER PASS-THROUGH FEES IN CUSTOMER ACCOUNTS IN A TIMELY FASHION IN WILLFUL VIOLATION OF RULES 17A-3 AND 17A-4 OF THE EXCHANGE ACT. FURTHER, THE FIRM WILLFULLY VIOLATED RULE 200 OF REGULATION SHO BY FAILING TO NET ALL POSITIONS FOR ACCOUNTS THAT WERE RELATED OR UNDER COMMON CONTROL IN ORDER TO DETERMINE WHETHER SALES WERE LONG OR SHORT AND SUBJECT TO THE SHORT SALE RULE REQUIREMENTS, AS REQUIRED BY REGULATION SHO.

Initiated By: FINRA

Date Initiated: 03/20/2017

Docket/Case Number: [2013037709301](#)

Principal Product Type: Other

Other Product Type(s): NO PRODUCT

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 07/24/2017

Sanctions Ordered: Censure
Monetary/Fine \$250,000.00

Other Sanctions Ordered:

Sanction Details: FIRM WAS CENSURED AND FINED \$250,000.

Firm Statement FIRM FAILED TO IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BSA. THE FIRM IDENTIFIED APPROXIMATELY 30 SITUATIONS IN WHICH TRADERS GIVEN DIRECT MARKET ACCESS BY THE FIRM PARTICIPATED IN ACTIVITY IT DEEMED SUFFICIENTLY SUSPICIOUS SO AS TO CAUSE IT TO RESTRICT OR PROHIBIT THE TRADER'S TRADING ACTIVITY, INCLUDING POTENTIAL



PREARRANGED TRADING AND TRANSACTIONS WITHOUT AN APPARENT ECONOMIC PURPOSE. THE FIRM FAILED TO TAKE ADDITIONAL STEPS TO ASSESS WHETHER THIS ACTIVITY WARRANTED THE FILING OF A SUSPICIOUS ACTIVITY REPORT. FIRM FAILED TO ESTABLISH AND IMPLEMENT AN APPROPRIATE DUE DILIGENCE PROGRAM FOR FFIS AND HAD NO WRITTEN PROCEDURES RELATING TO ANY DUE DILIGENCE FOR CORRESPONDENT ACCOUNTS OF FFIS. THE FIRM CALCULATED ITS CUSTOMER RESERVE MID-MONTH UTILIZING PROJECTED PASS-THROUGH FEES CHARGEABLE TO CLIENTS INSTEAD OF ACTUAL AMOUNTS NOT KNOWN UNTIL MONTH-END. THAT PRACTICE RESULTED IN A RECURRING DEFICIENCY IN THE CUSTOMER RESERVE FORMULA IN WILLFUL VIOLATION OF RULE 15C3-3 OF THE EXCHANGE ACT. THE FIRM WILLFULLY VIOLATED RULES 15C3-1, 15C3-3 AND 15C3-(D)(4) THE FIRM CALCULATED ITS CUSTOMER RESERVE MID-MONTH UTILIZING PROJECTED PASS-THROUGH FEES CHARGEABLE TO CLIENTS INSTEAD OF ACTUAL AMOUNTS NOT KNOWN UNTIL MONTH-END. THAT PRACTICE RESULTED IN A RECURRING DEFICIENCY IN THE CUSTOMER RESERVE FORMULA IN WILLFUL VIOLATION OF RULE 15C3-3 OF THE EXCHANGE ACT. THE FIRM WILLFULLY VIOLATED RULES 15C3-1, 15C3-3 AND 15C3-3(D)(4) OF THE EXCHANGE ACT BY FAILING TO MAINTAIN SUFFICIENT NET CAPITAL AND CUSTOMER RESERVES AS A RESULT OF FLAWED OR ERRONEOUS COMPUTATIONS AND CHARACTERIZATIONS OF FUNDS HELD DURING THE RELEVANT PERIOD. THESE RESULTED FROM THE MOVEMENT OF FUNDS BETWEEN ACCOUNTS THE FIRM HAD WITH THE U.S. BROKER-DEALER AFFILIATE OF A CANADIAN ENTITY AND A RELATED CANADIAN BANK, WHERE FUNDS WERE HELD, HOW THEY WERE USED AND HOW THEY WERE REFLECTED IN NET CAPITAL AND RESERVE COMPUTATIONS. THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS POSITION DATA PROCESSING AND CUSTOMER RESERVE CALCULATIONS, RESULTING IN INACCURATE SEGREGATION INSTRUCTIONS BEING PROVIDED TO THE U.S. BROKER-DEALER AFFILIATE OF A CHINESE ENTITY. AS A RESULT, THE AFFILIATE DELIVERED OUT CUSTOMER SECURITIES THAT SHOULD HAVE BEEN LOCKED UP AND FAILED TO PROPERLY SEGREGATE SHARES. THE FIRM'S CALCULATIONS FOR THE SUFFICIENCY OF POSITIONS HELD AT THE AFFILIATE WERE INACCURATE, ITS EXCESS MARGIN CALCULATION PROCESS PRODUCED INACCURATE SEGREGATION REQUIREMENTS, AND THE FIRM PROVIDED INCORRECT TRADE INFORMATION TO THE AFFILIATE FOR TRANSACTIONS TO BE CLEARED BY THE AFFILIATE. THE FIRM'S WSPS FOR MONITORING CUSTOMER MARGIN WERE INADEQUATE IN 2013. THE FIRM FAILED TO PROPERLY IMPLEMENT ITS PROCEDURES REGARDING THIRD PARTY WIRES. AS A RESULT, FUNDS WERE WIRED TO THIRD PARTIES WITHOUT THE FIRM HAVING PROPER DOCUMENTATION OR DOING ADEQUATE REVIEW TO SUPPORT THE TRANSFER OF FUNDS. THE FIRM ALSO FAILED TO PROPERLY IMPLEMENT ITS NEW ACCOUNT PROCEDURES, FAILING TO DETECT AND ADEQUATELY INVESTIGATE



NEGATIVE INFORMATION ABOUT CERTAIN INDIVIDUALS GIVEN AUTHORITY OVER ACCOUNTS. THE FIRM FAILED TO ADEQUATELY DOCUMENT PAYMENTS MADE TO ITS PARENT COMPANY AND THE REASONS OR BASIS FOR THOSE PAYMENTS. ADDITIONALLY, THE FIRM FAILED TO RECORD CUSTOMER PASS-THROUGH FEES IN CUSTOMER ACCOUNTS IN A TIMELY FASHION IN WILLFUL VIOLATION OF RULES 17A-3 AND 17A-4 OF THE EXCHANGE ACT. FURTHER, THE FIRM WILLFULLY VIOLATED RULE 200 OF REGULATION SHO BY FAILING TO NET ALL POSITIONS FOR ACCOUNTS THAT WERE RELATED OR UNDER COMMON CONTROL IN ORDER TO DETERMINE WHETHER SALES WERE LONG OR SHORT AND SUBJECT TO THE SHORT SALE RULE REQUIREMENTS, AS REQUIRED BY REGULATION SHO.

Disclosure 12 of 28

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. THE FINDINGS STATED THAT THE FIRM TRANSMITTED TO OATS COMBINED ORDER/ROUTE REPORTS (OR) THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO TIMELY REPORT ROES TO OATS. THE FINDINGS ALSO INCLUDED 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'S SUPERVISORY SYSTEM FAILED TO CONDUCT A COMPREHENSIVE REVIEW OF THE FIRM'S OATS DATA SUBMISSIONS ON THE OATS WEBSITE AND COMPARE THE ACCEPTED OATS DATA TO THE FIRM'S BOOKS AND RECORDS TO ENSURE ALL ROES WERE SUBMITTED. IN ADDITION, THE FIRM FAILED TO ENFORCE ITS WSPS, WHICH SPECIFIED THAT ANY EXCEPTIONS IDENTIFIED BY THE FIRM'S OATS REVIEWS WOULD BE BROUGHT TO THE ATTENTION OF THE CHIEF COMPLIANCE OFFICER (CCO) FOR APPROPRIATE ACTION. ALTHOUGH THE FIRM IDENTIFIED SOME EXCEPTIONS THROUGH ITS OATS REVIEWS, IT FAILED TO TAKE APPROPRIATE ACTION TO RESOLVE THE EXCEPTIONS IN A TIMELY MANNER. FINRA FOUND THAT THE FIRM SUBMITTED TO FINRA ITS SHORT INTEREST POSITION REPORTS, WHICH INCLUDED 946 SHORT INTEREST POSITIONS TOTALING 4,322,237 SHARES, WHEN THE FIRM SHOULD HAVE REPORTED 68 SHORT INTEREST



POSITIONS TOTALING 465,651 SHARES.

Initiated By: FINRA

Date Initiated: 05/13/2016

Docket/Case Number: [2013036531901](#)

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: 05/13/2016

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 \$75,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$75,000. FINES PAID IN FULL ON JUNE 3, 2019.

Reporting Source: Firm

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. THE FINDINGS STATED THAT THE FIRM TRANSMITTED TO OATS COMBINED ORDER/ROUTE REPORTS (OR) THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO TIMELY REPORT ROES TO OATS. THE FINDINGS ALSO INCLUDED 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'S SUPERVISORY SYSTEM FAILED TO CONDUCT A COMPREHENSIVE REVIEW OF THE FIRM'S OATS DATA SUBMISSIONS ON THE OATS WEBSITE AND COMPARE THE ACCEPTED OATS DATA TO THE FIRM'S BOOKS AND RECORDS TO ENSURE ALL ROES WERE SUBMITTED. IN ADDITION, THE FIRM FAILED TO ENFORCE ITS WSPS, WHICH SPECIFIED THAT ANY EXCEPTIONS IDENTIFIED BY THE FIRM'S OATS REVIEWS WOULD BE BROUGHT TO THE ATTENTION OF THE CHIEF COMPLIANCE OFFICER (CCO) FOR APPROPRIATE ACTION. ALTHOUGH THE FIRM IDENTIFIED SOME EXCEPTIONS THROUGH ITS OATS REVIEWS, IT FAILED TO TAKE APPROPRIATE ACTION TO RESOLVE THE EXCEPTIONS IN A TIMELY MANNER. FINRA FOUND THAT THE FIRM SUBMITTED TO FINRA ITS SHORT INTEREST POSITION REPORTS, WHICH INCLUDED 946 SHORT INTEREST POSITIONS TOTALING 4,322,237 SHARES, WHEN THE FIRM SHOULD HAVE REPORTED 68 SHORT INTEREST POSITIONS TOTALING 465,651 SHARES.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 05/13/2016

Docket/Case Number: [2013036531901](#)

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: 05/13/2016

Sanctions Ordered: Censure
Monetary/Fine \$75,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$75,000.

