

BrokerCheck Report

TWO SIGMA SECURITIES, LLC

CRD# 148960

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Please contact FINRA with any concerns.

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:
 - 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
 - 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.

-

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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)



TWO SIGMA SECURITIES, LLC

CRD# 148960

SEC# 8-68090

Main Office Location

100 AVENUE OF THE AMERICAS
2ND FLOOR
NEW YORK, NY 10013
Regulated by FINRA New York Office

Mailing Address

100 AVENUE OF THE AMERICAS
2ND FLOOR
NEW YORK, NY 10013

Business Telephone Number

212-625-5700

Report Summary for this Firm

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

Firm Profile

This firm is classified as a limited liability company.
This firm was formed in Delaware on 10/03/2008.
Its fiscal year ends in December.

Firm History

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

Firm Operations

This firm is registered with:

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

Is this brokerage firm currently suspended with any regulator?

No

This firm conducts 8 types of businesses.

This firm is affiliated with financial or investment institutions.

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

Disclosure Events

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

Are there events disclosed about this firm?

Yes

The following types of disclosures have been reported:

| Type | Count |
|------------------|-------|
| Regulatory Event | 18 |



Firm Profile

This firm is classified as a limited liability company.

This firm was formed in Delaware on 10/03/2008.

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.

TWO SIGMA SECURITIES, LLC

Doing business as TWO SIGMA SECURITIES, LLC

CRD# 148960

SEC# 8-68090

Main Office Location

100 AVENUE OF THE AMERICAS
2ND FLOOR
NEW YORK, NY 10013

Regulated by FINRA New York Office

Mailing Address

100 AVENUE OF THE AMERICAS
2ND FLOOR
NEW YORK, NY 10013

Business Telephone Number

212-625-5700



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): | TWO SIGMA SECURITIES GROUP HOLDINGS LLC |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Position | SOLE MEMBER |
| Position Start Date | 03/2025 |
| 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): | LENTERMAN, REMCO OSCAR 2270233 |
| Is this a domestic or foreign entity or an individual? | Individual |
| Position | CHIEF EXECUTIVE OFFICER |
| Position Start Date | 09/2025 |
| 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): | LUBETSKY, JASON MATTHEW 4012781 |
| Is this a domestic or foreign entity or an individual? | Individual |
| Position | FINOP, CFO AND PRINCIPAL FINANCIAL OFFICER |
| Position Start Date | 01/2013 |

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): VALLESE, CARL JOSEPH
4464191

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

Position CHIEF COMPLIANCE OFFICER

Position Start Date 01/2016

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): VIADRO, DIMITRI
5027346

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

Position COO AND PRINCIPAL OPERATIONS OFFICER

Position Start Date 05/2019

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



Firm Profile

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

Indirect Owners

| | |
|---|---|
| Legal Name & CRD# (if any): | TWO SIGMA CAPITAL MARKETS, LP |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Company through which indirect ownership is established | TWO SIGMA SECURITIES GROUP HOLDINGS LLC |
| Relationship to Direct Owner | SOLE MEMBER |
| Relationship Established | 04/2019 |
| 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): | DAVID M. SIEGEL REVOCABLE TRUST |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Company through which indirect ownership is established | TWO SIGMA CAPITAL MARKETS, LP |
| Relationship to Direct Owner | LIMITED PARTNER |
| Relationship Established | 12/2007 |
| Percentage of Ownership | 25% but less than 50% |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |

| | |
|---|---------------------------------|
| Legal Name & CRD# (if any): | DAVID M. SIEGEL REVOCABLE TRUST |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |



Firm Profile

Indirect Owners (continued)

| | |
|---|----------------------------------|
| Company through which indirect ownership is established | TWO SIGMA MANAGEMENT, LLC |
| Relationship to Direct Owner | MEMBER |
| Relationship Established | 01/2008 |
| Percentage of Ownership | 25% but less than 50% |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |
| <hr/> | |
| Legal Name & CRD# (if any): | JOHN A. OVERDECK REVOCABLE TRUST |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Company through which indirect ownership is established | TWO SIGMA CAPITAL MARKETS, LP |
| Relationship to Direct Owner | LIMITED PARTNER |
| Relationship Established | 12/2007 |
| Percentage of Ownership | 25% but less than 50% |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |
| <hr/> | |
| Legal Name & CRD# (if any): | JOHN A. OVERDECK REVOCABLE TRUST |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Company through which indirect ownership is established | TWO SIGMA MANAGEMENT, LLC |
| Relationship to Direct Owner | MEMBER |
| Relationship Established | 01/2008 |

Firm Profile



Indirect Owners (continued)

Percentage of Ownership 25% but less than 50%

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

Is this a public reporting company? No

Legal Name & CRD# (if any): HOFFMAN, SCOTT DAVID
2468910

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

Company through which indirect ownership is established TWO SIGMA MANAGEMENT, LLC

Relationship to Direct Owner EXECUTIVE MANAGER

Relationship Established 09/2024

Percentage of Ownership Other General Partners

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

Is this a public reporting company? No

Legal Name & CRD# (if any): OVERDECK, JOHN ALBERT
2280794

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

Company through which indirect ownership is established TWO SIGMA MANAGEMENT, LLC

Relationship to Direct Owner CO-CHAIRMAN; EXECUTIVE MANAGER

Relationship Established 09/2024

Percentage of Ownership Other General Partners

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

Firm Profile



Indirect Owners (continued) the firm?

Is this a public reporting company? No

Legal Name & CRD# (if any): OVERDECK, JOHN ALBERT
2280794

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

Company through which indirect ownership is established JOHN A OVERDECK REVOCABLE TRUST

Relationship to Direct Owner TRUSTEE

Relationship Established 12/2007

Percentage of Ownership Other General Partners

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

Is this a public reporting company? No

Legal Name & CRD# (if any): SIEGEL, DAVID MARK
2197031

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

Company through which indirect ownership is established DAVID M. SIEGEL REVOCABLE TRUST

Relationship to Direct Owner TRUSTEE

Relationship Established 12/2007

Percentage of Ownership Other General Partners

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

Is this a public reporting company? No

Firm Profile



Indirect Owners (continued)

| | |
|---|-------------------------------|
| Legal Name & CRD# (if any): | SIEGEL, DAVID MARK 2197031 |
| Is this a domestic or foreign entity or an individual? | Individual |
| Company through which indirect ownership is established | TWO SIGMA MANAGEMENT, LLC |
| Relationship to Direct Owner | CO-CHAIRMAN |
| Relationship Established | 09/2024 |
| Percentage of Ownership | Other General Partners |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |
| Legal Name & CRD# (if any): | TWO SIGMA MANAGEMENT, LLC |
| Is this a domestic or foreign entity or an individual? | Domestic Entity |
| Company through which indirect ownership is established | TWO SIGMA CAPITAL MARKETS, LP |
| Relationship to Direct Owner | GENERAL PARTNER |
| Relationship Established | 10/2008 |
| Percentage of Ownership | Other General Partners |
| Does this owner direct the management or policies of the firm? | Yes |
| Is this a public reporting company? | No |

Firm History

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

No information reported.





Firm Operations

Registrations

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

This firm is currently registered with the SEC, 25 SROs and 2 U.S. states and territories.

| Federal Regulator | Status | Date Effective |
|-------------------|----------|----------------|
| SEC | Approved | 06/25/2009 |

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

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

A government securities broker or dealer only: No

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

| Self-Regulatory Organization | Status | Date Effective |
|--|----------|----------------|
| FINRA | Approved | 06/25/2009 |
| BOX Exchange LLC | Approved | 08/02/2017 |
| Cboe BYX Exchange, Inc. | Approved | 10/05/2010 |
| Cboe BZX Exchange, Inc. | Approved | 10/01/2009 |
| Cboe C2 Exchange, Inc. | Approved | 07/18/2018 |
| Cboe EDGA Exchange, Inc. | Approved | 05/27/2010 |
| Cboe EDGX Exchange, Inc. | Approved | 05/27/2010 |
| Cboe Exchange, Inc. | Approved | 09/15/2017 |
| Investors' Exchange LLC | Approved | 08/11/2016 |
| Long-Term Stock Exchange, Inc. | Approved | 05/01/2025 |
| MEMX LLC | Approved | 08/02/2021 |
| MIAX Emerald, LLC | Approved | 03/01/2019 |
| MIAX PEARL, LLC | Approved | 09/12/2017 |
| Miami International Securities Exchange, LLC | Approved | 09/12/2017 |
| NYSE American LLC | Approved | 08/19/2010 |

| | | |
|-------------------------|----------|------------|
| NYSE Arca, Inc. | Approved | 11/12/2009 |
| NYSE National, Inc. | Approved | 05/18/2018 |
| NYSE Texas, Inc. | Approved | 09/13/2024 |
| Nasdaq BX, Inc. | Approved | 10/20/2009 |
| Nasdaq GEMX, LLC | Approved | 09/08/2017 |
| Nasdaq ISE, LLC | Approved | 09/01/2017 |
| Nasdaq MRX, LLC | Approved | 11/06/2019 |
| Nasdaq PHLX LLC | Approved | 09/28/2010 |
| Nasdaq Stock Market | Approved | 10/20/2009 |
| New York Stock Exchange | Approved | 03/01/2010 |

Firm Operations



Registrations (continued)

| U.S. States & Territories | Status | Date Effective |
|---------------------------|----------|----------------|
| Connecticut | Approved | 06/13/2017 |
| New York | Approved | 10/07/2009 |



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 8 types of businesses.

Types of Business

Exchange member engaged in floor activities

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

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

U S. government securities dealer

Put and call broker or dealer or option writer

Non-exchange member arranging for transactions in listed securities by exchange member

Trading securities for own account

Other - APPLICANT MAY CONDUCT TRANSACTIONS IN FOREIGN SECURITIES AND CONVERTIBLE BONDS, AND MAY SELL INTERESTS IN UNREGISTERED PRIVATE INVESTMENT FUNDS.

Other Types of Business

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

Introducing Arrangements

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

Firm Operations

Industry Arrangements



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

| | |
|--------------------------|---|
| Name: | SG AMERICAS SECURITIES, LLC |
| CRD #: | 128351 |
| Business Address: | 245 PARK AVENUE 11TH FLOOR NEW YORK, NY 10167 |
| Effective Date: | 01/09/2025 |
| Description: | PURSUANT TO A FIXED INCOME PRIME BROKERAGE AGREEMENT AND CLEARING ACCOUNT OPENED FOR TWO SIGMA SECURITIES, LLC ("TSS") BY SG AMERICAS SECURITIES, LLC ("SOC GEN"), TSS TRANSACTIONS IN U.S. GOVERNMENT SECURITIES ARE CLEARED AND SETTLED BY SOC GEN. SOC GEN MAINTAINS CERTAIN CONFIRMATIONS, STATEMENTS AND RECORDS REGARDING THE FOREGOING ON BEHALF OF TSS. |
| Name: | BOFA SECURITIES, INC. |
| CRD #: | 283942 |
| Business Address: | ONE BRYANT PARK 6TH FLOOR NEW YORK, NY 10036 |
| Effective Date: | 05/13/2019 |
| Description: | ALL TSS TRANSACTIONS IN U.S. EQUITY AND OPTION SECURITIES ARE CLEARED BY BOFA SECURITIES, INC., PREVIOUSLY PART OF MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED ("BOFA"). BOFA MAINTAINS CONFIRMATIONS, STATEMENTS AND CERTAIN REPORTS ON BEHALF OF TSS. |
| Name: | NOMURA SECURITIES INTERNATIONAL, INC. |
| CRD #: | 4297 |
| Business Address: | 309 WEST 49TH STREET ATTN: PRIME SERVICES NEW YORK, NY 10019 |
| Effective Date: | 02/26/2019 |
| Description: | PURSUANT TO A PRIME BROKERAGE AGREEMENT WITH NOMURA SECURITIES INTERNATIONAL, INC. ("NSI"), TSS TRANSACTIONS IN FOREIGN SECURITIES IN JAPAN ARE CLEARED AND SETTLED BY A |

Firm Operations



Industry Arrangements (continued)

FOREIGN AFFILIATE OF NSI ON BEHALF OF NSI. NSI MAINTAINS CERTAIN CONFIRMATIONS, STATEMENTS AND RECORDS REGARDING THE FOREGOING ON BEHALF OF TSS.

Name: INTERACTIVE BROKERS LLC

CRD #: 36418

Business Address: ONE PICKWICK PLAZA
GREENWICH, CT 06830

Effective Date: 01/12/2018

Description: PURSUANT TO CAT AND OATS REPORTING AGREEMENTS, INTERACTIVE BROKERS LLC ("IBKR") MAINTAINS RECORDS OF CAT AND OATS DATA PREPARED ON BEHALF OF TSS FOR REPORTABLE ORDER EVENTS THAT OCCUR IN OR THROUGH AN IBKR TRADER WORKSTATION OR API.

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

Name: MERRILL LYNCH INTERNATIONAL

Business Address: MERRILL LYNCH FINANCIAL CENTRE
KING EDWARD STREET
LONDON, UNITED KINGDOM EC1A 1HQ

Effective Date: 01/24/2020

Description: TSS HAS ENTERED INTO AN ARRANGEMENT WITH MERRILL LYNCH (MLI) UNDER WHICH MLI WILL MAINTAIN ACCOUNTS THAT HOLD CERTAIN SECURITIES AND FUNDS OF TSS.

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.**

TWO SIGMA REAL ESTATE, LP is under common control with the firm.

| | |
|--|--|
| CRD #: | 324210 |
| Business Address: | 101 AVENUE OF THE AMERICAS 17TH FLOOR NEW YORK, NY 10013 |
| Effective Date: | 09/25/2024 |
| Foreign Entity: | No |
| Country: | |
| Securities Activities: | No |
| Investment Advisory Activities: | Yes |
| Description: | TWO SIGMA REAL ESTATE, LP IS UNDER COMMON CONTROL WITH APPLICANT AND IS DIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC. |

TWO SIGMA EXECUTION SERVICES, LLC is under common control with the firm.

| | |
|-------------------------------|--|
| CRD #: | 327341 |
| Business Address: | 100 AVENUE OF THE AMERICAS FL 2 NEW YORK, NY 10013 |
| Effective Date: | 07/03/2023 |
| Foreign Entity: | No |
| Country: | |
| Securities Activities: | Yes |

Firm Operations



Organization Affiliates (continued)

Investment Advisory Activities: No

Description: TWO SIGMA EXECUTION SERVICES, LLC IS UNDER COMMON CONTROL WITH APPLICANT.

TWO SIGMA INTERNATIONAL LIMITED is under common control with the firm.

Business Address: CITY TOWER, LEVEL 16
40 BASINGHALL STREET
LONDON, UNITED KINGDOM EC2V 5DE

Effective Date: 11/26/2022

Foreign Entity: Yes

Country: ENGLAND

Securities Activities: No

Investment Advisory Activities: Yes

Description: TWO SIGMA INTERNATIONAL LIMITED IS INCORPORATED AND REGISTERED IN ENGLAND AND WALES AS A PRIVATE LIMITED COMPANY WHICH IS UNDER COMMON CONTROL WITH APPLICANT AND IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC.

TWO SIGMA CHINA CO., LTD is under common control with the firm.

Business Address: SHANGHAI TOWER, FLOOR 60, ROOM 6003-6004
NO. 501 MIDDLE YINCHENG ROAD, PUDONG NEW AREA
SHANGHAI, CHINA 200120

Effective Date: 09/11/2019

Foreign Entity: Yes

Country: CHINA

Securities Activities: No

Investment Advisory Activities: Yes

Description: TWO SIGMA CHINA CO., LTD IS A CHINA LIMITED COMPANY THAT IS UNDER COMMON CONTROL WITH APPLICANT AND IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC.

Firm Operations



Organization Affiliates (continued)

STARZ REALTY CAPITAL LIMITED is under common control with the firm.

| | |
|--|--|
| CRD #: | 304590 |
| Business Address: | 1 RED PLACE LONDON, UNITED KINGDOM W1K 6PL |
| Effective Date: | 07/27/2018 |
| Foreign Entity: | Yes |
| Country: | UNITED KINGDOM |
| Securities Activities: | No |
| Investment Advisory Activities: | Yes |
| Description: | STARZ REALTY CAPITAL LIMITED ("STARZ") IS UNDER COMMON CONTROL WITH APPLICANT; SPECIFICALLY, APPLICANT IS INDIRECTLY CONTROLLED BY TWO REVOCABLE TRUSTS AND THEIR RESPECTIVE INDIVIDUAL TRUSTEE/BENEFICIARIES, WHICH TRUSTS AND INDIVIDUALS ARE ALSO INDIRECT OWNERS AND CONTROL PERSONS OF STARZ. |

TWO SIGMA SECURITIES UK LIMITED is under common control with the firm.

| | |
|--|--|
| Business Address: | 40 BASINGHALL STREET CITY TOWER, LEVEL 16 LONDON, UNITED KINGDOM EC2V 5DE |
| Effective Date: | 04/01/2020 |
| Foreign Entity: | Yes |
| Country: | UNITED KINGDOM |
| Securities Activities: | Yes |
| Investment Advisory Activities: | No |
| Description: | TWO SIGMA SECURITIES UK LIMITED IS INCORPORATED AND REGISTERED IN ENGLAND AND WALES AS A PRIVATE LIMITED COMPANY, WHICH IS UNDER COMMON CONTROL WITH APPLICANT AND IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC. |

TWO SIGMA VENTURES, LP is under common control with the firm.

| | |
|---------------|--------|
| CRD #: | 295416 |
|---------------|--------|

Firm Operations



Organization Affiliates (continued)

Business Address: 100 AVENUE OF THE AMERICAS
3RD FLOOR
NEW YORK, NY 10013

Effective Date: 08/21/2018

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: TWO SIGMA VENTURES, LP IS UNDER COMMON CONTROL WITH APPLICANT AND IS DIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC.

TWO SIGMA ASIA PACIFIC, LIMITED is under common control with the firm.

Business Address: UNIT 1504, TWO EXCHANGE SQUARE
8 CONNAUGHT PLACE
CENTRAL, HONG KONG

Effective Date: 04/08/2014

Foreign Entity: Yes

Country: HONG KONG

Securities Activities: Yes

Investment Advisory Activities: No

Description: TWO SIGMA ASIA PACIFIC, LIMITED IS A HONG KONG COMPANY WHICH IS UNDER COMMON CONTROL WITH APPLICANT AND IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC.

TSPI, LP is under common control with the firm.

CRD #: 291090

Business Address: 101 AVENUE OF THE AMERICAS
17TH FLOOR
NEW YORK, NY 10013

Effective Date: 01/18/2018

Firm Operations



Organization Affiliates (continued)

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: TSPI, LP IS UNDER COMMON CONTROL WITH APPLICANT AND IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC.

TWO SIGMA INVESTOR SOLUTIONS, LP is under common control with the firm.

CRD #: 286109

Business Address: 100 AVENUE OF THE AMERICAS
16TH FLOOR
NEW YORK, NY 10013

Effective Date: 12/12/2016

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: TWO SIGMA INVESTOR SOLUTIONS, LP IS UNDER COMMON CONTROL WITH APPLICANT AND IS DIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC.

TWO SIGMA ADVISERS, LP is under common control with the firm.

CRD #: 152254

Business Address: 100 AVENUE OF THE AMERICAS, 16TH FLOOR
NEW YORK, NY 10013

Effective Date: 02/18/2010

Foreign Entity: No

Country:

Securities Activities: No

Firm Operations



Organization Affiliates (continued)

Investment Advisory Activities: Yes

Description: TWO SIGMA ADVISERS, LP IS UNDER COMMON CONTROL WITH APPLICANT AND IS DIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC.

TWO SIGMA INVESTMENTS, LP is under common control with the firm.

CRD #: 137137

Business Address: 100 AVENUE OF THE AMERICAS, 16TH FLOOR
NEW YORK, NY 10013

Effective Date: 10/03/2008

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: TWO SIGMA INVESTMENTS, LP IS UNDER COMMON CONTROL WITH APPLICANT AND IS DIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC; APPLICANT IS INDIRECTLY CONTROLLED BY TWO SIGMA MANAGEMENT, LLC.

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

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



Disclosure Events

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

| | Pending | Final | On Appeal |
|------------------|---------|-------|-----------|
| Regulatory Event | 0 | 18 | 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:**
 - 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:**
 - 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:**
 - 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.
 - 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 18

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 DISSEMINATED QUOTES THAT WERE WIDER THAN WHAT WAS ALLOWED BECAUSE OF TECHNOLOGY CONFIGURATION CHANGES AND MISAPPLYING A BOX REGULATORY CIRCULAR. THE FINDINGS STATED THAT THE VIOLATIVE QUOTE WIDTHS EXCEEDED THE MAXIMUM WIDTH DIFFERENTIALS BY AMOUNTS RANGING FROM LESS THAN \$1.00 TO MORE THAN \$100.00. AS A RESULT, THE FIRM VIOLATED BOX RULES 8040(A)(1), (A)(7) AND 8050(C)(1). THE FINDINGS ALSO STATED THAT ON FIVE TRADE DATES, BETWEEN FEBRUARY 24, 2020 AND MARCH 11, 2021, DUE TO ITS IMPERMISSIBLY WIDE QUOTES AND SYSTEMS ISSUES, THE FIRM FAILED TO MEET THE 60% CONTINUOUS QUOTING REQUIREMENT THAT APPLIES TO BOX MARKET MAKERS. SPECIFICALLY, FIRM QUOTING PERCENTAGES ON THOSE DAYS WAS 21.68%, 44.34%, 12.34%, 16.23%, AND 1.25%, RESPECTIVELY. AS A RESULT, THE FIRM VIOLATED BOX RULE 8050(E).

Initiated By: BOX EXCHANGE LLC

Date Initiated: 05/23/2022

Docket/Case Number: 20200665655

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 05/23/2022

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

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

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$10,000.