Disclosure 13 of 28

Reporting Source: Regulator

Current Status: Final

**Allegations:**

ELECTRONIC TRANSACTION CLEARING, INC. ("ETC"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$150,000 FOR (I) FAILING TO APPLY ITS HOUSE PORTFOLIO MARGIN REQUIREMENT ON TWO CUSTOMER ACCOUNTS, FOR EACH OF WHICH ETC HELD SECURITIES POSITIONS IN AN OMNIBUS ACCOUNT AT ANOTHER BROKER DEALER. IN ADDITION, ETC EXCEEDED ITS "10X" INTRA-DAY BUYING POWER LIMITATION IN ONE OF THESE TWO CUSTOMER PORTFOLIO MARGIN ACCOUNTS WITHOUT IMPLEMENTING A MEANS OF QUANTIFYING AND DOCUMENTING THE HEDGE PROPERTIES OF THE PORTFOLIO TO EVIDENCE ITS HEDGING STRATEGY. FINALLY, ETC FAILED TO UPDATE ITS WSPS MANUAL TO REFLECT ETC'S CURRENT PORTFOLIO MARGIN PROCEDURES; (II) FAILING TO MAKE, MAINTAIN, AND PRESERVE APPROPRIATE RECORDS FOR 26 OUT OF 27 MARGIN CALLS ON ETC'S MARGIN CALL LOG; (III) UNDERSTATING EXCESS CREDITS OVER DEBITS FOR 13 OF 14 CUSTOMER RESERVE COMPUTATIONS, RESULTING IN DEFICIENCIES IN THE CORRESPONDING CUSTOMER RESERVE BANK ACCOUNTS; (IV) OVERSTATING ITS EXCESS NET CAPITAL BY \$17,803,890 AND, AS A RESULT, OPERATED WHILE BELOW ITS MINIMUM NET CAPITAL REQUIREMENT; (V) FAILING TO PROPERLY COMPUTE PORTFOLIO MARGIN REQUIREMENTS FOR 5 OUT OF 16 COMPUTATIONS REVIEWED, OR 31%. ETC COMPUTED A LOWER INITIAL MARGIN REQUIREMENT THAN WHAT WAS REQUIRED BY ETC'S PORTFOLIO MARGIN PROCEDURES; (VI) FAILING TO PROPERLY COMPUTE THE MARGIN REQUIREMENT FOR 1 OF 46 NON-PORTFOLIO MARGIN ACCOUNTS SAMPLED, OR 2%. ETC COMPUTED A LOWER MAINTENANCE MARGIN REQUIREMENT THAN WHAT WAS REQUIRED BY ITS WSPS; (VII) IMPROPERLY MARKING 210 OF 2,260 SAMPLED SELL ORDERS FROM NON BROKER-DEALER CUSTOMERS; (VIII) IMPROPERLY MARKING 809 OF 4,177 SAMPLED SELL ORDERS FROM NON BROKER-DEALER CUSTOMERS; (IX) FAILING TO ESTABLISH, MAINTAIN, AND ENFORCE PROCEDURES THAT WERE REASONABLY DESIGNED TO PREVENT THE IMPROPER USE OF THE "SHORT EXEMPT" ORDER MARKING WHILE ALLOWING THE USE OF THE SELL SHORT EXEMPT DESIGNATION BY NON BROKER-DEALER CUSTOMERS; (X) FAILING TO ADEQUATELY SUPERVISE TO ASSURE ETC'S COMPLIANCE WITH PORTFOLIO MARGIN AND MARGIN REQUIREMENTS; (XI) FAILING TO FOLLOW ITS WSPS WHEN ETC ALLOWED A CUSTOMER TO OPEN A CUSTOMER ACCOUNT BUT FAILED TO OBTAIN THE CUSTOMER'S CORPORATE DOCUMENTS, FAILED TO INQUIRE ABOUT THE SOURCE OF THE CUSTOMER'S ASSETS AND INCOME, AND FAILED TO OBTAIN INFORMATION REGARDING THE PRINCIPAL OWNER'S WEALTH, NET WORTH, AND SOURCES OF INCOME; (XII) FAILING TO ADEQUATELY SUPERVISE TO ASSURE THAT IT MAINTAINED SUFFICIENT NET CAPITAL BY PROPERLY CALCULATING ITS NET CAPITAL REQUIREMENT; (XIII) FAILING TO SUPERVISE TO ASSURE THAT ITS CUSTOMER RESERVE COMPUTATION WAS



ACCURATELY PREPARED. THE RESULT WAS THAT ETC'S CUSTOMER RESERVE ACCOUNT WAS DEFICIENT; AND (XIV) FAILING TO ADEQUATELY SUPERVISE TO ASSURE ETC'S COMPLIANCE WITH REGULATION SHO. SPECIFICALLY, ETC FAILED TO ADEQUATELY SUPERVISE ORDER MARKING BY ETC'S NON BROKER-DEALER CUSTOMERS AND FAILED TO MONITOR AND ENFORCE ANY POLICIES AND PROCEDURES DESIGNED TO PREVENT INCORRECT IDENTIFICATION OF ORDERS AS "SELL SHORT EXEMPT." (EXCHANGE RULES 4.1 - JUST AND EQUITABLE PRINCIPLES OF TRADE, 4.2 - ADHERENCE TO LAW, 12.1 - GENERAL RULE, 12.3 - MARGIN REQUIREMENTS, 12.4 - PORTFOLIO MARGIN, 12.12 - DAILY MARGIN RECORD, 13.1 - MINIMUM REQUIREMENTS, 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION, AND 15.8A - RISK ANALYSIS OF PORTFOLIO MARGIN ACCOUNTS; SECTION 15(C) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"), AND RULES 15C3-1 - NET CAPITAL REQUIREMENTS FOR BROKERS OR DEALERS AND 15C3-3 - CUSTOMER PROTECTION - RESERVES AND CUSTODY OF SECURITIES, THEREUNDER; SECTION 17(A) OF THE EXCHANGE ACT AND RULES 17A-3 - RECORDS TO BE MADE BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, 17A-4 - RECORDS TO BE PRESERVED BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, AND 17A-5 - REPORTS TO BE MADE BY CERTAIN BROKERS AND DEALERS, THEREUNDER; AND REGULATION SHO, PROMULGATED UNDER THE EXCHANGE ACT, AND RULES 200 AND 201)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 04/20/2016

Docket/Case Number: 16-0013/ 20150460041

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: 12/29/2016

Sanctions Ordered: Censure
Monetary/Fine \$150,000.00

Other Sanctions Ordered:

Sanction Details: A \$150,000 FINE AND A CENSURE.



Reporting Source: Firm

Current Status: Final

Allegations: EXCHANGE RULES 4.1 - JUST AND EQUITABLE PRINCIPLES OF TRADE, 4.2 - ADHERENCE TO LAW, 12.1 - GENERAL RULE, 12.3 - MARGIN REQUIREMENTS, 12.4 - PORTFOLIO MARGIN, 12.12 - DAILY MARGIN RECORD, 13.1 - MINIMUM REQUIREMENTS, 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION, AND 15.8A - RISK ANALYSIS OF PORTFOLIO MARGIN ACCOUNTS; SECTION 15(C) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"), AND RULES 15C3-1 - NET CAPITAL REQUIREMENTS FOR BROKERS OR DEALERS AND 15C3-3 - CUSTOMER PROTECTION - RESERVES AND CUSTODY OF SECURITIES, THEREUNDER; SECTION 17(A) OF THE EXCHANGE ACT AND RULES 17A-3 - RECORDS TO BE MADE BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, 17A-4 - RECORDS TO BE PRESERVED BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, AND 17A-5 - REPORTS TO BE MADE BY CERTAIN BROKERS AND DEALERS, THEREUNDER; AND REGULATION SHO, PROMULGATED UNDER THE EXCHANGE ACT, AND RULES 200 - DEFINITION OF "SHORT SALE" AND MARKING REQUIREMENTS AND 201 - CIRCUIT BREAKER,

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 04/20/2016

Docket/Case Number: 20150460041

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: Settled

Resolution Date: 12/29/2016

Sanctions Ordered: Censure
Monetary/Fine \$150,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS FINED AND CENSURED \$150,000.



Firm Statement

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS REGARDING EXCHANGE RULES 4.1 - JUST AND EQUITABLE PRINCIPLES OF TRADE, 4.2 - ADHERENCE TO LAW, 12.1 - GENERAL RULE, 12.3 - MARGIN REQUIREMENTS, 12.4 - PORTFOLIO MARGIN, 12.12 - DAILY MARGIN RECORD, 13.1 - MINIMUM REQUIREMENTS, 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION, AND 15.8A - RISK ANALYSIS OF PORTFOLIO MARGIN ACCOUNTS; SECTION 15(C) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"), AND RULES 15C3-1 - NET CAPITAL REQUIREMENTS FOR BROKERS OR DEALERS AND 15C3-3 - CUSTOMER PROTECTION - RESERVES AND CUSTODY OF SECURITIES, THEREUNDER; SECTION 17(A) OF THE EXCHANGE ACT AND RULES 17A-3 - RECORDS TO BE MADE BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, 17A-4 - RECORDS TO BE PRESERVED BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS, AND 17A-5 - REPORTS TO BE MADE BY CERTAIN BROKERS AND DEALERS, THEREUNDER; AND REGULATION SHO, PROMULGATED UNDER THE EXCHANGE ACT, AND RULES 200 - DEFINITION OF "SHORT SALE" AND MARKING REQUIREMENTS AND 201 - CIRCUIT BREAKER,

Disclosure 14 of 28

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 THIS MATTER INVOLVES SUPERVISORY VIOLATIONS COMMITTED BY THE FIRM DURING THE PERIOD OF NOVEMBER 1, 2009 THROUGH MARCH 31, 2015, IN CONNECTION WITH THE FIRM'S BUSINESS OF PROVIDING DIRECT MARKET ACCESS AND/OR SPONSORED MARKET ACCESS TO BOTH REGISTERED AND UNREGISTERED MARKET PARTICIPANTS TO MULTIPLE MARKET CENTERS, INCLUDING BATS EXCHANGE, INC. (BATS OR BZX), BATS Y-EXCHANGE, INC., EDGA EXCHANGE, INC., EDGX EXCHANGE, INC., NASDAQ STOCK MARKET LLC, NASDAQ OMX BX, INC., NASDAQ OMX PHLX LLC, NEW YORK STOCK EXCHANGE, LLC, NYSE ARCA EQUITIES, INC. AND NYSE MKT LLC (NYSE AMEX LLC PRIOR TO MAY 14, 2012) (COLLECTIVELY, THE EXCHANGES OR SROS). THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS WERE NOT REASONABLY DESIGNED TO SUPERVISE AND MANAGE THE RISKS OF ITS MARKET ACCESS BUSINESS INVOLVING THOUSANDS OF FOREIGN-BASED TRADERS, AND THEREFORE, COULD NOT REASONABLY MONITOR, DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY. THE FIRM FAILED TO DEDICATE SUFFICIENT COMPLIANCE RESOURCES AND STAFF



TO MEET ITS REGULATORY RESPONSIBILITIES AS ITS BUSINESS GREW, AND, IN SOME INSTANCES, TO CONDUCT ADEQUATE FOLLOW-UP AND REVIEW OF POTENTIALLY MANIPULATIVE ACTIVITY, SUCH AS WASH TRADES, PRE-ARRANGED TRADES, LAYERING, SPOOFING AND OTHER MOMENTUM IGNITION STRATEGIES, VIOLATIVE ODD-LOT TRADES, AND TRADES THAT IMPERMISSIBLY MARKED THE OPENING AND CLOSING OF TRADING. MOREOVER, CERTAIN OF THE SYSTEMS AND CONTROLS THE FIRM DID DESIGN AND IMPLEMENT WERE FLAWED AND NOT ADEQUATELY TAILORED TO ITS BUSINESS. BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO MONITOR AND INVESTIGATE RED FLAGS, DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES OF ITS MARKET ACCESS CUSTOMERS, AND ENSURE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND REGULATIONS, INCLUDING THE MARKET ACCESS RULE, AND BZX, FINRA AND SRO RULES, THE FIRM VIOLATED BZX RULES 3.1 AND 5.1. BY FAILING TO ESTABLISH, DOCUMENT AND MAINTAIN AN ADEQUATE SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL AND REGULATORY RISKS AND ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS IN CONNECTION WITH THE FIRM'S PROVISION OF MARKET ACCESS, THE FIRM VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 15C3-5 THEREUNDER, AND ALSO VIOLATED BZX RULE 3.1. BY FAILING TO DEDICATE SUFFICIENT RESOURCES TO ENSURE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS AND PROCEDURES, AND FAILING TO PREVENT ITS MARKET ACCESS CUSTOMERS AND THEIR TRADERS FROM EXECUTING THOUSANDS OF POTENTIALLY MANIPULATIVE TRADES ON THE EXCHANGES, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE IN THE CONDUCT OF ITS BUSINESS, IN VIOLATION OF BZX RULE 3.1.

Initiated By: BATS Z-EXCHANGE, INC.

Date Initiated: 01/26/2016

Docket/Case Number: 2010025475604

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: 02/24/2016

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 \$218,750.00

Other Sanctions Ordered: UNDERTAKING: CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING

Sanction Details: THE FIRM WAS CENSURED, FINED \$875,000, WHICH SHALL BE PAID COLLECTIVELY TO BATS, FINRA, NASDAQ, AND NYSE ARCA, OF WHICH \$218,750 SHALL BE PAID TO BATS. CONCURRENT WITH THIS OFFER, BY ENTERING INTO AN AWC AND AGREEING TO PAY FINRA A SEPARATE FINE OF \$125,000, THE FIRM IS ALSO RESOLVING RELATED AML VIOLATIONS IN FINRA MATTER NO. 20120352981, FOR A TOTAL FINE OF \$1,000,000 FOR FINRA MATTER NOS. 20100254756 AND 20120352981 AND UNDERTAKES TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THIS MATTER INVOLVES SUPERVISORY VIOLATIONS COMMITTED BY THE FIRM DURING THE PERIOD OF NOVEMBER 1, 2009 THROUGH MARCH 31, 2015, IN CONNECTION WITH THE FIRM'S BUSINESS OF PROVIDING DIRECT MARKET ACCESS AND/OR SPONSORED MARKET ACCESS TO BOTH REGISTERED AND UNREGISTERED MARKET PARTICIPANTS TO MULTIPLE MARKET CENTERS, INCLUDING BATS EXCHANGE, INC. (BATS OR BZX), BATS Y-EXCHANGE, INC., EDGA EXCHANGE, INC., EDGX EXCHANGE, INC., NASDAQ STOCK MARKET LLC, NASDAQ OMX BX, INC., NASDAQ OMX PHLX LLC, NEW YORK STOCK EXCHANGE, LLC, NYSE ARCA EQUITIES, INC. AND NYSE MKT LLC (NYSE AMEX LLC PRIOR TO MAY 14, 2012) (COLLECTIVELY, THE EXCHANGES OR SROS). THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS WERE NOT



REASONABLY DESIGNED TO SUPERVISE AND MANAGE THE RISKS OF ITS MARKET ACCESS BUSINESS INVOLVING THOUSANDS OF FOREIGN-BASED TRADERS, AND THEREFORE, COULD NOT REASONABLY MONITOR, DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY. THE FIRM FAILED TO DEDICATE SUFFICIENT COMPLIANCE RESOURCES AND STAFF TO MEET ITS REGULATORY RESPONSIBILITIES AS ITS BUSINESS GREW, AND, IN SOME INSTANCES, TO CONDUCT ADEQUATE FOLLOW-UP AND REVIEW OF POTENTIALLY MANIPULATIVE ACTIVITY, SUCH AS WASH TRADES, PRE-ARRANGED TRADES, LAYERING, SPOOFING AND OTHER MOMENTUM IGNITION STRATEGIES, VIOLATIVE ODD-LOT TRADES, AND TRADES THAT IMPERMISSIBLY MARKED THE OPENING AND CLOSING OF TRADING. MOREOVER, CERTAIN OF THE SYSTEMS AND CONTROLS THE FIRM DID DESIGN AND IMPLEMENT WERE FLAWED AND NOT ADEQUATELY TAILORED TO ITS BUSINESS. BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO MONITOR AND INVESTIGATE RED FLAGS, DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES OF ITS MARKET ACCESS CUSTOMERS, AND ENSURE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND REGULATIONS, INCLUDING THE MARKET ACCESS RULE, AND BZX, FINRA AND SRO RULES, THE FIRM VIOLATED BZX RULES 3.1 AND 5.1. BY FAILING TO ESTABLISH, DOCUMENT AND MAINTAIN AN ADEQUATE SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL AND REGULATORY RISKS AND ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS IN CONNECTION WITH THE FIRM'S PROVISION OF MARKET ACCESS, THE FIRM VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 15C3-5 THEREUNDER, AND ALSO VIOLATED BZX RULE 3.1. BY FAILING TO DEDICATE SUFFICIENT RESOURCES TO ENSURE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS AND PROCEDURES, AND FAILING TO PREVENT ITS MARKET ACCESS CUSTOMERS AND THEIR TRADERS FROM EXECUTING THOUSANDS OF POTENTIALLY MANIPULATIVE TRADES ON THE EXCHANGES, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE IN THE CONDUCT OF ITS BUSINESS, IN VIOLATION OF BZX RULE 3.1.

Initiated By: BATS Z-EXCHANGE, INC
Date Initiated: 01/26/2016
Docket/Case Number: 2010025475604
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:	02/24/2016
Sanctions Ordered:	Censure Monetary/Fine \$218,750.00
Other Sanctions Ordered:	UNDERTAKING: CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$875,000, WHICH SHALL BE PAID COLLECTIVELY TO BATS, FINRA, NASDAQ, AND NYSE ARCA, OF WHICH \$218,750 SHALL BE PAID TO BATS. CONCURRENT WITH THIS OFFER, BY ENTERING INTO AN AWC AND AGREEING TO PAY FINRA A SEPARATE FINE OF \$125,000, THE FIRM IS ALSO RESOLVING RELATED AML VIOLATIONS IN FINRA MATTER NO. 20120352981, FOR A TOTAL FINE OF \$1,000,000 FOR FINRA MATTER NOS. 20100254756 AND 20120352981 AND UNDERTAKES TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING.

Disclosure 15 of 28

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 ESTABLISH AND IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT, 31 U.S.C. § 5311, EL SEQ., AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER BY THE DEPARTMENT OF THE TREASURY. THE FINDINGS STATED THAT THE FIRM IDENTIFIED SITUATIONS IN WHICH TRADERS GIVEN DIRECT MARKET ACCESS BY THE FIRM PARTICIPATED IN ACTIVITY THAT CAUSED THE FIRM TO RESTRICT OR PROHIBIT THE TRADER'S TRADING ACTIVITY. HOWEVER, IN THOSE SITUATIONS WHERE IT RESTRICTED OR PROHIBITED THE TRADER'S TRADING ACTIVITY, THE FIRM DID NOT TAKE ANY FURTHER INVESTIGATIVE STEPS TO ASSESS WHETHER



A SUSPICIOUS ACTIVITY REPORT (SAR) WAS WARRANTED. A LARGE PERCENTAGE OF THE FIRM'S BUSINESS CONSISTED OF ACCOUNTS IN WHICH NUMEROUS TRADERS USED THIRD PARTY ORDER MANAGEMENT SYSTEM (OMS) SERVICE BUREAUS TO TRADE FOR A SINGLE ACCOUNT NUMBER. IN THOSE INSTANCES WHERE THE FIRM RESTRICTED OR PROHIBITED A TRADER'S TRADING ACTIVITY, OR ACTIVITY FOR MULTIPLE TRADERS FOR THE SAME CUSTOMER, THE FIRM DID NOT SUFFICIENTLY CONSIDER WHETHER THE CUSTOMER ASSOCIATED WITH THE TRADER(S) HAD ENGAGED IN SUSPICIOUS ACTIVITY. THE FIRM ALSO FAILED TO HAVE ADEQUATE WRITTEN AML PROCEDURES BECAUSE AFTER IT MADE CHANGES TO ITS AML SUPERVISORY SYSTEM, THE FIRM FAILED TO UPDATE THE WRITTEN PROCEDURES TO REFLECT THE THEN CURRENT POLICIES.

Initiated By: FINRA

Date Initiated: 02/24/2016

Docket/Case Number: [2012035298101](#)

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

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

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/24/2016

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 \$125,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$125,000.

Reporting Source: Firm



Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS AND REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT, 31 U.S.C. § 5311, EL SEQ., AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER BY THE DEPARTMENT OF THE TREASURY. THE FINDINGS STATED THAT THE FIRM IDENTIFIED SITUATIONS IN WHICH TRADERS GIVEN DIRECT MARKET ACCESS BY THE FIRM PARTICIPATED IN ACTIVITY THAT CAUSED THE FIRM TO RESTRICT OR PROHIBIT THE TRADER'S TRADING ACTIVITY. HOWEVER, IN THOSE SITUATIONS WHERE IT RESTRICTED OR PROHIBITED THE TRADER'S TRADING ACTIVITY, THE FIRM DID NOT TAKE ANY FURTHER INVESTIGATIVE STEPS TO ASSESS WHETHER A SUSPICIOUS ACTIVITY REPORT (SAR) WAS WARRANTED. A LARGE PERCENTAGE OF THE FIRM'S BUSINESS CONSISTED OF ACCOUNTS IN WHICH NUMEROUS TRADERS USED THIRD PARTY ORDER MANAGEMENT SYSTEM (OMS) SERVICE BUREAUS TO TRADE FOR A SINGLE ACCOUNT NUMBER. IN THOSE INSTANCES WHERE THE FIRM RESTRICTED OR PROHIBITED A TRADER'S TRADING ACTIVITY, OR ACTIVITY FOR MULTIPLE TRADERS FOR THE SAME CUSTOMER, THE FIRM DID NOT SUFFICIENTLY CONSIDER WHETHER THE CUSTOMER ASSOCIATED WITH THE TRADER(S) HAD ENGAGED IN SUSPICIOUS ACTIVITY. THE FIRM ALSO FAILED TO HAVE ADEQUATE WRITTEN AML PROCEDURES BECAUSE AFTER IT MADE CHANGES TO ITS AML SUPERVISORY SYSTEM, THE FIRM FAILED TO UPDATE THE WRITTEN PROCEDURES TO REFLECT THE THEN CURRENT POLICIES.</p>
Initiated By:	FINANCIAL INDUSTRY REGULATORY AUTHORITY
Date Initiated:	02/24/2016
Docket/Case Number:	2012035298101
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	02/24/2016



Sanctions Ordered: Censure
Monetary/Fine \$125,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$125,000.

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Reporting Source: Regulator

Current Status: Final

Allegations: THIS DISCIPLINARY PROCEEDING INVOLVES SUPERVISORY VIOLATIONS COMMITTED BY THE FIRM FROM NOVEMBER 1, 2009, THROUGH MARCH 31, 2015, IN CONNECTION WITH THE FIRM'S BUSINESS OF PROVIDING DIRECT MARKET ACCESS AND SPONSORED MARKET ACCESS TO REGISTERED AND UNREGISTERED MARKET PARTICIPANTS (MARKET ACCESS CUSTOMERS) TO MULTIPLE MARKET CENTERS, INCLUDING NYSE ARCA, BATS EXCHANGE, INC., BATS Y-EXCHANGE, INC., EDGA EXCHANGE, INC., EDGX EXCHANGE, INC., THE NASDAQ STOCK MARKET, LLC, NASDAQ OMX BX, INC., NASDAQ OMX PHLX, LLC, NEW YORK STOCK EXCHANGE, LLC AND NYSE MKT LLC (NYSE AMEX LLC PRIOR TO MAY 14, 2012) (COLLECTIVELY, EXCHANGES OR SROS). THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS WERE NOT REASONABLY DESIGNED TO SUPERVISE AND MANAGE THE RISKS OF ITS MARKET ACCESS BUSINESS INVOLVING THOUSANDS OF FOREIGN-BASED TRADERS, AND THEREFORE, COULD NOT REASONABLY MONITOR, DETECT, AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY. DESPITE NUMEROUS RED FLAGS, HEIGHTENED RISKS, AND REPEATED NOTICE BY REGULATORS OF POTENTIALLY MANIPULATIVE ACTIVITY BEING EFFECTED BY CERTAIN MARKET ACCESS CUSTOMERS, THE FIRM'S APPROACH TO ITS REGULATORY RESPONSIBILITIES WAS INADEQUATE. THE FIRM ALSO FAILED TO DEDICATE SUFFICIENT COMPLIANCE RESOURCES AND STAFF TO MEET ITS REGULATORY RESPONSIBILITIES AS ITS BUSINESS GREW, AND, IN SOME INSTANCES, TO CONDUCT ADEQUATE FOLLOW-UP AND REVIEW OF POTENTIALLY MANIPULATIVE ACTIVITY, SUCH AS WASH TRADES, PRE-ARRANGED TRADES, LAYERING, SPOOFING AND OTHER MOMENTUM IGNITION STRATEGIES, VIOLATIVE ODD-LOT TRADES, AND TRADES THAT IMPERMISSIBLY MARKED THE OPENING AND CLOSING OF TRADING. MOREOVER, CERTAIN SYSTEMS AND CONTROLS THE FIRM DID DESIGN AND IMPLEMENT WERE FLAWED AND INADEQUATELY TAILORED TO ITS BUSINESS. BY FAILING TO ESTABLISH, MAINTAIN, AND ENFORCE AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO MONITOR AND INVESTIGATE RED FLAGS, DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES OF ITS MARKET ACCESS CUSTOMERS, AND ENSURE COMPLIANCE WITH



THE FEDERAL SECURITIES LAWS AND REGULATIONS, INCLUDING THE MARKET ACCESS RULE, AND NYSE ARCA RULES, FINRA RULES, AND SRO RULES, THE FIRM VIOLATED NYSE ARCA EQUITIES RULES 6.18, 6.1(B), AND 6.2(B) AND 2010. BY FAILING TO ESTABLISH, DOCUMENT, AND MAINTAIN AN ADEQUATE SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL AND REGULATORY RISKS AND ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS IN CONNECTION WITH THE FIRM'S PROVISION OF MARKET ACCESS, THE FIRM VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 15C3-5 THEREUNDER, AND ALSO VIOLATED NYSE ARCA EQUITIES RULES 6.1(B), 6.2(B), AND 2010. BY FAILING TO DEDICATE SUFFICIENT RESOURCES TO ENSURE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS AND PROCEDURES, AND FAILING TO PREVENT ITS MARKET ACCESS CUSTOMERS AND THEIR TRADERS FROM EXECUTING THOUSANDS OF POTENTIALLY MANIPULATIVE TRADES ON THE EXCHANGES, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE IN THE CONDUCT OF ITS BUSINESS, IN VIOLATION OF NYSE ARCA EQUITIES RULES 6.1(B), 6.2(B), AND 2010.

Initiated By: NYSE ARCA, INC.

Date Initiated: 02/18/2016

Docket/Case Number: 2010025475603

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

Resolution Date: 02/24/2016

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 \$218,750.00



Other Sanctions Ordered: UNDERTAKING: CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING

Sanction Details: THE FIRM WAS CENSURED, FINED \$875,000, OF WHICH \$218,750 SHALL BE PAID TO NYSE ARCA AND THE REMAINING AMOUNT SHALL BE PAID EQUALLY TO BATS EXCHANGE, INC., THE NASDAQ STOCK MARKET LLC, AND FINRA IN ACCORDANCE WITH THE TERMS OF PARALLEL SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND EACH OF THESE SELF-REGULATORY ORGANIZATIONS AND UNDERTAKES TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING. CONCURRENTLY, THE FIRM ENTERED INTO AN AWC TO RESOLVE FINRA MATTER NO. 20120352981 UNDER WHICH ETC AGREED TO PAY FINRA A SEPARATE FINE OF \$125,000 FOR RELATED AML VIOLATIONS, FOR A TOTAL FINE OF \$1 MILLION FOR FINRA MATTERS NOS. 20100254756 AND 20120352981.