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|---|--|
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | FOR THE PURPOSE OF SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, TWO SIGMA SECURITIES, LLC (TSS) CONSENTED TO THE ENTRY OF FINDINGS THAT ON 39 TRADE DATES FROM FEBRUARY 24, 2020 TO SEPTEMBER 14, 2020, TSS SUBMITTED QUOTES THAT EXCEEDED THE MAXIMUM BID-ASK WIDTH DIFFERENTIALS PRESCRIBED BY THE BOX EXCHANGE AND ON 5 TRADE DATES BETWEEN FEBRUARY 24, 2020 AND MARCH 11, 2021, TSS FAILED TO MEET THE 60% CONTINUOUS QUOTING REQUIREMENT FOR BOX MARKET MAKERS. |
| Initiated By: | BOX EXCHANGE LLC |
| Date Initiated: | 02/16/2022 |
| Docket/Case Number: | 20200665665 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Consent |
| Resolution Date: | 05/23/2022 |
| Sanctions Ordered: | Censure Monetary/Fine \$10,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND A FINE OF \$10,000. THE FINE WAS PAID TO THE BOX EXCHANGE LLC ON JUNE 7, 2022. |
| Firm Statement | ON FEBRUARY 16, 2022, TWO SIGMA SECURITIES, LLC EXECUTED A LETTER OF CONSENT TO SETTLE THIS MATTER, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, AND CONSENTING TO A CENSURE AND A FINE OF \$10,000. THE LETTER WAS ACCEPTED BY THE BOX EXCHANGE LLC ON MAY 23, 2022. THE FINE WAS PAID TO THE BOX EXCHANGE LLC ON JUNE 7, 2022. |

Disclosure 2 of 18

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 OVER-TENDERED 206 SHARES WHEN PARTICIPATING IN THE PARTIAL TENDER OFFER OF A CORPORATION. THE FINDINGS STATED THAT THE FIRM FAILED TO ACCOUNT FOR RELEVANT SHORT CALL OPTIONS POSITIONS WITH EXERCISE PRICES BELOW THE HIGHEST TENDER OFFER PRICE OR STATED AMOUNT OF THE CONSIDERATION OFFERED FOR THE CORPORATION WHEN DETERMINING ITS NET LONG POSITION. THE FIRM INCORRECTLY CALCULATED ITS NET LONG POSITION, AS DEFINED BY EXCHANGE ACT RULE 14E-4(A)(1), ON THE BASIS OF EACH OF THE FIRM'S AGGREGATION UNITS. THE FIRM INCORRECTLY APPLIED THE CONCEPT OF INDEPENDENT TRADING UNIT AGGREGATION TO EXCHANGE ACT RULE 14E-4, FOR PURPOSES OF ITS NET LONG CALCULATION. SPECIFICALLY, THE FIRM HAD EACH OF ITS AGGREGATION UNITS CALCULATE ITS NET LONG POSITION INDEPENDENTLY UNDER EXCHANGE ACT RULE 14E-4 RATHER THAN AGGREGATE SHORT AND LONG POSITIONS ACROSS THE FIRM TO ARRIVE AT ONE FIRM-WIDE NET LONG POSITION. THE FINDINGS ALSO STATED THAT THE FIRM VIOLATED NYSE AMERICAN RULE 320 BY FAILING TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH EXCHANGE ACT RULE 14E-4(B). WHILE ITS WSPS ACCURATELY TRACKED EXCHANGE ACT RULE 14E-4 AND PROVIDED GUIDANCE TO TRADERS AND THE RELEVANT SUPERVISORS, THEY WERE NOT REASONABLY DESIGNED TO ENSURE EXCHANGE ACT RULE 14E-4 COMPLIANCE, IN THAT THE FIRM'S NET LONG CALCULATIONS AS DESCRIBED WERE MADE INCORRECTLY ON A PER-AGGREGATION UNIT BASIS.

Initiated By: NYSE AMERICAN LLC

Date Initiated: 08/10/2020

Docket/Case Number: 2018059615003

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: 08/10/2020



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 \$6,666.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details:

THE FIRM WAS CENSURED, FINED A TOTAL OF \$20,000, OF WHICH \$6,666 SHALL BE PAID TO NYSE AMERICAN, AND ORDERED TO PAY DISGORGEMENT IN THE AMOUNT OF \$713.06, OF WHICH \$237.69 SHALL BE PAID TO NYSE AMERICAN.

Reporting Source:

Firm

Current Status:

Final

Allegations:

FOR THE PURPOSE OF SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT IT (1) INCORRECTLY CALCULATED ITS NET LONG POSITION, AS DEFINED IN EXCHANGE ACT RULE 14E-4(A)(1), AND AS A RESULT OVER-TENDERED 206 SHARES FOR THE PARTIAL TENDER OFFER FOR A COMPANY ON MAY 29, 2018, IN VIOLATION OF EXCHANGE ACT RULE 14E-4, AND (2) FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH EXCHANGE ACT RULE 14E-4, IN VIOLATION OF NYSE AMERICAN LLC RULE 320. SPECIFICALLY, THE FINDINGS NOTED THAT THE FIRM HAD EACH OF ITS AGGREGATION UNITS CALCULATE ITS NET LONG POSITION INDEPENDENTLY RATHER THAN AGGREGATE SHORT AND LONG POSITIONS ACROSS THE FIRM TO ARRIVE AT ONE FIRM-WIDE NET LONG POSITION.

Initiated By:

NYSE AMERICAN LLC

Date Initiated:

06/30/2020

Docket/Case Number:

20180596150-03

Principal Product Type:

Equity Listed (Common & Preferred Stock)

Other Product Type(s):



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|---|--|
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE, DISGORGEMENT |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 08/07/2020 |
| Sanctions Ordered: | Censure Monetary/Fine \$6,666.00 Disgorgement/Restitution |
| Other Sanctions Ordered: | DISGORGEMENT IN THE AMOUNT OF 237.69 |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE, A TOTAL FINE OF \$20,000, OF WHICH \$6,666 WILL BE PAID TO NYSE AMERICAN LLC, AND A TOTAL DISGORGEMENT OF \$713.06, OF WHICH \$237.69 WILL BE PAID TO NYSE AMERICAN LLC, WITH THE REMAINDER OF THE FINE AND DISGORGEMENT AMOUNTS TO BE PAID TO NYSE ARCA, INC. AND FINRA IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. |
| Firm Statement | THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT WAS EXECUTED BY TWO SIGMA SECURITIES, LLC ON JUNE 30, 2020, AND WAS ACCEPTED BY NYSE AMERICAN LLC AND DEEMED FINAL AS OF AUGUST 7, 2020. THE FINE AND DISGORGEMENT AMOUNTS WERE PAID TO NYSE AMERICAN LLC ON AUGUST 14, 2020. |

Disclosure 3 of 18

| | |
|--------------------------|--|
| 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 OVER-TENDERED 206 SHARES WHEN PARTICIPATING IN THE PARTIAL TENDER OFFER OF A CORPORATION. THE FINDINGS STATED THAT THE FIRM FAILED TO ACCOUNT FOR RELEVANT SHORT CALL OPTIONS POSITIONS WITH EXERCISE PRICES BELOW THE HIGHEST TENDER OFFER PRICE OR STATED AMOUNT OF THE CONSIDERATION OFFERED FOR THE CORPORATION WHEN DETERMINING ITS NET LONG POSITION. THE FIRM INCORRECTLY CALCULATED ITS NET LONG POSITION, AS DEFINED BY EXCHANGE ACT RULE 14E-4(A)(1), ON THE BASIS OF EACH OF THE FIRM'S AGGREGATION UNITS. THE FIRM INCORRECTLY APPLIED THE CONCEPT OF INDEPENDENT TRADING UNIT AGGREGATION TO EXCHANGE ACT RULE 14E-4, FOR PURPOSES OF ITS NET LONG CALCULATION. SPECIFICALLY, |



THE FIRM HAD EACH OF ITS AGGREGATION UNITS CALCULATE ITS NET LONG POSITION INDEPENDENTLY UNDER EXCHANGE ACT RULE 14E-4 RATHER THAN AGGREGATE SHORT AND LONG POSITIONS ACROSS THE FIRM TO ARRIVE AT ONE FIRM-WIDE NET LONG POSITION. THE FINDINGS ALSO STATED THAT THE FIRM VIOLATED NYSE ARCA RULE 11.18 BY FAILING TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH EXCHANGE ACT RULE 14E-4(B). WHILE ITS WSPS ACCURATELY TRACKED EXCHANGE ACT RULE 14E-4 AND PROVIDED GUIDANCE TO TRADERS AND THE RELEVANT SUPERVISORS, THEY WERE NOT REASONABLY DESIGNED TO ENSURE EXCHANGE ACT RULE 14E-4 COMPLIANCE, IN THAT THE FIRM'S NET LONG CALCULATIONS AS DESCRIBED WERE MADE INCORRECTLY ON A PER-AGGREGATION UNIT BASIS.

Initiated By: NYSE ARCA, INC.

Date Initiated: 08/10/2020

Docket/Case Number: 2018059615002

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: 08/10/2020

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 \$6,666.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$20,000, OF WHICH \$6,666 SHALL BE PAID TO NYSE ARCA, AND ORDERED TO PAY DISGORGEMENT IN THE AMOUNT OF \$713.06, OF WHICH \$237.69 SHALL BE PAID TO NYSE ARCA.



Reporting Source: Firm

Current Status: Final

Allegations: FOR THE PURPOSE OF SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT IT (1) INCORRECTLY CALCULATED ITS NET LONG POSITION, AS DEFINED IN EXCHANGE ACT RULE 14E-4(A)(1), AND AS A RESULT OVER-TENDERED 206 SHARES FOR THE PARTIAL TENDER OFFER FOR A COMPANY ON MAY 29, 2018, IN VIOLATION OF EXCHANGE ACT RULE 14E-4, AND (2) FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH EXCHANGE ACT RULE 14E-4, IN VIOLATION OF NYSE ARCA RULE 11.18. SPECIFICALLY, THE FINDINGS NOTED THAT THE FIRM HAD EACH OF ITS AGGREGATION UNITS CALCULATE ITS NET LONG POSITION INDEPENDENTLY RATHER THAN AGGREGATE SHORT AND LONG POSITIONS ACROSS THE FIRM TO ARRIVE AT ONE FIRM-WIDE NET LONG POSITION.

Initiated By: NYSE ARCA, INC.

Date Initiated: 06/30/2020

Docket/Case Number: 20180596150-02

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

Other Product Type(s):

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

Other Sanction(s)/Relief Sought: CENSURE, DISGORGEMENT

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/07/2020

Sanctions Ordered: Censure
Monetary/Fine \$6,666.00
Disgorgement/Restitution

Other Sanctions Ordered: DISGORGEMENT IN THE AMOUNT OF 237.69

Sanction Details: TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE, A TOTAL FINE OF \$20,000, OF WHICH \$6,666 WILL BE PAID TO NYSE ARCA, INC., AND A TOTAL DISGORGEMENT OF \$713.06, OF WHICH \$237.69 WILL BE PAID TO NYSE ARCA, INC, WITH THE REMAINDER OF THE FINE AND DISGORGEMENT AMOUNTS TO BE PAID TO NYSE AMERICAN LLC AND



FINRA IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS.

Firm Statement

THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT WAS EXECUTED BY TWO SIGMA SECURITIES, LLC ON JUNE 30, 2020, AND WAS ACCEPTED BY NYSE ARCA, INC. AND DEEMED FINAL AS OF AUGUST 7, 2020. THE FINE AND DISGORGEMENT AMOUNTS WERE PAID TO NYSE ARCA, INC. ON AUGUST 14, 2020.