Reporting Source: Firm

Current Status: Final

Allegations: THIS DISCIPLINARY PROCEEDING INVOLVES SUPERVISORY VIOLATIONS COMMITTED BY THE FIRM FROM NOVEMBER 1, 2009, THROUGH MARCH 31, 2015, IN CONNECTION WITH THE FIRM'S BUSINESS OF PROVIDING DIRECT MARKET ACCESS AND SPONSORED MARKET ACCESS TO REGISTERED AND UNREGISTERED MARKET PARTICIPANTS (MARKET ACCESS CUSTOMERS) TO MULTIPLE MARKET CENTERS, INCLUDING NYSE ARCA, BATS EXCHANGE, INC., BATS Y-EXCHANGE, INC., EDGA EXCHANGE, INC., EDGX EXCHANGE, INC., THE NASDAQ STOCK MARKET, LLC, NASDAQ OMX BX, INC., NASDAQ OMX PHLX, LLC, NEW YORK STOCK EXCHANGE, LLC AND NYSE MKT LLC (NYSE AMEX LLC PRIOR TO MAY 14, 2012) (COLLECTIVELY, EXCHANGES OR SROS). THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS WERE NOT REASONABLY DESIGNED TO SUPERVISE AND MANAGE THE RISKS OF ITS MARKET ACCESS BUSINESS INVOLVING THOUSANDS OF FOREIGN-BASED TRADERS, AND THEREFORE, COULD NOT REASONABLY MONITOR, DETECT, AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY. DESPITE NUMEROUS RED FLAGS, HEIGHTENED RISKS, AND REPEATED NOTICE BY REGULATORS OF POTENTIALLY MANIPULATIVE ACTIVITY BEING EFFECTED BY CERTAIN MARKET ACCESS CUSTOMERS, THE FIRM'S APPROACH TO ITS REGULATORY RESPONSIBILITIES WAS INADEQUATE. THE FIRM ALSO FAILED TO DEDICATE SUFFICIENT COMPLIANCE RESOURCES AND STAFF TO MEET ITS REGULATORY RESPONSIBILITIES AS ITS BUSINESS GREW, AND, IN SOME INSTANCES, TO CONDUCT ADEQUATE FOLLOW-UP AND



REVIEW OF POTENTIALLY MANIPULATIVE ACTIVITY, SUCH AS WASH TRADES, PRE-ARRANGED TRADES, LAYERING, SPOOFING AND OTHER MOMENTUM IGNITION STRATEGIES, VIOLATIVE ODD-LOT TRADES, AND TRADES THAT IMPERMISSIBLY MARKED THE OPENING AND CLOSING OF TRADING. MOREOVER, CERTAIN SYSTEMS AND CONTROLS THE FIRM DID DESIGN AND IMPLEMENT WERE FLAWED AND INADEQUATELY TAILORED TO ITS BUSINESS. BY FAILING TO ESTABLISH, MAINTAIN, AND ENFORCE AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO MONITOR AND INVESTIGATE RED FLAGS, DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES OF ITS MARKET ACCESS CUSTOMERS, AND ENSURE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND REGULATIONS, INCLUDING THE MARKET ACCESS RULE, AND NYSE ARCA RULES, FINRA RULES, AND SRO RULES, THE FIRM VIOLATED NYSE ARCA EQUITIES RULES 6.18, 6.1(B), AND 6.2(B) AND 2010. BY FAILING TO ESTABLISH, DOCUMENT, AND MAINTAIN AN ADEQUATE SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL AND REGULATORY RISKS AND ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS IN CONNECTION WITH THE FIRM'S PROVISION OF MARKET ACCESS, THE FIRM VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 15C3-5 THEREUNDER, AND ALSO VIOLATED NYSE ARCA EQUITIES RULES 6.1(B), 6.2(B), AND 2010. BY FAILING TO DEDICATE SUFFICIENT RESOURCES TO ENSURE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS AND PROCEDURES, AND FAILING TO PREVENT ITS MARKET ACCESS CUSTOMERS AND THEIR TRADERS FROM EXECUTING THOUSANDS OF POTENTIALLY MANIPULATIVE TRADES ON THE EXCHANGES, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE IN THE CONDUCT OF ITS BUSINESS, IN VIOLATION OF NYSE ARCA EQUITIES RULES 6.1(B), 6.2(B), AND 2010.

Initiated By: NYSE ARCA, INC
Date Initiated: 02/18/2016
Docket/Case Number: 2010025475603
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



Resolution Date:	02/24/2016
Sanctions Ordered:	Censure Monetary/Fine \$218,750.00
Other Sanctions Ordered:	UNDERTAKING: CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$875,000, OF WHICH \$218,750 SHALL BE PAID TO NYSE ARCA AND THE REMAINING AMOUNT SHALL BE PAID EQUALLY TO BATS EXCHANGE, INC., THE NASDAQ STOCK MARKET LLC, AND FINRA IN ACCORDANCE WITH THE TERMS OF PARALLEL SETTLEMENT AGREEMENTS IN RELATED MATTERS BETWEEN THE FIRM AND EACH OF THESE SELF-REGULATORY ORGANIZATIONS AND UNDERTAKES TO CONDUCT A COMPREHENSIVE REVIEW OF THE ADEQUACY OF THE FIRM'S POLICIES, SYSTEMS AND PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING. CONCURRENTLY, THE FIRM ENTERED INTO AN AWC TO RESOLVE FINRA MATTER NO. 20120352981 UNDER WHICH ETC AGREED TO PAY FINRA A SEPARATE FINE OF \$125,000 FOR RELATED AML VIOLATIONS, FOR A TOTAL FINE OF \$1 MILLION FOR FINRA MATTERS NOS. 20100254756 AND 20120352981.

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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 OVER AN APPROXIMATELY TWO-YEAR PERIOD, IT SUBMITTED INCORRECT BLUE SHEETS TO FINRA THAT MISREPORTED TRANSACTIONS AND SUBMITTED INCORRECT BLUE SHEETS TO THE SEC THAT MISREPORTED TRANSACTIONS. THE FINDINGS STATED THAT DUE TO A CODING ERROR WITH THE FIRM'S SYSTEM, WHEN COMPILING BLUE SHEETS, THE FIRM'S SYSTEM CORRECTLY IDENTIFIED RESPONSIVE TRADES BY INTRODUCING FIRMS, BUT FAILED TO IDENTIFY THE CORRECT ACCOUNT INFORMATION (ACCOUNT NUMBER AND NAME) FOR THE TRADES. INSTEAD, THE FIRM'S SYSTEM RANDOMLY SELECTED ACCOUNT INFORMATION FROM AMONG THE INTRODUCING FIRM'S ACCOUNTS. BLUE SHEETS PROVIDE REGULATORS WITH CRITICAL INFORMATION ABOUT SUSPICIOUS TRANSACTIONS, INCLUDING THE NAME OF THE ACCOUNT OWNER, THE NATURE OF THE TRANSACTION (WHETHER IT WAS A BUY, SALE, OR SHORT SALE), AND THE PRICE AT WHICH THE TRANSACTION OCCURRED. THIS INFORMATION IS ESSENTIAL TO REGULATORS' ABILITY TO DISCHARGE THEIR ENFORCEMENT AND REGULATORY MANDATES. THE FINDINGS ALSO



STATED THAT THE FIRM HAD NO PROCEDURES FOR VALIDATING BLUE SHEETS FOR ACCURACY OR COMPLETENESS BEFORE SUBMITTING THEM TO REGULATORS.

Initiated By: FINRA

Date Initiated: 12/23/2015

Docket/Case Number: [2014039947501](#)

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: 12/23/2015

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 \$75,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$75,000, AND AGREED TO CONDUCT A REVIEW OF ITS POLICIES, SYSTEMS, AND PROCEDURES (WRITTEN OR OTHERWISE) RELATING TO ITS COMPILATION AND SUBMISSION OF BLUE SHEET DATA AND THE AUDIT DEFICIENCIES ADDRESSED IN THE AWC. FINE PAID IN FULL ON MARCH 7, 2016.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT OVER AN APPROXIMATELY TWO-YEAR PERIOD, IT SUBMITTED INCORRECT BLUE SHEETS TO FINRA THAT MISREPORTED TRANSACTIONS AND SUBMITTED INCORRECT BLUE SHEETS TO THE SEC THAT MISREPORTED



TRANSACTIONS. THE FINDINGS STATED THAT DUE TO A CODING ERROR WITH THE FIRM'S SYSTEM, WHEN COMPILING BLUE SHEETS, THE FIRM'S SYSTEM CORRECTLY IDENTIFIED RESPONSIVE TRADES BY INTRODUCING FIRMS, BUT FAILED TO IDENTIFY THE CORRECT ACCOUNT INFORMATION (ACCOUNT NUMBER AND NAME) FOR THE TRADES. INSTEAD, THE FIRM'S SYSTEM RANDOMLY SELECTED ACCOUNT INFORMATION FROM AMONG THE INTRODUCING FIRM'S ACCOUNTS. BLUE SHEETS PROVIDE REGULATORS WITH CRITICAL INFORMATION ABOUT SUSPICIOUS TRANSACTIONS, INCLUDING THE NAME OF THE ACCOUNT OWNER, THE NATURE OF THE TRANSACTION (WHETHER IT WAS A BUY, SALE, OR SHORT SALE), AND THE PRICE AT WHICH THE TRANSACTION OCCURRED. THIS INFORMATION IS ESSENTIAL TO REGULATORS' ABILITY TO DISCHARGE THEIR ENFORCEMENT AND REGULATORY MANDATES. THE FINDINGS ALSO STATED THAT THE FIRM HAD NO PROCEDURES FOR VALIDATING BLUE SHEETS FOR ACCURACY OR COMPLETENESS BEFORE SUBMITTING THEM TO REGULATORS.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 12/23/2015

Docket/Case Number: [2014039947501](#)

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/23/2015

Sanctions Ordered: Censure
Monetary/Fine \$75,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED, FINED \$75,000, AND AGREED TO CONDUCT A REVIEW OF ITS POLICIES, SYSTEMS, AND PROCEDURES (WRITTEN OR OTHERWISE) RELATING TO ITS COMPILATION AND SUBMISSION OF BLUE SHEET DATA AND THE AUDIT DEFICIENCIES ADDRESSED IN THE AWC.

Disclosure 18 of 28

Reporting Source: Regulator



Current Status: Final

Allegations: ELECTRONIC TRANSACTION CLEARING, INC. ("ETC"), A FORMER CBOE STOCK EXCHANGE, LLC TPH ORGANIZATION, WAS CENSURED AND FINED \$25,000 FOR THE FOLLOWING. ETC: (I) MISMARKED 777,011 AGENCY ORDERS WITH A PRINCIPAL ORDER ORIGIN CODE OF "K"; (II) FAILED TO MAINTAIN ACCURATE BOOKS AND RECORDS; (III) FAILED TO IMPLEMENT ADEQUATE SUPERVISORY POLICIES AND PROCEDURES RELATED TO ORIGIN CODE MARKING TO ASSURE COMPLIANCE WITH EXCHANGE RULES AND THE RULE UNDER THE ACT; AND (IV) FAILED TO SUPERVISE TO ASSURE THE ACCURACY OF ITS ORDER ORIGIN CODE MARKING. (EXCHANGE RULES 4.2 - ADHERENCE TO LAW, 6.51 - REPORTING DUTIES, AND 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION, AND SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "ACT"), AND RULE 17A-3 - RECORDS TO BE MADE BY CERTAIN EXCHANGE MEMBERS, BROKERS, AND DEALERS)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 04/08/2015

Docket/Case Number: 15-0040 / 20150448985

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: 07/12/2016

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: A \$25,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: IT IS ALLEGED THAT ETC: (I)MISMARKED 777,011 AGENCY ORDERS WITH A



PRINCIPAL ORDER ORIGIN CODE OF "K"; (II) MISMARKED 777,011 AGENCY ORDERS WITH A PRINCIPAL ORDER ORIGIN CODE OF "K", AND AS A RESULT, ETC FAILED TO MAINTAIN ACCURATE BOOKS AND RECORDS; (III) FAILED TO IMPLEMENT ADEQUATE SUPERVISORY POLICIES AND PROCEDURES RELATED TO ORIGIN CODE MARKING TO ASSURE COMPLIANCE WITH EXCHANGE RULES AND THE RULE UNDER THE ACT; AND (IV) FAILED TO SUPERVISE TO ASSURE THE ACCURACY OF ITS ORDER ORIGIN CODE MARKING. (VIOLATIONS OF CBSX RULES 4.2, 6.51 AND 15.5, AND ACT RULE 17A-3)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 04/08/2015