Disclosure 4 of 18

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 CORRECTLY CALCULATE ITS NET LONG POSITION AND, AS A RESULT, OVER-TENDERED SHARES IN EXCESS OF ITS NET LONG POSITION WHEN PARTICIPATING IN THE PARTIAL TENDER OFFER FOR A COMPANY. THE FINDINGS STATED THAT THE FIRM FAILED TO ACCOUNT FOR RELEVANT SHORT CALL OPTIONS POSITIONS WITH EXERCISE PRICES BELOW THE HIGHEST TENDER OFFER PRICE OR STATED AMOUNT OF THE CONSIDERATION OFFERED FOR THE COMPANY WHEN DETERMINING ITS NET LONG POSITION. THE FIRM INCORRECTLY APPLIED THE CONCEPT OF INDEPENDENT TRADING UNIT AGGREGATION FOR PURPOSES OF THE FIRM'S NET LONG CALCULATION. SPECIFICALLY, THE FIRM HAD EACH OF ITS AGGREGATION UNITS CALCULATE ITS NET LONG POSITION INDEPENDENTLY RATHER THAN AGGREGATE SHORT AND LONG POSITIONS ACROSS THE FIRM TO ARRIVE AT ONE FIRM-WIDE NET LONG POSITION.

Initiated By: FINRA

Date Initiated: 07/21/2020

Docket/Case Number: [2018059615001](#)

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: 07/21/2020

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 \$20,000.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$20,000, OF WHICH \$6,666 IS PAYABLE TO FINRA, AND ORDERED TO PAY DISGORGEMENT IN THE AMOUNT OF \$713.06, OF WHICH \$237.69 IS PAYABLE TO FINRA. FINES PAID IN FULL ON AUGUST 3, 2020.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE PURPOSE OF SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT IT INCORRECTLY CALCULATED ITS NET LONG POSITION, AS DEFINED IN EXCHANGE ACT RULE 14E-4(A)(1), AND AS A RESULT OVER-TENDERED 206 SHARES FOR THE PARTIAL TENDER OFFER FOR A COMPANY ON MAY 29, 2018, IN VIOLATION OF EXCHANGE ACT RULE 14E-4. SPECIFICALLY, THE FINDINGS NOTED THAT THE FIRM HAD EACH OF ITS AGGREGATION UNITS CALCULATE ITS NET LONG POSITION INDEPENDENTLY RATHER THAN AGGREGATE SHORT AND LONG POSITIONS ACROSS THE FIRM TO ARRIVE AT ONE FIRM-WIDE NET LONG POSITION.

Initiated By: FINRA

Date Initiated: 07/21/2020

Docket/Case Number: 20180596150-01

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

Other Product Type(s):

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



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|---|--|
| Other Sanction(s)/Relief Sought: | CENSURE, DISGORGEMENT |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 07/21/2020 |
| Sanctions Ordered: | Censure Monetary/Fine \$6,666.00 Disgorgement/Restitution |
| Other Sanctions Ordered: | DISGORGEMENT IN THE AMOUNT OF 237.69 |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE, A TOTAL FINE OF \$20,000, OF WHICH \$6,666 WILL BE PAID TO FINRA, AND A TOTAL DISGORGEMENT OF \$713.06, OF WHICH \$237.69 WILL BE PAID TO FINRA, WITH THE REMAINDER OF THE FINE AND DISGORGEMENT AMOUNTS TO BE PAID TO NYSE AMERICAN LLC AND NYSE ARCA, INC. IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. |
| Firm Statement | THE MATTER WAS RESOLVED ON JULY 21, 2020 BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT. THE FINE AND DISGORGEMENT AMOUNTS WERE PAID TO FINRA ON AUGUST 3, 2020. |

Disclosure 5 of 18

| | |
|--------------------------|--|
| 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 EFFECTED CERTAIN SHORT SALE TRANSACTIONS WITHOUT BORROWING, OR ENTERING INTO A BONA-FIDE ARRANGEMENT TO BORROW THE SECURITIES, OR HAVING REASONABLE GROUNDS TO BELIEVE THEY COULD BE BORROWED, BY THE DELIVERY DATE OF SUCH SECURITIES CONTRARY TO THE REQUIREMENTS OF REGULATION SHO (THE LOCATE REQUIREMENT). THE FINDINGS STATED THAT THE FIRM SELF-REPORTED TO FINRA THAT IT HAD DISCOVERED CERTAIN SYSTEM ISSUES IMPACTING ITS CALCULATION OF AVAILABLE SECURITIES FOR PURPOSES OF COMPLYING WITH THE LOCATE REQUIREMENT. THE FIRST SYSTEM ISSUE CAUSED THE SHORT AND LONG POSITIONS RELATED TO THE FIRM'S LEGACY MARKET-MAKING STRATEGY TO BE OMITTED FROM NET POSITION COMPUTATIONS OF ITS MARKET-MAKING AGGREGATION UNIT. AS A RESULT, IN CERTAIN INSTANCES, THE FIRM MISCALCULATED THE MARKET-MAKING AGGREGATION UNIT'S OVERALL NET POSITION AS LONG IN ITS SYSTEM. THE SECOND SYSTEM ISSUE RESULTED FROM |



INADVERTENT FAILURES TO DISTINGUISH BETWEEN THRESHOLD AND NON-THRESHOLD SECURITIES IN CERTAIN TRADE STRATEGIES FOR LOCATE COMPLIANCE PURPOSES. AS A RESULT OF CODING ERRORS, CERTAIN TRADE STRATEGIES RE-APPLIED LOCATES FROM EARLIER SHORT SALES TO SUBSEQUENT INTRA-DAY SHORT SALES IN THRESHOLD SECURITIES. THIS OCCURRED WHEN THE TRADE STRATEGY COVERED THE EARLIER SHORT SALE WITH A PURCHASE (I.E., BUY-TO-COVER TRADES). IN THESE SITUATIONS, IT WAS UNLIKELY THAT THE FIRM WOULD HAVE REASONABLE GROUNDS TO BELIEVE THAT THE SECURITIES COULD BE BORROWED FOR DELIVERY ON SETTLEMENT DATE, AND AT LEAST 13 SUCH SHORT SALES RESULTED IN FAILS TO DELIVER OF SECURITIES AT THE FIRM'S CLEARING FIRM. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM WAS NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE LOCATE REQUIREMENT. THE FIRM FAILED TO REASONABLY TEST THE QUALITY AND ACCURACY OF THE SYSTEMS THAT WERE THE PRIMARY TOOL THAT IT RELIED ON FOR ACHIEVING COMPLIANCE WITH THE LOCATE REQUIREMENT. THE FIRM USED TWO SURVEILLANCE REPORTS FOR LOCATE COMPLIANCE, HOWEVER THE REPORTS RELIED UPON DATA COMPILED IN RELIANCE ON THE SYSTEM ISSUES SET FORTH ABOVE. ONE OF THE SURVEILLANCE REPORTS, KNOWN AS THE BORROW EXCEPTION REPORT, ALSO WAS MAPPED TO AN AGGREGATION UNIT THAT WAS NO LONGER IN EXISTENCE, SO IT WAS NOT CAPTURING ANY TRADING ACTIVITY. IN ADDITION, THE FIRM LACKED SUPERVISORY REVIEWS THAT WERE REASONABLY DESIGNED TO ENSURE THAT THE DATA ITS SURVEILLANCE REPORTS RELIED UPON FOR SUPERVISING LOCATE COMPLIANCE WAS ACCURATE. FURTHER, THE BORROW EXCEPTION REPORT INCORRECTLY ASSUMED THAT ALL THE FIRM'S LOCATES WERE OBTAINED AT THE BEGINNING OF TRADING WHEN THAT WAS NOT ALWAYS THE CASE. THIS ASSUMPTION COULD RESULT IN POTENTIAL FAILURES TO DETECT SHORT SELLING IN EXCESS OF AVAILABLE LOCATES, BY PREMATURELY INFLATING THE AMOUNT OF LOCATES THE FIRM HAD AT MARKET OPEN WHEN THE FIRM OBTAINED LOCATES ON AN INTRA-DAY BASIS. FINALLY, THE BORROW EXCEPTION REPORT ERRONEOUSLY RELIED UPON EXECUTION TIMES FOR PURPOSES OF TRIGGERING LOCATE ALERTS. THE FINDINGS ALSO INCLUDED THAT THE FIRM LACKED WSPS CONCERNING ITS SYSTEM CHANGES, UPDATES AND CHECKS FOR REGULATORY COMPLIANCE. WHILE THE FIRM HAD A QUALITY CONTROL PROCESS FOR SYSTEMS UPDATES, SUCH REVIEW WAS NOT REFLECTED IN ITS WSPS. THE FIRM'S WSPS DID NOT REFLECT REASONABLE SUPERVISORY REVIEWS TO VALIDATE WHETHER THE FIRM'S QUALITY CONTROL PROCESS FOR REVIEWING AND APPROVING SYSTEMS CHANGES, INCLUDING DOCUMENTATION OF THE APPROVAL PROCESS, WAS BEING FOLLOWED. FURTHER, THE PROCEDURES DID NOT MAKE CLEAR THAT THE DESIGNATED SUPERVISOR'S RESPONSIBILITIES



ENCOMPASSED REVIEWS DESIGNED TO CONFIRM WHETHER SYSTEMS CHANGES WERE REASONABLE FOR ACHIEVING COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND RULES. FINALLY, THE FIRM'S WSPS DID NOT PROVIDE COMPLETE DESCRIPTIONS OF THE NATURE, SCOPE AND USE OF THE FIRM'S LOCATE REQUIREMENT SURVEILLANCE REPORTS.

Initiated By: FINRA

Date Initiated: 06/12/2020

Docket/Case Number: [2016050929001](#)

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: 06/12/2020

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 \$225,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$225,000. FINES PAID IN FULL ON JUNE 18, 2020.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE PURPOSE OF THIS SETTLEMENT IN CONNECTION WITH ISSUES THAT TWO SIGMA SECURITIES, LLC ("TSS") SELF-REPORTED TO FINRA ON JULY 11, 2016, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TSS CONSENTED TO THE ENTRY OF FINDINGS THAT FROM MARCH 21, 2014 TO MAY 5, 2016, TSS EFFECTED CERTAIN SHORT SALE TRANSACTIONS



WITHOUT BORROWING, OR ENTERING INTO A BONA-FIDE ARRANGEMENT TO BORROW THE SECURITIES, OR HAVING REASONABLE GROUNDS TO BELIEVE THEY COULD BE BORROWED, BY THE DELIVERY DATE OF SUCH SECURITIES CONTRARY TO THE REQUIREMENTS OF RULE 203(B)(1). THE FINDINGS STATED THAT (1) THE VIOLATIONS WERE ATTRIBUTABLE TO ISSUES RELATED TO TSS'S CENTRALIZED SYSTEM USED TO COMPUTE THE AMOUNT OF SECURITIES AVAILABLE FOR LOCATE PURPOSE, (2) THE ISSUES CAUSED TSS TO INCORRECTLY CALCULATE ITS NET POSITION IN ONE AGGREGATION UNIT AND FAIL TO DISTINGUISH BETWEEN THRESHOLD AND NON-THRESHOLD SECURITIES IN TWO AGGREGATION UNITS FOR LOCATE COMPLIANCE PURPOSES, (3) TSS FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RULE 203(B)(1), AND (4) BASED ON THE FOREGOING, TSS VIOLATED RULE 203(B)(1) OF REGULATION SHO, NASD RULE 3010 AND FINRA RULES 3110 AND 2010.