Docket/Case Number: 15-0040/20150448985

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: Decision & Order of Offer of Settlement

Resolution Date: 07/12/2016

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: \$25,000 FINE AND CENSURE

Disclosure 19 of 28

Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES WERE INADEQUATE AND WERE NOT REASONABLY DESIGNED FOR ITS MARKET ACCESS BUSINESS, AS REQUIRED BY NASDAQ RULE 3010. SPECIFICALLY, THE RESPONDENT FAILED TO (I) ADEQUATELY MONITOR RED FLAGS AND THE TRADING OF THE FIRM'S MARKET ACCESS CUSTOMERS, PARTICULARLY THOSE THAT POSED HEIGHTENED RISK; (II) ADEQUATELY DETECT AND PREVENT SUSPICIOUS AND POTENTIALLY MANIPULATIVE



TRADES, INCLUDING PROMPT AND DECISIVE FOLLOW-UP AND REVIEW AND INVESTIGATION; (III) INVEST APPROPRIATE AND SUFFICIENT RESOURCES IN ITS SUPERVISORY TECHNOLOGY, COMPLIANCE INFRASTRUCTURE, AND COMPLIANCE STAFF; AND (IV) ENSURE THAT ALL TRADING ACTIVITIES ENTERED UNDER THE FIRM'S MNEMONICS OR MPIDS COMPLIED WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS AND THE RULES OF NASDAQ AND THE EXCHANGES. RESPONDENT ALSO SPECIFICALLY FAILED TO SUPERVISE TO ENSURE COMPLIANCE WITH THE SECURITIES EXCHANGE ACT OF 1934 (SEA) SECTION 15(C)(3) AND SEA RULE 15C3-5. IN ADDITION, RESPONDENT FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED FOR THE FIRM'S MARKET ACCESS BUSINESS AND TO SUPERVISE THE ACTIVITIES OF ITS MARKET ACCESS CUSTOMERS TO ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES. THE COMPLAINT ALLEGES THAT IN THE FIRM'S CAPACITY AS A PROVIDER OF "MARKET ACCESS," THE FIRM 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 PROVIDING MARKET ACCESS. THE FIRM ALSO FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL. BY FAILING 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 PROVIDING MARKET ACCESS, THE FIRM WILLFULLY VIOLATED SEA SECTION 15(C)(3) AND SEA RULE 15C3-5. THE COMPLAINT ALSO ALLEGES THAT THE SYSTEMIC DEFICIENCIES IN THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS ENABLED CERTAIN OF ITS MARKET ACCESS CUSTOMERS TO FLOOD THE MARKET WITH SUSPICIOUS AND POTENTIALLY MANIPULATIVE TRADES, AND THE TREMENDOUS VOLUME OF TRADING GENERATED BY THESE CUSTOMERS SUBSTANTIALLY CONTRIBUTED TO THE FIRM'S STATUS AS A SIGNIFICANT MARKET ACCESS PROVIDER. THE FIRM PROFITED SIGNIFICANTLY, EARNING MILLIONS OF DOLLARS FROM EXECUTING SECURITIES TRADES ON BEHALF OF ITS MARKET ACCESS CUSTOMERS. AS A RESULT OF THE FOREGOING, IN THE CONDUCT OF ITS BUSINESS, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.

Initiated By: NASDAQ STOCK MARKET
Date Initiated: 04/24/2015
Docket/Case Number: 2010025475602



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:	02/24/2016
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 \$218,750.00
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	<p>THE FIRM WAS CENSURED, FINED IN THE TOTAL AMOUNT OF \$875,000, TO BE PAID COLLECTIVELY TO NASDAQ, BATS EXCHANGE, INC., FINRA, AND NYSE ARCA, OF WHICH \$218,750 SHALL BE PAID TO NASDAQ. CONCURRENT WITH THIS ORDER, BY ENTERING INTO AN AWC AND AGREEING TO PAY FINRA A SEPARATE FINE OF \$125,000, THE FIRM IS ALSO RESOLVING RELATED AML VIOLATIONS IN FINRA MATTER NO. 20120352981, FOR A TOTAL FINE OF \$1,000,000 FOR FINRA MATTER NOS. 20100254756 AND 20120352981. THE FIRM SHALL ALSO COMPLY WITH THE UNDERTAKING IN ACCORDANCE WITH THE TERMS OF THE OFFER.</p>
Regulator Statement	<p>WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE SYSTEMIC DEFICIENCIES IN THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS ENABLED CERTAIN OF THE FIRM'S MARKET ACCESS CUSTOMERS TO EFFECT POTENTIALLY MANIPULATIVE TRADES, AND THE TREMENDOUS VOLUME OF TRADING GENERATED BY THESE CUSTOMERS SUBSTANTIALLY CONTRIBUTED TO THE FIRM'S STATUS AS A SIGNIFICANT MARKET ACCESS PROVIDER. THE FIRM PROFITED SIGNIFICANTLY, EARNING MILLIONS OF DOLLARS FROM EXECUTING SECURITIES TRADES ON BEHALF OF ITS MARKET ACCESS CUSTOMERS. THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES WERE INADEQUATE AND WERE NOT REASONABLY DESIGNED FOR ITS MARKET ACCESS BUSINESS. SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY MONITOR RED FLAGS AND THE TRADING OF ITS MARKET</p>



ACCESS CUSTOMERS, PARTICULARLY THOSE THAT POSED HEIGHTENED RISK; ADEQUATELY DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES, INCLUDING PROMPT AND DECISIVE FOLLOW-UP AND REVIEW AND INVESTIGATION; INVEST APPROPRIATE AND SUFFICIENT RESOURCES IN ITS SUPERVISORY TECHNOLOGY, COMPLIANCE INFRASTRUCTURE, AND COMPLIANCE STAFF; AND ENSURE THAT ALL TRADING ACTIVITIES ENTERED UNDER THE FIRM'S MNEMONICS OR MPIDS COMPLIED WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS AND THE RULES OF NASDAQ, FINRA AND THE EXCHANGES. THE FIRM ALSO FAILED TO SUPERVISE TO ENSURE COMPLIANCE WITH SEA SECTION 15(C)(3) AND SEA RULE 15C3-5. IN ADDITION, THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED FOR THE FIRM'S MARKET ACCESS BUSINESS AND TO SUPERVISE THE ACTIVITIES OF ITS MARKET ACCESS CUSTOMERS TO ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES, INCLUDING SEA RULE 15C3-5. BY FAILING TO ESTABLISH, IMPLEMENT AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WSPS, REASONABLY DESIGNED TO SUPERVISE ITS MARKET ACCESS BUSINESS AND ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES, THE FIRM VIOLATED NASDAQ RULES 3010, 2110 AND 2010A. IN ITS CAPACITY AS A PROVIDER OF "MARKET ACCESS," AS THE TERM IS DEFINED IN SEA RULE 15C3-5, THE FIRM 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 PROVIDING MARKET ACCESS. THE FIRM ALSO FAILED TO ENSURE THAT IT HAD IN PLACE FINANCIAL AND REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO: PREVENT THE ENTRY OF ORDERS THAT EXCEED APPROPRIATE PRE-SET CREDIT LIMITS OR CAPITAL THRESHOLDS IN THE AGGREGATE FOR EACH MARKET ACCESS CUSTOMER; PREVENT THE ENTRY OF ERRONEOUS ORDERS BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME; PREVENT THE ENTRY OF ORDERS UNLESS THERE WAS COMPLIANCE WITH ALL REGULATORY REQUIREMENTS, INCLUDING, SPECIFICALLY, MONITORING FOR POTENTIALLY MANIPULATIVE TRADING ACTIVITY IN ACCORDANCE WITH NASDAQ RULES 3010, 2110 AND 2010A; AND RESTRICT ACCESS TO ITS TRADING SYSTEMS AND TECHNOLOGY TO APPROVED AND AUTHORIZED PERSONS. THE FIRM ALSO FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL. BY FAILING 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 PROVIDING MARKET



ACCESS, THE FIRM VIOLATED SEA SECTION 15(C)(3) AND SEA RULE 15C3-5 AND ALSO VIOLATED NASDAQ RULES 2110 AND 2010A. THERE WERE NO WILLFUL FINDINGS.

Reporting Source: Firm

Current Status: Final

Allegations: ON APRIL 24, 2015, THE NASDAQ STOCK MARKET, LLC ("NASDAQ") FILED A COMPLAINT AGAINST ETC ALLEGING THREE CAUSES OF ACTION: (1) THAT ETC VIOLATED NASDAQ RULES 3010, 2110 AND 2010A BY FAILING TO ESTABLISH, IMPLEMENT AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO SUPERVISE ITS MARKET ACCESS BUSINESS AND ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS, REGULATIONS AND FINRA RULES; (2) THAT ETC WILLFULLY VIOLATED SECURITIES EXCHANGE ACT SECTION 15(C)(3) AND SECURITIES EXCHANGE ACT RULE 15C3-5 AND VIOLATED NASDAQ RULES 2110 AND 2010A BY FAILING 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 PROVIDING MARKET ACCESS; AND (3) THAT BASED ON THE ABOVE, ETC VIOLATED NASDAQ RULES 2110 AND 2010A BY FAILING TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE.

Initiated By: NASDAQ STOCK MARKET, LLC

Date Initiated: 04/24/2015

Docket/Case Number: 2010025475602

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: 02/24/2016

Sanctions Ordered: Censure
Monetary/Fine \$218,750.00

**Other Sanctions Ordered:**

UNDERTAKINGS

Sanction Details:

THE FIRM WAS CENSURED, FINED IN THE TOTAL AMOUNT OF \$875,000, TO BE PAID COLLECTIVELY TO NASDAQ, BATS EXCHANGE, INC., FINRA, AND NYSE ARCA, OF WHICH \$218,750 SHALL BE PAID TO NASDAQ. CONCURRENT WITH THIS ORDER, BY ENTERING INTO AN AWC AND AGREEING TO PAY FINRA A SEPARATE FINE OF \$125,000, THE FIRM IS ALSO RESOLVING RELATED AML VIOLATIONS IN FINRA MATTER NO. 20120352981, FOR A TOTAL FINE OF \$1,000,000 FOR FINRA MATTER NOS. 20100254756 AND 20120352981. THE FIRM SHALL ALSO COMPLY WITH THE UNDERTAKING IN ACCORDANCE WITH THE TERMS OF THE OFFER.

Firm Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE SYSTEMIC DEFICIENCIES IN THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS ENABLED CERTAIN OF THE FIRM'S MARKET ACCESS CUSTOMERS TO EFFECT POTENTIALLY MANIPULATIVE TRADES, AND THE TREMENDOUS VOLUME OF TRADING GENERATED BY THESE CUSTOMERS SUBSTANTIALLY CONTRIBUTED TO THE FIRM'S STATUS AS A SIGNIFICANT MARKET ACCESS PROVIDER. THE FIRM PROFITED SIGNIFICANTLY, EARNING MILLIONS OF DOLLARS FROM EXECUTING SECURITIES TRADES ON BEHALF OF ITS MARKET ACCESS CUSTOMERS. THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES WERE INADEQUATE AND WERE NOT REASONABLY DESIGNED FOR ITS MARKET ACCESS BUSINESS. SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY MONITOR RED FLAGS AND THE TRADING OF ITS MARKET ACCESS CUSTOMERS, PARTICULARLY THOSE THAT POSED HEIGHTENED RISK; ADEQUATELY DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES, INCLUDING PROMPT AND DECISIVE FOLLOW-UP AND REVIEW AND INVESTIGATION; INVEST APPROPRIATE AND SUFFICIENT RESOURCES IN ITS SUPERVISORY TECHNOLOGY, COMPLIANCE INFRASTRUCTURE, AND COMPLIANCE STAFF; AND ENSURE THAT ALL TRADING ACTIVITIES ENTERED UNDER THE FIRM'S MNEMONICS OR MPIDS COMPLIED WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS AND THE RULES OF NASDAQ, FINRA AND THE EXCHANGES. THE FIRM ALSO FAILED TO SUPERVISE TO ENSURE COMPLIANCE WITH SEA SECTION 15(C)(3) AND SEA RULE 15C3-5. IN ADDITION, THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED FOR THE FIRM'S MARKET ACCESS BUSINESS AND TO SUPERVISE THE ACTIVITIES OF ITS MARKET ACCESS CUSTOMERS TO ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES, INCLUDING SEA RULE 15C3-5. BY FAILING TO ESTABLISH, IMPLEMENT AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WSPS, REASONABLY DESIGNED TO SUPERVISE ITS MARKET ACCESS BUSINESS AND ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES, THE FIRM VIOLATED NASDAQ RULES



3010, 2110 AND 2010A IN ITS CAPACITY AS A PROVIDER OF "MARKET ACCESS," AS THE TERM IS DEFINED IN SEA RULE 15C3-5, THE FIRM 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 PROVIDING MARKET ACCESS. THE FIRM ALSO FAILED TO ENSURE THAT IT HAD IN PLACE FINANCIAL AND REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO: PREVENT THE ENTRY OF ORDERS THAT EXCEED APPROPRIATE PRE-SET CREDIT LIMITS OR CAPITAL THRESHOLDS IN THE AGGREGATE FOR EACH MARKET ACCESS CUSTOMER; PREVENT THE ENTRY OF ERRONEOUS ORDERS BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME; PREVENT THE ENTRY OF ORDERS UNLESS THERE WAS COMPLIANCE WITH ALL REGULATORY REQUIREMENTS, INCLUDING, SPECIFICALLY, MONITORING FOR POTENTIALLY MANIPULATIVE TRADING ACTIVITY IN ACCORDANCE WITH NASDAQ RULES 3010, 2110 AND 2010A; AND RESTRICT ACCESS TO ITS TRADING SYSTEMS AND TECHNOLOGY TO APPROVED AND AUTHORIZED PERSONS. THE FIRM ALSO FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL. BY FAILING 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 PROVIDING MARKET ACCESS, THE FIRM VIOLATED SEA SECTION 15(C)(3) AND SEA RULE 15C3-5 AND ALSO VIOLATED NASDAQ RULES 2110 AND 2010A. THERE WERE NO WILLFUL FINDINGS.