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| Initiated By: | FINRA |
| Date Initiated: | 06/12/2020 |
| Docket/Case Number: | 2016050929001 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 06/12/2020 |
| Sanctions Ordered: | Censure Monetary/Fine \$225,000.00 |
| Other Sanctions Ordered: | |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND A FINE OF \$225,000. THE FINE WAS PAID TO FINRA ON JUNE 18, 2020. |
| Firm Statement | THIS MATTER WAS RESOLVED ON JUNE 12, 2020 BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT. TWO SIGMA SECURITIES, LLC PAID THE FINE TO FINRA ON JUNE 18, 2020. |



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| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | <p>TWO SIGMA SECURITIES, LLC: (I) TENDERED SHARES FOR THE PARTIAL TENDER OFFER IN EXCESS OF ITS NET LONG POSITION, (II) FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE ADEQUATE WRITTEN SUPERVISORY PROCEDURES, AND A SYSTEM FOR APPLYING SUCH PROCEDURES, REASONABLY DESIGNED TO PREVENT AND DETECT VIOLATIONS OF EXCHANGE ACT RULE 14E-4.</p> <p>VIOLATION OF CBOE RULES 4.2 AND 4.24; RULE 14E-4 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED</p> <p>SANCTION: A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$20,000, AND DISGORGEMENT IN THE AMOUNT OF \$10,305.57.</p> |
| Initiated By: | CBOE EXCHANGE, INC. |
| Date Initiated: | 02/10/2020 |
| Docket/Case Number: | STAR NO. 20180589363 / FILE NO. USRI-8779 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | DISGORGEMENT IN THE AMOUNT OF \$10,305.57. |
| Resolution: | Consent |
| Resolution Date: | 02/13/2020 |
| Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? | No |
| Sanctions Ordered: | Censure Monetary/Fine \$20,000.00 Disgorgement/Restitution |
| Other Sanctions Ordered: | DISGORGEMENT IN THE AMOUNT OF \$10,305.57. |
| Sanction Details: | A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$20,000, AND DISGORGEMENT IN THE AMOUNT OF \$10,305.57. |



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| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | FOR THE PURPOSE OF SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT IT (1) TENDERED SHARES FOR THE PARTIAL TENDER OFFER IN AMGN IN EXCESS OF ITS NET LONG POSITION AND (2) FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH EXCHANGE ACT RULE 14E-4. |
| Initiated By: | CBOE EXCHANGE, INC. (CBOE) |
| Date Initiated: | 02/10/2020 |
| Docket/Case Number: | STAR NO. 20180589363/FILE NO. USRI-8779 |
| Principal Product Type: | Options |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE AND DISGORGEMENT |
| Resolution: | Consent |
| Resolution Date: | 02/13/2020 |
| Sanctions Ordered: | Censure Monetary/Fine \$20,000.00 Disgorgement/Restitution |
| Other Sanctions Ordered: | DISGORGEMENT IN THE AMOUNT OF \$10,305.57. |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE, A FINE OF \$20,000 AND DISGORGEMENT IN THE AMOUNT OF \$10,305.57. BOTH THE FINE AND DISGORGEMENT WERE PAID ON 2/14/2020. |
| Firm Statement | THIS MATTER WAS RESOLVED EFFECTIVE ON 2/13/2020. ON 2/10/2020, TWO SIGMA SECURITIES, LLC EXECUTED A LETTER OF CONSENT (LOC), WHICH WAS ACCEPTED BY CBOE ON 2/13/2020. TWO SIGMA SECURITIES, LLC PAID THE FINE AND DISGORGEMENT AMOUNTS ON 2/14/2020. |



Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E). MORE SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO RULE 15C3-5(B). FOR EXAMPLE, THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED); LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS; AND FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS AS REQUIRED BY RULE 15C3-5(C)(1)(II) WERE ALSO INADEQUATE IN THAT THE FIRM: (A) LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, (B) LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND (C) SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO RULE 15C3-5(C)(2) WERE INADEQUATE. SPECIFICALLY, THE FIRM LACKED ANY SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE RELEVANT PERIOD. AS A RESULT, THE FIRM VIOLATED RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E) AND NASDAQ PHLX LLC (EXCHANGE) RULE 748 DURING THE RELEVANT PERIOD. PURSUANT TO



EXCHANGE RULE 707, THE FIRM WAS PROHIBITED FROM ENGAGING IN CONDUCT INCONSISTENT WITH JUST AND EQUITABLE PRINCIPLES OF TRADE. AS A RESULT, THE FIRM VIOLATED EXCHANGE RULE 707 BY VIRTUE OF ITS VIOLATIONS OF RULE 15C3-5 AND EXCHANGE RULE 748.

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| Initiated By: | NASDAQ PHLX LLC |
| Date Initiated: | 03/30/2017 |
| Docket/Case Number: | 2013039165810 |
| 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: | 04/04/2017 |
| 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 \$6,500.00 |
| Other Sanctions Ordered: | UNDERTAKING: UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND EXCHANGE RULES 748 AND 707. |
| Sanction Details: | THE FIRM WAS CENSURED, FINED \$65,000 (TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES IN RELATED DISCIPLINARY ACTIONS, OF WHICH \$6,500 SHALL BE PAID TO NASDAQ PHLX LLC), AND UNDERTAKES TO UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND EXCHANGE RULES 748 AND 707. |

**Regulator Statement**

THE FIRM CONSENTS, WITHOUT ADMITTING OR DENYING THE CHARGES, TO FINDINGS BASED ON VIOLATIONS OF CERTAIN EXCHANGE RULES AND OTHER RULES, AND CONSENTS TO THE IMPOSITION OF SANCTIONS SPECIFICALLY INCLUDING, BUT NOT LIMITED TO, CONSENTING TO PAY THE FINE IMPOSED BY THE BUSINESS CONDUCT COMMITTEE CONSISTENT WITH THE FIRM'S OFFER OF SETTLEMENT, STIPULATION OF FACTS AND CONSENT TO SANCTIONS, AND TO COMPLY WITH ALL OTHER SANCTIONS, AS HEREINAFTER SET FORTH. THE COMMITTEE ACCEPTS THE FOREGOING STIPULATION OF FACTUAL FINDINGS, AND ON THE BASIS THEREOF, FINDS THAT THE FIRM VIOLATED RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); AND EXCHANGE RULES 748 AND 707 DURING THE RELEVANT PERIOD. (ASSOCIATED CASES: 20140409338/20150462036/ENFORCEMENT NO. 2017-04)

Reporting Source:

Firm

Current Status:

Final

Allegations:

FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED NASDAQ PHLX LLC RULES 748 AND 707, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014.

Initiated By:

NASDAQ PHLX LLC

Date Initiated:

03/30/2017

Docket/Case Number:

20130391658-10

Principal Product Type:

No Product

Other Product Type(s):**Principal Sanction(s)/Relief Sought:**

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



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| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 04/04/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$6,500.00 |
| Other Sanctions Ordered: | UNDERTAKING |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A \$65,000 FINE, OF WHICH \$6,500 WILL BE PAID TO NASDAQ PHLX LLC, AND THE REMAINING AMOUNT WILL BE PAID TO FINRA, NYSE ARCA, INC., THE NASDAQ BX, INC., BATS EDGA EXCHANGE, INC., BATS EDGX EXCHANGE, INC., THE NASDAQ STOCK MARKET LLC, NEW YORK STOCK EXCHANGE LLC, NYSE MKT LLC AND BATS BZX EXCHANGE, INC. IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES. |
| Firm Statement | THIS MATTER WAS RESOLVED ON APRIL 4, 2017 BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT. THE FINE WAS PAID ON APRIL 27, 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017. |

Disclosure 8 of 18

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| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AS MORE SPECIFICALLY DESCRIBED BELOW, AND DID NOT COMPLY WITH SEC RULE 15C3-5 IN SEVERAL RESPECTS DURING THE REVIEW PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). SPECIFICALLY, THE FIRM FAILED TO DOCUMENT ADEQUATELY ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER SEC RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B). FOR EXAMPLE, THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED); LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS; AND |



FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS AS REQUIRED BY SEC RULE 15C3-5(C)(1)(II) WERE ALSO INADEQUATE IN THAT THE FIRM: (A) LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, (B) LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND (C) SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO SEC RULE 15C3-5(C)(2) WERE INADEQUATE. THE FIRM LACKED SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE REVIEW PERIOD. FOR THESE REASONS, THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES DURING THE REVIEW PERIOD WERE NOT REASONABLY DESIGNED TO COMPLY WITH SEC RULE 15C3-5. ACCORDINGLY, THE FIRM VIOLATED SEC RULES 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). THE FIRM ALSO THEREBY VIOLATED NYSE ARCA EQUITIES RULES 6.18 AND 6.1, AND CONDUCT RULE 2010.

Initiated By: NYSE ARCA, INC.

Date Initiated: 04/06/2017

Docket/Case Number: 2013039165809

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision



Resolution Date: 04/06/2017

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 \$6,500.00

Other Sanctions Ordered:

Sanction Details: TWO SIGMA SECURITIES, LLC AND NYSE ARCA, INC. ENTERED INTO AN OFFER OF SETTLEMENT AND CONSENT FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO IN THE OFFER OF SETTLEMENT. THE HEARING OFFICER ACCEPTS THE OFFER OF SETTLEMENT AND CONSENT AND ISSUES THIS DECISION IN ACCORDANCE WITH NYSE ARCA EQUITIES RULES. THE FIRM WAS CENSURED, FINED \$6,500, AND IS ORDERED TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES DESCRIBED IN THIS DECISION TO ACHIEVE COMPLIANCE WITH SEC RULE 15C3-5 AND NYSE ARCA EQUITIES RULES 6.18 AND 6.1 AND CONDUCT RULE 2010. THE FIRM WAS FINED A TOTAL OF \$65,000 TO BE PAID JOINTLY TO NYSE ARCA EQUITIES, NEW YORK STOCK EXCHANGE LLC (NYSE), NYSE MKT LLC, BAT BZX EXCHANGE, INC., BATS EDGA EXCHANGE, INC., BATS EDGX EXCHANGE, INC., NASDAQ, NASDAQ BX, INC., NASDAQ PHLX LLC AND FINRA.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT



PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED NYSE ARCA, INC. RULES 6.18, 6.1 AND CONDUCT RULE 2010, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014.

Initiated By: NYSE ARCA, INC.

Date Initiated: 04/06/2017

Docket/Case Number: 20130391658-09

Principal Product Type: No Product

Other Product Type(s):

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

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/06/2017

Sanctions Ordered: Censure
Monetary/Fine \$6,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: TWO SIGMA SECURITIES, LLC CONSENTED TO A \$65,000 FINE, OF WHICH \$6,500 WILL BE PAID TO NYSE ARCA, INC., AND THE REMAINING AMOUNT WILL BE PAID TO FINRA, THE NASDAQ BX, INC., BATS EDGA EXCHANGE, INC., BATS EDGX EXCHANGE, INC., THE NASDAQ STOCK MARKET LLC, NEW YORK STOCK EXCHANGE LLC, NYSE MKT LLC, BATS BZX EXCHANGE, INC. AND NASDAQ PHLX LLC IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES.