Disclosure 20 of 28

Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT, ITS FORMER CHIEF COMPLIANCE OFFICER (CCO) AND ITS PRESIDENT AND CCO, FAILED TO ADEQUATELY MONITOR RED FLAGS AND THE TRADING OF ITS MARKET ACCESS CUSTOMERS, PARTICULARLY THOSE THAT POSED HEIGHTENED RISK, ADEQUATELY DETECT AND PREVENT SUSPICIOUS AND POTENTIALLY MANIPULATIVE TRADES, INCLUDING PROMPT AND DECISIVE FOLLOW-UP AND REVIEW AND INVESTIGATION, INVEST APPROPRIATE AND SUFFICIENT RESOURCES IN ITS SUPERVISORY TECHNOLOGY, COMPLIANCE INFRASTRUCTURE, AND COMPLIANCE STAFF, AND ENSURE THAT ALL TRADING ACTIVITIES ENTERED UNDER THE FIRM'S MNEMONICS OR MARKET PARTICIPANT



IDENTIFIERS (MPIDS) COMPLIED WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS AND THE RULES OF FINRA AND THE EXCHANGES. THE FINDINGS STATED THAT THE FIRM AND THE TWO INDIVIDUALS SPECIFICALLY FAILED TO SUPERVISE TO ENSURE COMPLIANCE WITH SECTION 15(C)(3) AND RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934. THE FIRM AND THE TWO INDIVIDUALS ALSO FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED FOR THE FIRM'S MARKET ACCESS BUSINESS AND TO SUPERVISE THE ACTIVITIES OF ITS MARKET ACCESS CUSTOMERS TO ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES. THE SYSTEMIC DEFICIENCIES IN THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS ENABLED CERTAIN OF ITS MARKET ACCESS CUSTOMERS TO FLOOD THE MARKET WITH SUSPICIOUS AND POTENTIALLY MANIPULATIVE TRADES, AND THE TREMENDOUS VOLUME OF TRADING GENERATED BY THESE CUSTOMERS SUBSTANTIALLY CONTRIBUTED TO THE FIRM'S STATUS AS A SIGNIFICANT MARKET ACCESS PROVIDER. THE FIRM PROFITED SIGNIFICANTLY, EARNING MILLIONS OF DOLLARS FROM EXECUTING SECURITIES TRADES ON BEHALF OF ITS MARKET ACCESS CUSTOMERS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ENSURE THAT IT HAD IN PLACE FINANCIAL AND REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO PREVENT THE ENTRY OF ORDERS THAT EXCEED APPROPRIATE PRE-SET CREDIT LIMITS OR CAPITAL THRESHOLDS IN THE AGGREGATE FOR EACH MARKET ACCESS CUSTOMER, PREVENT THE ENTRY OF ERRONEOUS ORDERS BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME, PREVENT THE ENTRY OF ORDERS UNLESS THERE WAS COMPLIANCE WITH ALL REGULATORY REQUIREMENTS, INCLUDING, SPECIFICALLY, MONITORING FOR SUSPICIOUS AND POTENTIALLY MANIPULATIVE TRADING ACTIVITY AND RESTRICT ACCESS TO ITS TRADING SYSTEMS AND TECHNOLOGY TO APPROVED AND AUTHORIZED PERSONS. THE FIRM ALSO FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) AND RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934.

Initiated By: FINRA
Date Initiated: 03/30/2015
Docket/Case Number: [2010025475601](#)
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:	02/24/2016
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 \$218,750.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$875,000, TO BE PAID COLLECTIVELY TO FINRA, NASDAQ, BATS EXCHANGE, INC., AND NYSE ARCA, OF WHICH \$218,750 SHALL BE PAID TO FINRA. CONCURRENT WITH THIS ORDER, BY ENTERING INTO AN AWC AND AGREEING TO PAY FINRA A SEPARATE FINE OF \$125,000, THE FIRM IS ALSO RESOLVING RELATED AML VIOLATIONS IN FINRA MATTER NO. 20120352981, FOR A TOTAL FINE OF \$1,000,000 FOR FINRA MATTER NOS. 20100254756 AND 20120352981. THE FIRM SHALL ALSO COMPLY WITH THE UNDERTAKING IN ACCORDANCE WITH THE TERMS OF THE OFFER. FINES PAID IN FULL ON APRIL 1, 2019.
Regulator Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS WERE NOT REASONABLY DESIGNED TO SUPERVISE AND MANAGE THE RISKS OF ITS MARKET ACCESS BUSINESS INVOLVING THOUSANDS OF FOREIGN-BASED TRADERS, AND THEREFORE, COULD NOT REASONABLY MONITOR, DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY. THE FINDINGS STATED THAT THE FIRM PROFITED SIGNIFICANTLY, EARNING MILLIONS OF DOLLARS FROM EXECUTING SECURITIES TRADES ON BEHALF OF ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO ADEQUATELY MONITOR RED FLAGS AND THE TRADING OF ITS MARKET ACCESS CUSTOMERS, PARTICULARLY THOSE THAT POSED HEIGHTENED RISK;; ADEQUATELY DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES, INCLUDING PROMPT AND DECISIVE FOLLOW-UP AND REVIEW AND INVESTIGATION, INVEST APPROPRIATE AND SUFFICIENT RESOURCES IN ITS SUPERVISORY TECHNOLOGY,



COMPLIANCE INFRASTRUCTURE, AND COMPLIANCE STAFF, AND ENSURE THAT ALL TRADING ACTIVITIES ENTERED UNDER THE FIRM'S MNEMONICS OR MPIDS COMPLIED WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS AND THE RULES OF FINRA AND OTHER EXCHANGES. DESPITE NUMEROUS RED FLAGS, HEIGHTENED RISKS AND REPEATED NOTICE BY REGULATORS OF POTENTIALLY MANIPULATIVE ACTIVITY BEING EFFECTED BY CERTAIN MARKET ACCESS CUSTOMERS, THE FIRM'S APPROACH TO ITS REGULATORY RESPONSIBILITIES WAS INADEQUATE. THE FIRM ALSO FAILED TO DEDICATE SUFFICIENT COMPLIANCE RESOURCES AND STAFF TO MEET ITS REGULATORY RESPONSIBILITIES AS ITS BUSINESS GREW, AND, IN SOME INSTANCES, TO CONDUCT ADEQUATE FOLLOW-UP AND REVIEW OF POTENTIALLY MANIPULATIVE ACTIVITY, SUCH AS WASH TRADES, PRE-ARRANGED TRADES, LAYERING, SPOOFING AND OTHER MOMENTUM IGNITION STRATEGIES, VIOLATIVE ODD-LOT TRADES, AND TRADES THAT IMPERMISSIBLY MARKED THE OPENING AND CLOSING OF TRADING. MOREOVER, CERTAIN OF THE SYSTEMS AND CONTROLS THE FIRM DID DESIGN AND IMPLEMENT WERE FLAWED AND NOT ADEQUATELY TAILORED TO ITS BUSINESS. FURTHER, THE FIRM FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO MONITOR AND INVESTIGATE RED FLAGS, DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES OF ITS MARKET ACCESS CUSTOMERS, AND ENSURE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND REGULATIONS. THE FIRM ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN AN ADEQUATE SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL AND REGULATORY RISKS AND ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS IN CONNECTION WITH THE FIRM'S PROVISION OF MARKET ACCESS. THERE WERE NO WILLFUL FINDINGS.

Reporting Source:

Firm

Current Status:

Final

Allegations:

ON MARCH 30, 2015, FINRA'S DEPARTMENT OF MARKET REGULATION FILED A COMPLAINT AGAINST ETC ALLEGING THREE CAUSES OF ACTION: (1) THAT ETC VIOLATED NASD RULE 3010(A) AND (B) AND FINRA RULE 2010 BY FAILING TO ESTABLISH, IMPLEMENT AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO SUPERVISE ITS MARKET ACCESS BUSINESS AND ACHIEVE COMPLIANCE WITH THE



SECURITIES LAWS, REGULATIONS AND FINRA RULES; (2) THAT ETC WILLFULLY VIOLATED SECURITIES EXCHANGE ACT SECTION 15(C)(3) AND SECURITIES EXCHANGE ACT RULE 15C3-5 AND VIOLATED FINRA RULE 2010 BY FAILING 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 PROVIDING MARKET ACCESS; AND (3) THAT BASED ON THE ABOVE, ETC VIOLATED FINRA RULE 2010 BY FAILING TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE. ETC DENIES EACH ONE OF THESE ALLEGATIONS AND INTENDS TO CONTEST FINRA'S CHARGES.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 03/30/2015

Docket/Case Number: [2010025475601](#)

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: 02/24/2016

Sanctions Ordered: Censure
Monetary/Fine \$218,750.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$875,000, TO BE PAID COLLECTIVELY TO FINRA, NASDAQ, BATS EXCHANGE, INC., AND NYSE ARCA, OF WHICH \$218,750 SHALL BE PAID TO FINRA. CONCURRENT WITH THIS ORDER, BY ENTERING INTO AN AWC AND AGREEING TO PAY FINRA A SEPARATE FINE OF \$125,000, THE FIRM IS ALSO RESOLVING RELATED AML VIOLATIONS IN FINRA MATTER NO. 20120352981, FOR A TOTAL FINE OF \$1,000,000 FOR FINRA MATTER NOS. 20100254756 AND 20120352981. THE FIRM SHALL ALSO COMPLY WITH THE UNDERTAKING IN ACCORDANCE WITH THE TERMS OF THE OFFER.

Firm Statement WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES AND RISK MANAGEMENT CONTROLS WERE NOT REASONABLY DESIGNED TO



SUPERVISE AND MANAGE THE RISKS OF ITS MARKET ACCESS BUSINESS INVOLVING THOUSANDS OF FOREIGN-BASED TRADERS, AND THEREFORE, COULD NOT REASONABLY MONITOR, DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY. THE FINDINGS STATED THAT THE FIRM PROFITED SIGNIFICANTLY, EARNING MILLIONS OF DOLLARS FROM EXECUTING SECURITIES TRADES ON BEHALF OF ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO ADEQUATELY MONITOR RED FLAGS AND THE TRADING OF ITS MARKET ACCESS CUSTOMERS, PARTICULARLY THOSE THAT POSED HEIGHTENED RISK; ADEQUATELY DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES, INCLUDING PROMPT AND DECISIVE FOLLOW-UP AND REVIEW AND INVESTIGATION, INVEST APPROPRIATE AND SUFFICIENT RESOURCES IN ITS SUPERVISORY TECHNOLOGY, COMPLIANCE INFRASTRUCTURE, AND COMPLIANCE STAFF, AND ENSURE THAT ALL TRADING ACTIVITIES ENTERED UNDER THE FIRM'S MNEMONICS OR MPIDS COMPLIED WITH APPLICABLE FEDERAL SECURITIES LAWS AND REGULATIONS AND THE RULES OF FINRA AND OTHER EXCHANGES. DESPITE NUMEROUS RED FLAGS, HEIGHTENED RISKS AND REPEATED NOTICE BY REGULATORS OF POTENTIALLY MANIPULATIVE ACTIVITY BEING EFFECTED BY CERTAIN MARKET ACCESS CUSTOMERS, THE FIRM'S APPROACH TO ITS REGULATORY RESPONSIBILITIES WAS INADEQUATE. THE FIRM ALSO FAILED TO DEDICATE SUFFICIENT COMPLIANCE RESOURCES AND STAFF TO MEET ITS REGULATORY RESPONSIBILITIES AS ITS BUSINESS GREW, AND, IN SOME INSTANCES, TO CONDUCT ADEQUATE FOLLOW-UP AND REVIEW OF POTENTIALLY MANIPULATIVE ACTIVITY, SUCH AS WASH TRADES, PRE-ARRANGED TRADES, LAYERING, SPOOFING AND OTHER MOMENTUM IGNITION STRATEGIES, VIOLATIVE ODD-LOT TRADES, AND TRADES THAT IMPERMISSIBLY MARKED THE OPENING AND CLOSING OF TRADING. MOREOVER, CERTAIN OF THE SYSTEMS AND CONTROLS THE FIRM DID DESIGN AND IMPLEMENT WERE FLAWED AND NOT ADEQUATELY TAILORED TO ITS BUSINESS. FURTHER, THE FIRM FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE AN ADEQUATE SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO MONITOR AND INVESTIGATE RED FLAGS, DETECT AND PREVENT POTENTIALLY MANIPULATIVE TRADES OF ITS MARKET ACCESS CUSTOMERS, AND ENSURE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND REGULATIONS. THE FIRM ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN AN ADEQUATE SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL AND REGULATORY RISKS AND ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS IN CONNECTION WITH THE FIRM'S PROVISION OF MARKET ACCESS. THERE WERE NO WILLFUL FINDINGS.



Disclosure 21 of 28

Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>VIOLATION OF EXCHANGE RULE 8.2(C) IN THAT ETC FAILED TO FURNISH INFORMATION REQUESTED BY THE EXCHANGE IN CONNECTION WITH AN INVESTIGATION INTO IT'S ACTIVITY AS AN ETP HOLDER, WHICH DELAYED THE PROGRESS AN INVESTIGATION.</p> <p>VIOLATION OF EXCHANGE RULE 8.2(E) IN THAT IF FAILED TO FURNISH DOCUMENTARY OR OTHER INFORMATION REQUESTED BY THE EXCHANGE IN THE COURSE OF AN INVESTIGATION ON THE DATE OR WITHIN THE TIME PERIOD SPECIFIED BY THE EXCHANGE.</p>
Initiated By:	NATIONAL STOCK EXCHANGE
Date Initiated:	09/08/2014
Docket/Case Number:	N/A
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	MONETARY FINE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/06/2014
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 IN RELATION TO THE EXPEDITED PROCEEDING LETTER OF CONSENT FORM THE NSX; THEREFORE, THE FIRM IS CENSURED, FINED \$7,500.

Disclosure 22 of 28

Reporting Source:	Regulator
Current Status:	Final



Allegations: EDGX RULES 3.1, 5.1, 11.16(B): WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REASONABLY AVOID DISPLAYING AND ENGAGED IN A PATTERN OR PRACTICE OF DISPLAYING QUOTATIONS THAT LOCKED OR CROSSED A PROTECTED QUOTATION. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO EDGX RULE 11.16(B) AND THE PREVENTION OF DISPLAYING QUOTATIONS THAT LOCKED OR CROSSED A PROTECTED QUOTATION.

Initiated By: EDGX EXCHANGE, INC.

Date Initiated: 04/02/2014

Docket/Case Number: 2011028033001

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: 04/02/2014

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 \$12,500.00

Other Sanctions Ordered: UNDERTAKINGS: REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES

Sanction Details: SEE ABOVE

Reporting Source: Firm

Current Status: Final

Allegations: EDGX RULES 3.1, 5.1, 11.16(B): WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY



OF FINDINGS THAT IT FAILED TO REASONABLY AVOID DISPLAYING AND ENGAGED IN A PATTERN OR PRACTICE OF DISPLAYING QUOTATIONS THAT LOCKED OR CROSSED A PROTECTED QUOTATION. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO EDGX RULE 11.16(B) AND THE PREVENTION OF DISPLAYING QUOTATIONS THAT LOCKED OR CROSSED A PROTECTED QUOTATION.

Initiated By: EDGX EXCHANGE, INC.

Date Initiated: 04/02/2014

Docket/Case Number: 2011028033001

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: 04/02/2014

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

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

Sanction Details: SEE ABOVE DETAILS

Disclosure 23 of 28

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULE 17A-3, FINRA RULES 2010, 7450, NASD RULES 3010, 3110: THE FIRM TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. SPECIFICALLY, THE REPORTS CONTAINED INACCURATE HANDLING CODES AND AN INACCURATE TIMESTAMP. IN A NUMBER OF INSTANCES, THE FIRM INCORRECTLY MEMORIALIZED A LONG SALE AS A SHORT SALE; INCORRECTLY MEMORIALIZED A SHORT SALE AS A LONG SALE; FAILED TO MEMORIALIZE THE CLIENT ACCOUNT IDENTIFIER ON THE ORDER MEMORANDUM; FAILED TO MEMORIALIZE THE TIME IN FORCE CODE ON THE ORDER MEMORANDUM; FAILED TO MEMORIALIZE



THE CORRECT EXECUTION PRICE AND THE CLIENT ACCOUNT IDENTIFIER ON THE ORDER MEMORANDUM; AND FAILED TO MEMORIALIZE THE EXPIRATION TIME FOR AN ORDER WITH A GTT TIME IN FORCE. 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 OR SEC RULES. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR ADEQUATE WSPS CONCERNING OATS REPORTING AND BOOKS AND RECORDS.

Initiated By: FINRA

Date Initiated: 02/03/2014

Docket/Case Number: [2011026157603](#)

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: 02/03/2014

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 \$22,500.00

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 IT IS CENSURED, FINED \$22,500 AND REQUIRED TO REVISE THE FIRM'S WSPS WITH RESPECT TO OATS REPORTING AND BOOKS AND RECORDS. FINE PAID IN FULL 02/18/2014.

Reporting Source: Firm



Current Status: Final

Allegations: SEC RULE 17A-3, FINRA RULES 2010, 7450, NASD RULES 3010, 3110: THE FIRM TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. SPECIFICALLY, THE REPORTS CONTAINED INACCURATE HANDLING CODES AND AN INACCURATE TIMESTAMP. IN A NUMBER OF INSTANCES, THE FIRM INCORRECTLY MEMORIALIZED A LONG SALE AS A SHORT SALE; INCORRECTLY MEMORIALIZED A SHORT SALE AS A LONG SALE; FAILED TO MEMORIALIZE THE CLIENT ACCOUNT IDENTIFIER ON THE ORDER MEMORANDUM; FAILED TO MEMORIALIZE THE TIME IN FORCE CODE ON THE ORDER MEMORANDUM; FAILED TO MEMORIALIZE THE CORRECT EXECUTION PRICE AND THE CLIENT ACCOUNT IDENTIFIER ON THE ORDER MEMORANDUM; AND FAILED TO MEMORIALIZE THE EXPIRATION TIME FOR AN ORDER WITH A GTT TIME IN FORCE. 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 OR SEC RULES. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR ADEQUATE WSPS CONCERNING OATS REPORTING AND BOOKS AND RECORDS.

Initiated By: FINRA

Date Initiated: 02/03/2014

Docket/Case Number: [2011026157603](#)

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: 02/03/2014

Sanctions Ordered: Censure
Monetary/Fine \$22,500.00

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 IT IS CENSURED, FINED \$22,500 AND REQUIRED TO REVISE THE FIRM'S WSPS WITH RESPECT TO OATS REPORTING AND BOOKS AND



RECORDS.

Disclosure 24 of 28

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC RULE 200(G) OF REGULATION SHO, NASDAQ RULES 2110, 3010, 4755 - ELECTRONIC TRANSACTION CLEARING, INC. INCORRECTLY MARKED LONG SALE ORDERS AS SHORT SALE ORDERS, AND AS A RESULT ALSO ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A SHORT SALE OR LONG SALE. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASDAQ RULE 4755.
Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	01/07/2014
Docket/Case Number:	2011026157602
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:	01/07/2014
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 \$12,500.00
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 \$12,500 AND REQUIRED TO



REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING NASDAQ RULE 4755 WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NASDAQ REVIEW COUNCIL.

Reporting Source: Firm

Current Status: Final

Allegations: SEC RULE 200(G) OF REGULATION SHO, NASDAQ RULES 2110, 3010, 4755 - ELECTRONIC TRANSACTION CLEARING, INC. INCORRECTLY MARKED LONG SALE ORDERS AS SHORT SALE ORDERS, AND AS A RESULT ALSO ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A SHORT SALE OR LONG SALE. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASDAQ RULE 4755.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 01/07/2014

Docket/Case Number: 2011026157602

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/07/2014

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

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, FINED \$12,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING NASDAQ RULE 4755 WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NASDAQ REVIEW COUNCIL.



Disclosure 25 of 28

Reporting Source:	Regulator
Current Status:	Final
Allegations:	EDGA RULES 5.1, 11.15 - ELECTRONIC TRANSACTION CLEARING, INC. ENTERED ORDERS INTO THE EDGA MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A SHORT SALE OR LONG SALE. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH EDGA RULE 11.15. THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES (WSPS) PROVIDING FOR A STATEMENT OF THE SUPERVISORY STEPS TO BE TAKEN BY THE PERSON(S) RESPONSIBLE FOR SUPERVISION.
Initiated By:	EDGA EXCHANGE, INC.
Date Initiated:	12/18/2013
Docket/Case Number:	2011026157601
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:	12/18/2013
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 \$12,500.00
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 \$12,500 AND REQUIRED TO REVISE ITS WSPS REGARDING EDGA RULE 11.15 WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE CHIEF REGULATORY



OFFICER.

Reporting Source:	Firm
Current Status:	Final
Allegations:	DURING THE REVIEW PERIOD OF A TMMS EXAM, THE FIRM ENTERED 12 ORDERS INTO THE EDGA MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A SHORT SALE OR LONG SALE. DURING THE REVIEW PERIOD, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO EDGA RULE 11.5.
Initiated By:	EDGA EXCHANGE
Date Initiated:	11/18/2013
Docket/Case Number:	20110261576
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/15/2013
Sanctions Ordered:	Censure Monetary/Fine \$12,500.00
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 \$12,500 AND REQUIRED TO REVISE ITS WSPS REGARDING EDGA RULE 11.15 WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE CHIEF REGULATORY OFFICER.
Firm Statement	DURING THE REVIEW PERIOD OF A TMMS EXAM, THE FIRM ENTERED 12 ORDERS INTO THE EDGA MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A SHORT SALE OR LONG SALE. DURING THE REVIEW PERIOD, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO EDGA RULE 11.5.



Disclosure 26 of 28

Reporting Source:	Regulator
Current Status:	Final
Allegations:	FINRA RULE 7450(A) - ELECTRONIC TRANSACTION CLEARING, INC. FAILED TO TRANSMIT TO THE ORDER AUDIT TRAIL SYSTEM 80 PERCENT OF ITS REPORTABLE ORDER EVENTS UNDER A PARTICULAR MARKET PARTICIPANT IDENTIFIER FOR WHICH IT HAD A REPORTING OBLIGATION DURING A CALENDAR QUARTER.
Initiated By:	FINRA
Date Initiated:	04/02/2013
Docket/Case Number:	2011029711701
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:	04/02/2013
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 \$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 APRIL 29, 2013



Reporting Source:	Firm
Current Status:	Final
Allegations:	DURING A PORTION OF THE REVIEW PERIOD FROM JANUARY 1, 2011 THROUGH MARCH 31, 2011 (THE "1Q11 REVIEW PERIOD") THE FIRM FAILED TO TRANSMIT TO OATS 5,639 REPORTABLE ORDER EVENTS ("ROES") UNDER ITS "ETCP" MPID. THE 5,639 ROES REPRESENT 80 PERCENT OF THE FIRM'S OATS REPORTING OBLIGATION (7,050) FOR THE MPID DURING THE 1Q11 REVIEW PERIOD. THE CONDUCT DESCRIBED IN THIS PARAGRAPH CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 7450(A)
Initiated By:	FINRA
Date Initiated:	04/02/2013
Docket/Case Number:	2011029711701
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/02/2013
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 THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.

Disclosure 27 of 28

Reporting Source:	Regulator
Current Status:	Final
Allegations:	FINRA RULE 7450(A) - ELECTRONIC TRANSACTION CLEARING, INC. FAILED TO TRANSMIT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) UNDER TWO MARKET PARTICIPANT IDENTIFIERS (MPIDS). THE ROES THE FIRM FAILED TO REPORT FOR ONE MPID



REPRESENTED ALMOST ALL OF ITS OATS REPORTING OBLIGATION FOR THAT MPID DURING THE REVIEW PERIOD.