Firm Statement THIS MATTER WAS RESOLVED ON APRIL 6, 2017 BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT. THE FINE WAS PAID ON APRIL 25, 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017.

**Disclosure 9 of 18****Reporting Source:** Regulator**Current Status:** Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE 2012-2014 REVIEW PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). MORE SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO RULE 15C3-5(B). FOR EXAMPLE, THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED); LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS; AND FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS AS REQUIRED BY RULE 15C3-5(C)(1)(II) WERE ALSO INADEQUATE IN THAT THE FIRM: (A) LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, (B) LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND (C) SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO RULE 15C3-5(C)(2) WERE INADEQUATE. SPECIFICALLY, THE FIRM LACKED ANY SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC



GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE 2012-2014 REVIEW PERIOD. ACCORDINGLY, THE FIRM VIOLATED SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). FURTHER, DUE TO THE AFOREMENTIONED INADEQUACIES, THE FIRM VIOLATED NYSE RULES 342 AND 2010.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 04/06/2017

Docket/Case Number: 2013039165807

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: 04/30/2017

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 \$6,500.00

Other Sanctions Ordered: UNDERTAKING: UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND NYSE RULES 342 AND 2010

Sanction Details: THE FIRM WAS CENSURED, FINED \$65,000 (TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES IN RELATED DISCIPLINARY ACTIONS, OF WHICH \$6,500 SHALL BE PAID TO NYSE), AND UNDERTAKES TO UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE



COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND NYSE RULES 342 AND 2010. THE DECISION BECAME FINAL ON APRIL 30, 2017.

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| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED NEW YORK STOCK EXCHANGE LLC RULES 342 AND 2010, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014. |
| Initiated By: | NEW YORK STOCK EXCHANGE LLC |
| Date Initiated: | 04/04/2017 |
| Docket/Case Number: | 20130391658-07 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 04/30/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$6,500.00 |



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| Other Sanctions Ordered: | UNDERTAKING |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A \$65,000 FINE, OF WHICH \$6,500 WILL BE PAID TO NEW YORK STOCK EXCHANGE LLC, AND THE REMAINING AMOUNT WILL BE PAID TO FINRA, NYSE MKT LLC, BATS BZX EXCHANGE, INC., NASDAQ PHX LLC, NYSE ARCA, INC., THE NASDAQ BX, INC., BATS EDGA EXCHANGE, INC., BATS EDGX EXCHANGE, INC. AND THE NASDAQ STOCK MARKET LLC IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES. |
| Firm Statement | THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT WAS FULLY EXECUTED ON APRIL 4, 2017, AND THE MATTER BECAME FINAL ON APRIL 30, 2017. THE FINE WAS PAID ON MAY 3, 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017. |

Disclosure 10 of 18

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| Reporting Source: | Regulator |
| Current Status: | Final |
| Allegations: | <p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE 2012-2014 REVIEW PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). MORE SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO RULE 15C3-5(B). FOR EXAMPLE, THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED); LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS; AND FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING</p> |



THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS AS REQUIRED BY RULE 15C3-5(C)(1)(II) WERE ALSO INADEQUATE IN THAT THE FIRM: (A) LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, (B) LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND (C) SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO RULE 15C3-5(C)(2) WERE INADEQUATE. SPECIFICALLY, THE FIRM LACKED ANY SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE 2012-2014 REVIEW PERIOD. ACCORDINGLY, THE FIRM VIOLATED SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). FURTHER, DUE TO THE AFOREMENTIONED INADEQUACIES, THE FIRM VIOLATED NASDAQ BX, INC. (BX) EQUITY RULES 3010 AND 2110.

Initiated By: NASDAQ BX, INC.

Date Initiated: 04/06/2017

Docket/Case Number: 2013039165806

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: 04/06/2017

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



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| Sanctions Ordered: | Censure Monetary/Fine \$6,500.00 |
| Other Sanctions Ordered: | UNDERTAKING: UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND BX EQUITY RULES 3010 AND 2110 |
| Sanction Details: | THE FIRM WAS CENSURED, FINED \$65,000 (TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES IN RELATED DISCIPLINARY ACTIONS, OF WHICH \$6,500 SHALL BE PAID TO BX), AND UNDERTAKES TO UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND BX EQUITY RULES 3010 AND 2110. |
| <hr/> | |
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED THE NASDAQ BX, INC. EQUITY RULES 3010 AND 2110, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014. |
| Initiated By: | THE NASDAQ BX, INC. |
| Date Initiated: | 04/06/2017 |



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| Docket/Case Number: | 20130391658-06 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 04/06/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$6,500.00 |
| Other Sanctions Ordered: | UNDERTAKING |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A \$65,000 FINE, OF WHICH \$6,500 WILL BE PAID TO THE NASDAQ BX, INC., AND THE REMAINING AMOUNT WILL BE PAID TO FINRA, BATS EDGA EXCHANGE, INC., BATS EDGX EXCHANGE, INC., THE NASDAQ STOCK MARKET LLC, NEW YORK STOCK EXCHANGE LLC, NYSE MKT LLC, BATS BZX EXCHANGE, INC., NASDAQ PHLX LLC AND NYSE ARCA, INC. IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES. |
| Firm Statement | THIS MATTER WAS RESOLVED ON APRIL 6, 2017 BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT. THE FINE WAS PAID ON MAY 31, 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017. |

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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 THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN |



SEVERAL RESPECTS DURING THE 2012-2014 REVIEW PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). MORE SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO RULE 15C3-5(B). FOR EXAMPLE, THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED); LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS; AND FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS AS REQUIRED BY RULE 15C3-5(C)(1)(II) WERE ALSO INADEQUATE IN THAT THE FIRM: (A) LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, (B) LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND (C) SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO RULE 15C3-5(C)(2) WERE INADEQUATE. SPECIFICALLY, THE FIRM LACKED ANY SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE 2012-2014 REVIEW PERIOD. ACCORDINGLY, THE FIRM VIOLATED SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). FURTHER, DUE TO THE AFOREMENTIONED INADEQUACIES, THE FIRM VIOLATED NYSE MKT RULES 342 AND 2010-EQUITIES.

Initiated By: NYSE MKT LLC
Date Initiated: 04/06/2017
Docket/Case Number: 2013039165808
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: 04/30/2017

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 \$6,500.00

Other Sanctions Ordered: UNDERTAKING: UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND NYSE MKT RULES 342 AND 2010-EQUITIES

Sanction Details: THE FIRM WAS CENSURED, FINED \$65,000 (TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES IN RELATED DISCIPLINARY ACTIONS, OF WHICH \$6,500 SHALL BE PAID TO NYSE MKT), AND UNDERTAKES TO UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND NYSE MKT RULES 342 AND 2010-EQUITIES. THE DECISION BECAME FINAL ON APRIL 30, 2017.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO



MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED NYSE MKT LLC RULES 342 AND 2010, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014.

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| Initiated By: | NYSE MKT LLC |
| Date Initiated: | 04/04/2017 |
| Docket/Case Number: | 20130391658-08 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 04/30/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$6,500.00 |
| Other Sanctions Ordered: | UNDERTAKING |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A \$65,000 FINE, OF WHICH \$6,500 WILL BE PAID TO NYSE MKT LLC, AND THE REMAINING AMOUNT WILL BE PAID TO FINRA, BATS BZX EXCHANGE, INC., NASDAQ PHLX LLC, NYSE ARCA, INC., THE NASDAQ BX, INC., BATS EDGA EXCHANGE, INC., BATS EDGX EXCHANGE, INC., THE NASDAQ STOCK MARKET LLC AND NEW YORK STOCK EXCHANGE LLC IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES. |
| Firm Statement | THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT WAS FULLY |



EXECUTED ON APRIL 4, 2017, AND THE MATTER BECAME FINAL ON APRIL 30, 2017. THE FINE WAS PAID ON MAY 3, 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017.

Disclosure 12 of 18

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE 2012-2014 REVIEW PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). MORE SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO RULE 15C3-5(B). FOR EXAMPLE, THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED); LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS; AND FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS AS REQUIRED BY RULE 15C3-5(C)(1)(II) WERE ALSO INADEQUATE IN THAT THE FIRM: (A) LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, (B) LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND (C) SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO RULE 15C3-5(C)(2) WERE INADEQUATE.



SPECIFICALLY, THE FIRM LACKED ANY SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE 2012-2014 REVIEW PERIOD. THE FIRM'S ORDER SIZE CONTROLS RELATIVE TO A STOCK'S AVERAGE DAILY TRADING VOLUME (ADTV) FOR PURPOSES OF PREVENTING ERRONEOUS ORDERS PURSUANT TO RULE 15C3-5(C)(1)(II) FAILED TO OPERATE AS DESIGNED DURING A TRADING HALT INsofar AS ITS ADTV CONTROL FAILED TO AUTOMATICALLY BLOCK AN ORDER FROM BEING TRANSMITTED TO THE MARKET WHEN THE FIRM'S ADTV THRESHOLD WAS REACHED. THUS, FIRM ORDERS THAT EXCEEDED ITS ADTV THRESHOLDS COULD BE ENTERED AND TRANSMITTED TO THE MARKETS. ACCORDINGLY, THE FIRM VIOLATED SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). FURTHER, DUE TO THE AFOREMENTIONED INADEQUACIES, THE FIRM VIOLATED NASDAQ RULES 2010A, 2110 AND 3010.

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| Initiated By: | NASDAQ STOCK MARKET |
| Date Initiated: | 04/06/2017 |
| Docket/Case Number: | 2013039165805 |
| Principal Product Type: | Equity Listed (Common & Preferred Stock) |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | |
| Other Sanction(s)/Relief Sought: | |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 04/06/2017 |
| 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 \$31,500.00 |
| Other Sanctions Ordered: | UNDERTAKING: UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT |



CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND NASDAQ RULES 2010A AND 3010

Sanction Details:

THE FIRM WAS CENSURED, FINED A TOTAL FINE OF \$90,000, CONSISTING OF \$65,000 (TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES FOR RELATED DISCIPLINARY ACTIONS, OF WHICH \$6,500 SHALL BE PAID TO NASDAQ) AND \$25,000, AND UNDERTAKES TO UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND NASDAQ RULES 2010A AND 3010.

Reporting Source:

Firm

Current Status:

Final

Allegations:

FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED THE NASDAQ STOCK MARKET LLC RULE 2010 (FOR CONDUCT PRIOR TO NOV. 21, 2012), NASDAQ RULE 2010A (FOR CONDUCT ON OR AFTER NOV. 21, 2012), NASDAQ RULE 3010, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014.

IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT ITS ORDER SIZE CONTROLS RELATIVE TO A STOCK'S AVERAGE DAILY TRADING VOLUME (ADTV) FOR PURPOSES OF PREVENTING ERRONEOUS ORDERS FAILED TO OPERATE AS DESIGNED DURING A TRADING HALT ON JUNE 8, 2015, CONTRARY TO SEC RULE 15C3-5 AND AFOREMENTIONED RULES OF THE NASDAQ STOCK MARKET, LLC.

Initiated By:

THE NASDAQ STOCK MARKET LLC



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| Date Initiated: | 04/06/2017 |
| Docket/Case Number: | 20130391658-05 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 04/06/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$31,500.00 |
| Other Sanctions Ordered: | UNDERTAKING |
| Sanction Details: | TWO SIGMA SECURITIES LLC CONSENTED TO A \$90,000 FINE, OF WHICH \$31,500 WILL BE PAID TO THE NASDAQ STOCK MARKET LLC (\$6,500 FOR THE DEFICIENCIES RELATING TO THE AUGUST 2012 - APRIL 2014 TIME PERIOD, AND \$25,000 FOR THE DEFICIENCY RELATING TO JUNE 8, 2015), AND THE REMAINING AMOUNT WILL BE PAID TO FINRA, NYSE ARCA, INC., THE NASDAQ BX, INC., BATS EDGA EXCHANGE, INC., BATS EDGX EXCHANGE, INC., NASDAQ PHLX LLC, NEW YORK STOCK EXCHANGE LLC, NYSE MKT LLC AND BATS BZX EXCHANGE, INC. IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES. |
| Firm Statement | THIS MATTER WAS RESOLVED ON APRIL 6, 2017 BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT. THE FINE WAS PAID ON MAY 26 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017. |

Disclosure 13 of 18

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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 THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE |



FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE 2012-2014 REVIEW PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). MORE SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO RULE 15C3-5(B). FOR EXAMPLE, THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED); LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS; AND FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS AS REQUIRED BY RULE 15C3-5(C)(1)(II) WERE ALSO INADEQUATE IN THAT THE FIRM: (A) LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, (B) LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND (C) SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO RULE 15C3-5(C)(2) WERE INADEQUATE. SPECIFICALLY, THE FIRM LACKED ANY SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE 2012-2014 REVIEW PERIOD. ACCORDINGLY, THE FIRM VIOLATED SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). FURTHER, DUE TO THE AFOREMENTIONED INADEQUACIES, THE FIRM VIOLATED BATS EDGX EXCHANGE, INC. (EDGX) RULES 5.1, 5.2, 5.4 AND 3.1.

Initiated By: BATS EDGX EXCHANGE, INC.

Date Initiated: 04/06/2017

Docket/Case Number: 2013039165803



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| 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: | 04/06/2017 |
| 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 \$6,500.00 |
| Other Sanctions Ordered: | UNDERTAKING: UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND EDGX RULES 5.1, 5.2, 5.4 AND 3.1. |
| Sanction Details: | THE FIRM WAS CENSURED, FINED \$65,000 (TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES IN RELATED DISCIPLINARY ACTIONS, OF WHICH \$6,500 SHALL BE PAID TO EDGX), AND UNDERTAKES TO UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND EDGX RULES 5.1, 5.2, 5.4 AND 3.1. |
| <hr/> | |
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS |



AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED BATS EDGX EXCHANGE, INC. RULES 5.1, 5.2, 5.4 AND 3.1, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014.

Initiated By: BATS EDGX EXCHANGE, INC.

Date Initiated: 04/06/2017

Docket/Case Number: 20130391658-03

Principal Product Type: No Product

Other Product Type(s):

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

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/06/2017

Sanctions Ordered: Censure
Monetary/Fine \$6,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: TWO SIGMA SECURITIES, LLC CONSENTED TO A \$65,000 FINE, OF WHICH \$6,500 WILL BE PAID TO BATS EDGX EXCHANGE, INC., AND THE REMAINING AMOUNT WILL BE PAID TO FINRA, THE NASDAQ STOCK MARKET LLC, NEW YORK STOCK EXCHANGE LLC, NYSE MKT LLC, BATS BZX EXCHANGE, INC., NASDAQ PHLX LLC, NYSE ARCA, INC., THE NASDAQ BX, INC. AND BATS EDGA EXCHANGE, INC. IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE



DEFICIENCIES.

Firm Statement

THIS MATTER WAS RESOLVED ON APRIL 6, 2017 BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT. THE FINE WAS PAID ON APRIL 25, 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017.

Disclosure 14 of 18**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE 2012-2014 REVIEW PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). MORE SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO RULE 15C3-5(B). FOR EXAMPLE, THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED); LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS; AND FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS AS REQUIRED BY RULE 15C3-5(C)(1)(II) WERE ALSO INADEQUATE IN THAT THE FIRM: (A) LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, (B) LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND (C) SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S



CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO RULE 15C3-5(C)(2) WERE INADEQUATE. SPECIFICALLY, THE FIRM LACKED ANY SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE 2012-2014 REVIEW PERIOD. ACCORDINGLY, THE FIRM VIOLATED SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). FURTHER, DUE TO THE AFOREMENTIONED INADEQUACIES, THE FIRM VIOLATED BATS EDGA EXCHANGE, INC. (EDGA) RULES 5.1, 5.2, 5.4 AND 3.1.

Initiated By: BATS EDGA EXCHANGE, INC.

Date Initiated: 04/06/2017

Docket/Case Number: 2013039165802

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: 04/06/2017

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 \$6,500.00

Other Sanctions Ordered: UNDERTAKING: UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND EDGA RULES 5.1, 5.2, 5.4 AND 3.1.

Sanction Details: THE FIRM WAS CENSURED, FINED \$65,000 (TO BE PAID JOINTLY TO FINRA



AND THE EXCHANGES IN RELATED DISCIPLINARY ACTIONS, OF WHICH \$6,500 SHALL BE PAID TO EDGA), AND UNDERTAKES TO UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND EDGA RULES 5.1, 5.2, 5.4 AND 3.1.

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|---|---|
| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | <p>FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED BATS EDGA EXCHANGE, INC. RULES 5.1, 5.2, 5.4 AND 3.1, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014.</p> |
| Initiated By: | BATS EDGA EXCHANGE, INC. |
| Date Initiated: | 04/06/2017 |
| Docket/Case Number: | 20130391658-02 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |



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|---------------------------------|--|
| Resolution Date: | 04/06/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$6,500.00 |
| Other Sanctions Ordered: | UNDERTAKING |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A \$65,000 FINE, OF WHICH \$6,500 WILL BE PAID TO BATS EDGA EXCHANGE, INC., AND THE REMAINING AMOUNT WILL BE PAID TO FINRA, BATS EDGX EXCHANGE, INC., THE NASDAQ STOCK MARKET LLC, NEW YORK STOCK EXCHANGE LLC, NYSE MKT LLC, BATS BZX EXCHANGE, INC., NASDAQ PHLX LLC, NYSE ARCA, INC. AND THE NASDAQ BX, INC. IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES. |
| Firm Statement | THIS MATTER WAS RESOLVED ON APRIL 6, 2017 BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT. THE FINE WAS PAID ON APRIL 25, 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017. |

Disclosure 15 of 18

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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 THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE 2012-2014 REVIEW PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). MORE SPECIFICALLY, THE FIRM FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO RULE 15C3-5(B). FOR EXAMPLE, THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED); LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS; AND FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN |



DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS AS REQUIRED BY RULE 15C3-5(C)(1)(II) WERE ALSO INADEQUATE IN THAT THE FIRM: (A) LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, (B) LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND (C) SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO RULE 15C3-5(C)(2) WERE INADEQUATE. SPECIFICALLY, THE FIRM LACKED ANY SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE 2012-2014 REVIEW PERIOD. ACCORDINGLY, THE FIRM VIOLATED SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2) AND 15C3-5(E). FURTHER, DUE TO THE AFOREMENTIONED INADEQUACIES, THE FIRM VIOLATED BATS BZX EXCHANGE, INC. (BZX) RULES 5.1, 5.2, 5.4 AND 3.1.

Initiated By: BATS BZX EXCHANGE, INC.

Date Initiated: 04/06/2017

Docket/Case Number: 2013039165801

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: 05/05/2017



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| 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 \$6,500.00 |
| Other Sanctions Ordered: | UNDERTAKING: UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND BZX RULES 5.1, 5.2, 5.4 AND 3.1 |
| Sanction Details: | THE FIRM WAS CENSURED, FINED \$65,000 (TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES IN RELATED DISCIPLINARY ACTIONS, OF WHICH \$6,500 SHALL BE PAID TO BZX), AND UNDERTAKES TO UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND BZX RULES 5.1, 5.2, 5.4 AND 3.1. THE DECISION BECAME FINAL ON MAY 5, 2017. |
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| Reporting Source: | Firm |
| Current Status: | Final |
| Allegations: | FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED BATS BZX EXCHANGE, INC. RULES 5.1, 5.2, 5.4 AND 3.1, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND |



EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014.

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| Initiated By: | BATS BZX EXCHANGE, INC. |
| Date Initiated: | 04/06/2017 |
| Docket/Case Number: | 20130391658-01 |
| Principal Product Type: | No Product |
| Other Product Type(s): | |
| Principal Sanction(s)/Relief Sought: | Civil and Administrative Penalt(ies) /Fine(s) |
| Other Sanction(s)/Relief Sought: | CENSURE |
| Resolution: | Acceptance, Waiver & Consent(AWC) |
| Resolution Date: | 05/05/2017 |
| Sanctions Ordered: | Censure Monetary/Fine \$6,500.00 |
| Other Sanctions Ordered: | UNDERTAKING |
| Sanction Details: | TWO SIGMA SECURITIES, LLC CONSENTED TO A \$65,000 FINE, OF WHICH \$6,500 WILL BE PAID TO BATS BZX EXCHANGE, INC., AND THE REMAINING AMOUNT WILL BE PAID TO FINRA, NASDAQ PHLX LLC, NYSE ARCA, INC., THE NASDAQ BX, INC., BATS EDGA EXCHANGE, INC., BATS EDGX EXCHANGE, INC., THE NASDAQ STOCK MARKET LLC, NEW YORK STOCK EXCHANGE LLC AND NYSE MKT LLC IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES. |
| Firm Statement | THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT WAS FULLY EXECUTED ON APRIL 5, 2017 AND THE MATTER BECAME FINAL ON MAY 5, 2017. THE FINE WAS PAID ON APRIL 25, 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017. |

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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 THE FIRM'S RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE 2012-2014 REVIEW PERIOD. THE FINDINGS STATED THAT THE FIRM FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5. THE FIRM FAILED TO SUFFICIENTLY DOCUMENT CERTAIN RISK CONTROLS IT DEPLOYED IN ITS WRITTEN DESCRIPTION OF ITS RISK MANAGEMENT CONTROLS (OR HOW THEY OPERATED), LACKED SUFFICIENT DOCUMENTATION OF ITS BASIS FOR CERTAIN CONTROL LIMITS, AND FAILED TO SUFFICIENTLY DETAIL ITS CRITERIA FOR EVALUATING AND ESTABLISHING CERTAIN CONTROL LIMITS AND PROCEDURES. FURTHERMORE, THE FIRM MADE ONLY GENERIC REFERENCE TO CERTAIN DAILY AND QUARTERLY REVIEWS BY CERTAIN PERSONNEL OF PARTICULAR CHANGES TO RISK CONTROL LIMITS AND PROVIDED INSUFFICIENT DETAIL ABOUT WHAT THE FIRM'S REVIEWS FOR ASSESSING THE OVERALL EFFECTIVENESS OF ITS CONTROLS AND PROCEDURES ENTAILED. THE FIRM'S CONTROLS WERE ALSO INADEQUATE IN THAT THE FIRM LACKED PRE-ORDER ENTRY CONTROLS, BASED ON THE PARTICULAR CHARACTERISTICS OF THE ORDER, TAILORED TO IDENTIFY AND PREVENT POTENTIAL DUPLICATIVE ORDER ENTRY, LACKED PRE-ORDER ENTRY CONTROLS SPECIFICALLY TRACKING THE NUMBER OF CANCEL MESSAGES SENT TO AN EXCHANGE TO DETECT REPEATED CANCELLATIONS WITHIN COMPRESSED TIME PERIODS WHICH COULD BE INDICATIVE OF ERRONEOUS ACTIVITY, AND SET CERTAIN ORDER RATE LIMITS AT LEVELS TOO HIGH TO BE REASONABLY EXPECTED TO PREVENT POTENTIALLY ERRONEOUS ORDER ACTIVITY. FURTHER, THE FIRM'S CONTROLS AND PROCEDURES FOR COMPLYING WITH REGULATORY REQUIREMENTS PURSUANT TO RULE 15C3-5(C)(2) WERE INADEQUATE. SPECIFICALLY, THE FIRM LACKED ANY SPECIFIC CONTROLS OR SURVEILLANCE TO DETECT AND PREVENT POTENTIALLY MANIPULATIVE ACTIVITY IN THE FORM OF SPOOFING, LAYERING, AND ALGORITHMIC GAMING ACTIVITY, AND HAD INSUFFICIENT SURVEILLANCE FOR POTENTIAL MARKING OF THE CLOSE ACTIVITY DURING THE 2012-2014 REVIEW PERIOD.