Initiated By: FINRA

Date Initiated: 10/22/2012

Docket/Case Number: [2011027293801](#)

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: 10/22/2012

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 \$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 ON 11/6/2012.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA RULE 7450(A)_ETC FAILED TO TRANSMIT REPORTABLE ORDER EVENTS TO THE ORDER AUDIT TRAIL SYSTEM(OATS)UNDER TWO MARKET PARTICIPANT IDENTIFIERS(MPIDS) THE ROES THE FIRM FAILED TO REPORT FOR ONE MPID REPRESENTED ALMOST ALL OF ITS OATS REPORTING OBLIGATION FOR THE MPID DURING THE REVIEW PERIOD.

Initiated By: FINRA



Date Initiated: 10/22/2012

Docket/Case Number: [2011027293801](#)

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

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/22/2012

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 THE ENTRY OF FINDINGS, THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000.

Disclosure 28 of 28

Reporting Source: Regulator

Current Status: Final

Appealed To and Date Appeal Filed: SEC

Allegations: THE BUSINESS CONDUCT COMMITTEE ISSUED A HEARING DECISION ON FEBRUARY 14, 2014 IN THE MATTER OF ELECTRONIC TRANSACTION CLEARING, INC. ("ETC"), HARVEY CLOYD JR. ("CLOYD"), KEVIN MURPHY ("MURPHY") AND DAVID DICENSO ("DICENSO"). THE BCC MADE THE FOLLOWING FINDINGS: ETC (I) FAILED TO IMPLEMENT ANTI-MONEY LAUNDERING AND CUSTOMER IDENTIFICATION PROGRAMS SUFFICIENT TO REASONABLY DETECT AND PREVENT MONEY LAUNDERING AND MANIPULATIVE TRADING RISKS; (II) FAILED TO HAVE THE INDEPENDENT AUDIT OF ITS AML PROGRAM CONDUCTED BY AN INDEPENDENT INDIVIDUAL; AND (III) FAILED TO IMPLEMENT RISK PROCEDURES AND SURVEILLANCE TOOLS FOR DETECTING SUSPICIOUS TRADING ACTIVITIES OF ITS CUSTOMERS; (IV) FAILED TO CLOSE OUT ONE "FAIL-TO-DELIVER" BY EITHER BORROWING THE SECURITY OR BUYING THE SECURITY IN THE SECONDARY MARKET AFTER THE SECURITIES PRIMARY EXCHANGE HALTED TRADING OF THE SECURITY; (V) FAILED DURING THE RELEVANT

PERIOD TO IMPOSE DAY TRADING POWER LIMITS ON NUMEROUS INDIVIDUAL TRADERS UNDERLYING NUMEROUS CUSTOMER ACCOUNTS ETC CLEARED AND CARRIED; (VI) FAILED DURING THE RELEVANT PERIOD TO IMPOSE A \$25,000 MINIMUM EQUITY REQUIREMENT FOR PATTERN DAY TRADERS ON EACH OF NUMEROUS INDIVIDUALS UNDERLYING EACH OF NUMEROUS CUSTOMER ACCOUNTS ETC CLEARED AND CARRIED; (VII) FAILED DURING THE RELEVANT PERIOD TO IMPOSE A \$500,000 MINIMUM EQUITY REQUIREMENT FOR PORTFOLIO MARGIN ACCOUNTS SET IN ITS WRITTEN POLICIES AND PROCEDURES ON EACH OF NUMEROUS INDIVIDUALS UNDERLYING EACH OF NUMEROUS CUSTOMER ACCOUNTS ETC CLEARED AND CARRIED; (VIII) FAILED DURING THE RELEVANT PERIOD TO HAVE ADEQUATE POLICY AND PROCEDURES THAT PREVENT INDIVIDUAL TRADERS THAT UNDERLIE A SINGLE CUSTOMER PORTFOLIO MARGIN ACCOUNT WITH EQUITY OF AT LEAST \$5,000,000 THAT ETC CLEARED AND CARRIED FROM RECEIVING THE BENEFIT OF AN EXCEPTION FROM THE EXCHANGE'S DAY TRADING RULES. CLOYD AND MURPHY WERE FOUND TO HAVE COMMITTED VARIOUS SUPERVISORY VIOLATIONS. THE BCC DISMISSED THE STATEMENT OF CHARGES AGAINST DAVID DICENSO.

AS REPORTED AT THE LAST BOARD MEETING, THE SEC ON JUNE 16, 2016, ISSUED AN OPINION IN THE MATTER OF THE APPLICATION OF ELECTRONIC TRANSACTION CLEARING, INC. ("ETC"), KEVIN MURPHY, AND HARVEY C. CLOYD, JR.; RELEASE NO. 78093, ADMIN. PROC. FILE NO. 3-16285 (FOR REVIEW OF DISCIPLINARY ACTION TAKEN BY CBOE). IN ITS OPINION THE SEC REVERSED IN PART, AND AFFIRMED IN PART, CBOE'S FINDINGS. THE SEC AFFIRMED CBOE'S FINDINGS THAT ETC'S ANTI-MONEY LAUNDERING AUDIT VIOLATED CBOE'S RULES AND THAT ETC VIOLATED REG. SHO WHEN IT FAILED TO CLOSE A SHORT POSITION IN A TIMELY MANNER. THE SEC REMANDED THE CASE SO THAT CBOE COULD RECONSIDER THE ISSUE OF THE APPROPRIATE SANCTIONS FOR THE VIOLATIONS THAT WERE AFFIRMED.

AT THE DIRECTION OF CBOE'S BUSINESS CONDUCT COMMITTEE ("BCC"), CBOE, IN CONJUNCTION WITH FINRA MARKET REGULATION - LEGAL STAFF, AND RESPONDENTS' COUNSEL ENGAGED IN SETTLEMENT DISCUSSIONS. AS THE RESULT OF SUCH DISCUSSIONS, CBOE AND RESPONDENTS REACHED A SETTLEMENT IN PRINCIPLE AND JOINTLY PROPOSED THE FOLLOWING SANCTIONS TO THE BCC FOR CONSIDERATION:

- \$12,500 FINE OF ETC
- CENSURE OF ETC AND KEVIN MURPHY.

THE PROPOSED SANCTIONS WERE REVIEWED AND APPROVED BY THE



BCC AT ITS MEETING ON SEPTEMBER 28, 2016. AS A RESULT, THE BCC SUBSEQUENTLY ISSUED A REMAND DECISION AND ORDER ON SANCTIONS. THE MATTER IS NOW CONSIDERED FINAL.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 03/31/2011

Docket/Case Number: 11-0009

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

Resolution Date: 09/28/2016

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 \$12,500.00

Other Sanctions Ordered:

Sanction Details: A \$12,500 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: ON MARCH 31, 2011, THE BUSINESS CONDUCT COMMITTEE ("BCC") OF THE CHICAGO BOARD OPTIONS EXCHANGE (THE "CBOE") ISSUED A STATEMENT OF CHARGES TO ELECTRONIC TRANSACTION CORPORATION, INC. ("ETC" OR THE "FIRM"). THE STATEMENT OF CHARGES STATES THAT IN OR ABOUT JULY 2010, THE CBOE CONDUCTED A ROUTINE FINANCIAL AND OPERATIONAL EXAMINATION(SEE SECTION 13 FOR DETAILS)OF ETC THAT INCLUDED, BUT WAS NOT LIMITED TO, A REVIEW OF ETC'S POLICIES, PROCEDURES, AND PRACTICES FOR ITS ANTI-MONEY LAUNDERING ("AML") COMPLIANCE PROGRAM AND REGULATION SHO. IN PARTICULAR,



THE STATEMENT OF CHARGES ALLEGES THAT IN OR ABOUT JULY 2010, ETC AND MR. MURPHY AND CLOYD AS CONTROL PERDONS, VIOLATED (1) CBOE RULES 4.1, 4.2 AND 4.20 FOR FAILING TO IMPLEMENT AML AND CUSTOMER IDENTIFICATION PROGRAMS SUFFICIENT TO REASONABLY DETECT AND PREVENT MONEY LAUNDERING AND MANIPULATIVE TRADING RISKS AND FAILING TO HAVE THE INDEPENDENT AUDIT OF ITS AML PROGRAM CONDUCTED BY AN INDEPENDENT INDIVIDUAL; (2) CBOE RULES 4.1 AND 4.2 FOR FAILING TO IMPLEMENT EFFECTIVE RISK PROCEDURES AND SURVEILLANCE TOOLS FOR DETECTING SUSPICIOUS TRADING ACTIVITIES OF ITS CUSTOMERS; (3) CBOE RULES 4.2 AND 15.1; SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT") AND RULES 17A-3 AND 17A-4 THEREUNDER; AND REGULATION SHO OF THE EXCHANGE ACT AND RULE 204 THEREUNDER FOR FAILING TO CLOSE OUT ONE "FAIL-TO-DELIVER" BY EITHER BORROWING THE SECURITY OR BUYING THE SECURITY IN THE SECONDARY MARKET AFTER THE SECURITY'S PRIMARY EXCHANGE HALTED TRADING OF THE SECURITY; AND (4) CBOE RULES 4.2 AND 15.1; SECTION 17(A) OF THE EXCHANGE ACT AND RULES 17A-3 AND 17A-4 THEREUNDER; AND REGULATION SHO OF THE EXCHANGE ACT AND RULE 203 THEREUNDER BY FOR FAILING TO MAINTAIN AN ADEQUATE EASY-TO-BORROW LIST THAT RELIED ON REASONABLE SOURCES TO MAKE A DETERMINATION THAT A SECURITY WOULD BE AVAILABLE TO BORROW.

[ETC HAS MADE A NUMBER OF MODIFICATIONS TO ITS POLICIES AND PROCEDURES IN RESPONSE TO THE MATTERS RAISED BY THE BCC. THE FIRM ANTICIPATES RESOLVING THESE MATTERS EITHER BEFORE THE BCC OR OTHERWISE IN THE NEAR FUTURE.]
THE CHICAGO BOARD OPTIONS EXCHANGE (THE "CBOE") ISSUED AN AMENDED AND RESTATED STATEMENT OF CHARGES AGAINST ETC.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 03/31/2011

Docket/Case Number: 11-0009

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

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 10/04/2016



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

Other Sanctions Ordered:

Sanction Details: CENSURE AND FINE \$12,500.

Firm Statement ON MARCH 4, 2014, THE CBOE'S BUSINESS CONDUCT COMMITTEE ("BCC") ISSUED A DECISION FINDING THAT ETC VIOLATED CBOE RULES 4.1 (COMPLIANCE WITH JUST AND EQUITABLE PRINCIPLES OF TRADE), 4.2 (COMPLIANCE WITH APPLICABLE LAWS), 4.20 (REQUIRING MEMBERS TO DEVELOP AND IMPLEMENT AN AML COMPLIANCE PROGRAM), 12.3(J) (IMPOSING MARGIN REQUIREMENTS FOR PATTERN DAY TRADERS) AND 12.4(I) (IMPOSING ADDITIONAL MARGIN REQUIREMENTS FOR PORTFOLIO ACCOUNT CUSTOMERS), AND SEC EXCHANGE ACT RULE 204 OF REGULATION SHO (CLOSE-OUT REQUIREMENTS). THE BCC FINED ETC \$1,000,000 FOR THESE VIOLATIONS.

ETC APPEALED THE BCC'S DECISION TO THE SEC ON NOVEMBER 14, 2014.

IN AN OPINION AND ORDER ISSUED ON JUNE 16, 2016, THE SEC SET ASIDE AND VACATED MOST OF THE BCC'S FINDINGS. IN PARTICULAR, THE SEC SET ASIDE THE FINDINGS THAT ETC FAILED TO MAINTAIN EFFECTIVE SURVEILLANCE TOOLS IN 2010, FAILED TO IMPLEMENT AN ADEQUATE CUSTOMER IDENTIFICATION PROGRAM ("CIP") IN 2010 BY FAILING TO APPLY CIP PROCEDURES TO TRADERS FOR ETC'S ENTITY CUSTOMERS, AND FAILED TO APPLY MARGIN REQUIREMENTS TO TRADERS FOR ETC'S ENTITY CUSTOMERS. THE SEC SUSTAINED THE FINDINGS THAT ETC FAILED TO CONDUCT AN INDEPENDENT AML AUDIT IN 2009 AND FAILED TO CLOSE OUT ONE SHORT POSITION IN 2010.

THE SEC ALSO SET ASIDE THE SANCTIONS ISSUED BY THE BCC, INCLUDING THE \$1,000,000 FINE, AND REMANDED THE PROCEEDINGS BACK TO THE BCC SO THAT IT CAN RECONSIDER ITS DETERMINATIONS REGARDING SANCTIONS.

ON OCTOBER 4, 2016, ON REMAND FROM SEC (RELEASE NO. 78093), THE BCC ISSUED ITS REMAND DECISION AND ORDER ON SANCTIONS OF CENSURE AGAINST ETC AND FINE IN THE AMOUNT OF \$12,500.

End of Report



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