Initiated By: FINRA
Date Initiated: 04/06/2017
Docket/Case Number: [2013039165804](#)
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: 04/06/2017

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 \$6,500.00

Other Sanctions Ordered: UNDERTAKING: UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND FINRA RULES 3110 AND 2010

Sanction Details: THE FIRM WAS CENSURED, FINED \$65,000 (TO BE PAID JOINTLY TO FINRA AND THE EXCHANGES IN RELATED DISCIPLINARY ACTIONS, OF WHICH \$6,500 SHALL BE PAID TO FINRA), AND UNDERTAKES TO UPDATE THE FIRM'S SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES, INCLUDING BUT NOT LIMITED TO, ITS WRITTEN DESCRIPTION OF RISK MANAGEMENT CONTROLS AND WRITTEN SUPERVISORY PROCEDURES TO ADDRESS ITS DEFICIENCIES TO ACHIEVE COMPLIANCE WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 AND FINRA RULES 3110 AND 2010. FINES PAID IN FULL ON 5/3/17.

Reporting Source: Firm

Current Status: Final

Allegations: FOR THE PURPOSE OF THIS SETTLEMENT, WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS, TWO SIGMA SECURITIES, LLC CONSENTED TO THE ENTRY OF FINDINGS THAT (1) ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO MANAGE CERTAIN ASPECTS OF THE FINANCIAL, REGULATORY AND OTHER RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITY INVOLVING MARKET



ACCESS, AND DID NOT COMPLY WITH RULE 15C3-5 OF THE SECURITIES EXCHANGE ACT OF 1934 IN SEVERAL RESPECTS DURING THE RELEVANT PERIOD, INCLUDING SEC RULE 15C3-5(B), 15C3-5(C)(1)(II), 15C3-5(C)(2), AND 15C3-5(E); (2) IT FAILED TO ADEQUATELY DOCUMENT ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES UNDER RULE 15C3-5, CONTRARY TO SEC RULE 15C3-5(B); AND (3) DUE TO THOSE INADEQUACIES IT FURTHER VIOLATED NASDAQ PHLX LLC RULES 748 AND 707, AND RELATED REQUIREMENTS OF EIGHT OTHER EXCHANGES AND FINRA PERTAINING TO SUPERVISION AND JUST AND EQUITABLE CONDUCT DURING THE PERIOD FROM AUGUST 9, 2012 THROUGH APRIL 9, 2014.

Initiated By: FINRA

Date Initiated: 04/06/2017

Docket/Case Number: 20130391658-04

Principal Product Type: No Product

Other Product Type(s):

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

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/06/2017

Sanctions Ordered: Censure
Monetary/Fine \$6,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: TWO SIGMA SECURITIES, LLC CONSENTED TO A \$65,000 FINE, OF WHICH \$6,500 WILL BE PAID TO FINRA, AND THE REMAINING AMOUNT WILL BE PAID TO BATS BZX EXCHANGE, INC., NASDAQ PHLX LLC, NYSE ARCA, INC., THE NASDAQ BX, INC., BATS EDGA EXCHANGE, INC., BATS EDGX EXCHANGE, INC., THE NASDAQ STOCK MARKET LLC, NEW YORK STOCK EXCHANGE LLC AND NYSE MKT LLC IN ACCORDANCE WITH THE TERMS OF SIMILAR SETTLEMENT AGREEMENTS IN RELATED MATTERS. IN ADDITION, TWO SIGMA SECURITIES, LLC CONSENTED TO A CENSURE AND AN UNDERTAKING TO UPDATE ITS SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO ADDRESS THE DEFICIENCIES.

Firm Statement THIS MATTER WAS RESOLVED ON APRIL 6, 2017 BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT. THE FINE WAS PAID ON MAY 3, 2017. THE UNDERTAKING WAS COMPLETED AS OF JUNE 13, 2017.



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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 IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN POLICIES AND PROCEDURES REASONABLY DESIGNED TO PREVENT THE EXECUTION OR DISPLAY OF A NON-EXEMPT SHORT SALE IN A SECURITY SUBJECT TO A SHORT SALE CIRCUIT BREAKER AT A PRICE AT OR BELOW THE NATIONAL BEST BID. THE FINDINGS STATED THAT THE FIRM EXECUTED 988 SHORT EXEMPT TRANSACTIONS AND FAILED TO REPORT EACH OF THESE TRANSACTIONS TO THE TRADE REPORTING FACILITY WITH A SHORT EXEMPT MODIFIER. |
| Initiated By: | FINRA |
| Date Initiated: | 07/30/2015 |
| Docket/Case Number: | 2013036584701 |
| 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: | 07/30/2015 |
| 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 \$20,000.00 |
| Other Sanctions Ordered: | UNDERTAKING: REQUIRED TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES |
| Sanction Details: | THE FIRM WAS CENSURED, FINED \$20,000 AND UNDERTAKES TO REVISE |



ITS WRITTEN SUPERVISORY PROCEDURES.
FINE PAID IN FULL ON AUGUST 7, 2015.

Regulator Statement

PRIOR TO ANY FINRA INQUIRY IN THIS MATTER, THE FIRM SELF-REPORTED THAT A PROGRAMMING ERROR CAUSED IT TO EXECUTE 4,592 SHORT SALE TRANSACTIONS IN SECURITIES SUBJECT TO A SHORT SALE CIRCUIT BREAKER AT THE NATIONAL BEST BID. THE FIRM'S SELF-REPORTING WAS TAKEN INTO ACCOUNT IN DETERMINING THE SANCTIONS IN THIS MATTER.

Reporting Source:

Firm

Current Status:

Final

Allegations:

FINRA ALLEGED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN POLICIES AND PROCEDURES REASONABLY DESIGNED TO PREVENT THE EXECUTION OR DISPLAY OF A NON-EXEMPT SHORT SALE IN A SECURITY SUBJECT TO A SHORT SALE CIRCUIT BREAKER AT A PRICE AT OR BELOW THE NATIONAL BEST BID WHICH CONSTITUTES A VIOLATION OF SEC RULE 201(B), NASD RULE 3010 AND FINRA RULE 2010. IN ADDITION, FINRA ALLEGED THAT THE FIRM EXECUTED 988 SHORT EXEMPT TRANSACTIONS AND FAILED TO REPORT EACH OF THESE TRANSACTIONS TO THE TRADE REPORTING FACILITY WITH A SHORT EXEMPT MODIFIER, WHICH CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6182.

Initiated By:

FINRA

Date Initiated:

07/30/2015

Docket/Case Number:

[2013036584701](#)

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:

07/30/2015

Sanctions Ordered:

Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

UNDERTAKING: THE FIRM IS REQUIRED TO REVISE ITS WRITTEN



SUPERVISORY PROCEDURES

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM AGREED TO A CENSURE, A FINE OF \$20,000, AND AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE AREAS DESCRIBED ABOVE. THE \$20,000 FINE WAS PAID IN FULL ON AUGUST 7, 2015.

Firm Statement

THE MATTER WAS RESOLVED BY A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC"). WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM EXECUTED THE AWC ON JULY 23, 2015. FINRA ACCEPTED THE FIRM'S AWC ON JULY 30, 2015, AND THE FIRM RECEIVED FINRA'S ACCEPTANCE ON AUGUST 3, 2015. FINRA CONFIRMED RECEIPT OF PAYMENT OF THE FINE ON AUGUST 7, 2015.

Disclosure 18 of 18**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

TWO SIGMA SECURITIES, LLC ("TWO SIGMA") A CBSX TRADING PERMIT HOLDER, WAS CENSURED AND FINED \$5,000 FOR THE FOLLOWING CONDUCT: TWO SIGMA FAILED TO REGISTER THE MINIMUM NUMBER OF INDIVIDUALS REQUIRED TO REGISTER AS A PROPRIETARY TRADER PRINCIPAL ("TP") IN WEBCRD BY NOVEMBER 5, 2011. (EXCHANGE RULE 3.6A - QUALIFICATION AND REGISTRATION OF TRADING PERMIT HOLDERS AND ASSOCIATED PERSONS)

Initiated By:

CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated:

02/26/2013

Docket/Case Number:

13-0009

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:**

Consent

Resolution Date:

03/18/2013

Sanctions Ordered:

Censure
Monetary/Fine \$5,000.00

**Other Sanctions Ordered:**

Sanction Details: A \$5,000 FINE AND A CENSURE

Reporting Source: Firm

Current Status: Final

Allegations: THE CBOE ALLEGED THAT THE FIRM FAILED TO REGISTER THE MINIMUM NUMBER OF INDIVIDUALS REQUIRED TO REGISTER AS A PROPRIETARY TRADER PRINCIPAL (TP) ON WEBCRD BY NOVEMBER 5, 2011.

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED

Date Initiated: 02/26/2013

Docket/Case Number: 13-0009

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: WITHOUT ADMITTING OR DENYING THAT A VIOLATION HAS BEEN COMMITTED, THE FIRM AGREED TO PAY A \$5,000 FINE.

Resolution: Consent

Resolution Date: 03/22/2013

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: CBOE CONFIRMED RECEIPT OF THE \$5,000 PAYMENT ON 4/02/2013.

Firm Statement THE MATTER WAS RESOLVED BY A LETTER OF CONSENT (LOC). WITHOUT ADMITTING OR DENYING THAT A VIOLATION HAS BEEN COMMITTED, THE FIRM ACCEPTED AND EXECUTED THE LOC ON 2/26/2013. THE CBOE BUSINESS CONDUCT COMMITTEE ACCEPTED THE LOC ON 3/18/2013. THE FIRM RECEIVED THE DECISION ACCEPTING THE LOC ON 3/22/2013. CBOE CONFIRMED RECEIPT OF THE \$5,000 PAYMENT ON 4/02/2013.

End of Report



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