

**BrokerCheck Report**

**MERRILL LYNCH PROFESSIONAL CLEARING CORP.**

CRD# 16139

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## About BrokerCheck®



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

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

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

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

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

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

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

- **How current is this information?**

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

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

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

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

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

**Thank you for using FINRA BrokerCheck.**



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

[brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://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)



## MERRILL LYNCH PROFESSIONAL CLEARING CORP.

CRD# 16139

SEC# 8-33359

### Main Office Location

ONE BRYANT PARK, 6TH FLOOR  
 NY1-100-06-01  
 NEW YORK, NY 10036  
 Regulated by FINRA New York Office

### Mailing Address

ONE BRYANT PARK, 6TH FLOOR  
 NY1-100-06-01  
 NEW YORK, NY 10036

### Business Telephone Number

646-743-1295

## Report Summary for this Firm

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

### Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 12/19/1984.

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
- 53 U.S. states and territories

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

This firm conducts 5 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	55
Arbitration	1



## Firm Profile

This firm is classified as a corporation.

This firm was formed in Delaware on 12/19/1984.

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.

### **MERRILL LYNCH PROFESSIONAL CLEARING CORP.**

**Doing business as MERRILL LYNCH PROFESSIONAL CLEARING CORP.**

**CRD#** 16139

**SEC#** 8-33359

### **Main Office Location**

ONE BRYANT PARK, 6TH FLOOR

NY1-100-06-01

NEW YORK, NY 10036

**Regulated by FINRA New York Office**

### **Mailing Address**

ONE BRYANT PARK, 6TH FLOOR

NY1-100-06-01

NEW YORK, NY 10036

### **Business Telephone Number**

646-743-1295



## 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):** BOFA SECURITIES, INC.

283942

**Is this a domestic or foreign entity or an individual?** Domestic Entity

**Position** PARENT

**Position Start Date** 05/2019

**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):** ALAM, FARUQE FARUQE

2394838

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

**Position** CHIEF FINANCIAL OFFICER

**Position Start Date** 09/2019

**Percentage of Ownership** Less than 5%

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

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** BOURNE, STUART MARK

6611063

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

**Position** DIRECTOR

## Firm Profile



### Direct Owners and Executive Officers (continued)

**Position Start Date** 01/2017

**Percentage of Ownership** Less than 5%

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

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** GUARDINO, JOSEPH ANTHONY JR  
2907957

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

**Position** DIRECTOR, CHIEF OPERATIONS OFFICER & FINOP

**Position Start Date** 06/2015

**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):** HOEHLER, TIMOTHY WILLIAM  
2176769

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

**Position** CHIEF COMPLIANCE OFFICER

**Position Start Date** 10/2015

**Percentage of Ownership** Less than 5%

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

**Is this a public reporting company?** No

## Firm Profile



### Direct Owners and Executive Officers (continued)

<b>Legal Name &amp; CRD# (if any):</b>	SCOTT, MATTHEW ROBERTS 2522403
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	DIRECTOR, CHAIRMAN OF THE BOARD, PRESIDENT & CEO
<b>Position Start Date</b>	05/2016
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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## Firm Profile

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

### Indirect Owners

<b>Legal Name &amp; CRD# (if any):</b>	BANK OF AMERICA CORPORATION
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	NB HOLDINGS CORPORATION
<b>Relationship to Direct Owner</b>	PARENT
<b>Relationship Established</b>	10/1998
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	Yes

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<b>Legal Name &amp; CRD# (if any):</b>	NB HOLDINGS CORPORATION
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	BOFA SECURITIES, INC.
<b>Relationship to Direct Owner</b>	PARENT
<b>Relationship Established</b>	05/2019
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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## Firm History

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



**This firm was previously:** WAGNER STOTT & CO.

**Date of Succession:** 04/01/1985

**Predecessor CRD#:** 3690

**Predecessor SEC#:** 8-14588

**Description** APPLICANT HAS ACQUIRED CERTAIN OF THE ASSETS THAT WAGNER STOTT & CO., EMPLOYS IN ITS CLEARING BUSINESS BUT DID NOT FOR EXAMPLE ACQUIRE WAGNER STOTT & CO.'S SPECIALIST BUSINESS. WAGNER STOTT & CO. WILL CONTINUE TO TRANSACT THE BUSINESSES THAT ARE NOT BEING SOLD TO THE APPLICANT.

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## 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 53 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	02/21/1985

### 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	04/01/1985
BOX Exchange LLC	Approved	05/07/2012
Cboe BYX Exchange, Inc.	Approved	10/05/2010
Cboe BZX Exchange, Inc.	Approved	08/18/2008
Cboe C2 Exchange, Inc.	Approved	09/24/2010
Cboe EDGA Exchange, Inc.	Approved	05/14/2010
Cboe EDGX Exchange, Inc.	Approved	05/14/2010
Cboe Exchange, Inc.	Approved	04/08/1985
Investors' Exchange LLC	Approved	08/02/2016
Long-Term Stock Exchange, Inc.	Approved	03/13/2020
MEMX LLC	Approved	09/21/2020
MIAX Emerald, LLC	Approved	03/01/2019
MIAX PEARL, LLC	Approved	02/06/2017
Miami International Securities Exchange, LLC	Approved	12/07/2012
NYSE American LLC	Approved	04/01/1985

NYSE Arca, Inc.	Approved	10/10/1977
NYSE Chicago, Inc.	Approved	03/15/1985
NYSE National, Inc.	Approved	05/18/2018
Nasdaq BX, Inc.	Approved	03/11/1988
Nasdaq GEMX, LLC	Approved	07/29/2013
Nasdaq ISE, LLC	Approved	05/12/2000
Nasdaq MRX, LLC	Approved	02/10/2016
Nasdaq PHLX LLC	Approved	02/21/1985
Nasdaq Stock Market	Approved	07/12/2006
New York Stock Exchange	Approved	04/24/1985



## Firm Operations

### Registrations (continued)

U.S. States & Territories	Status	Date Effective	U.S. States & Territories	Status	Date Effective
Alabama	Approved	04/21/1994	North Carolina	Approved	08/13/1986
Alaska	Approved	02/09/1994	North Dakota	Approved	03/18/1994
Arizona	Approved	08/08/1995	Ohio	Approved	03/16/1994
Arkansas	Approved	04/15/1994	Oklahoma	Approved	11/06/1990
California	Approved	03/14/1985	Oregon	Approved	02/09/1994
Colorado	Approved	10/26/1993	Pennsylvania	Approved	03/29/1985
Connecticut	Approved	07/01/1985	Puerto Rico	Approved	05/12/1994
Delaware	Approved	02/01/1994	Rhode Island	Approved	11/18/1988
District of Columbia	Approved	11/28/1993	South Carolina	Approved	10/18/1993
Florida	Approved	01/23/1986	South Dakota	Approved	02/04/1994
Georgia	Approved	10/19/1993	Tennessee	Approved	04/01/1985
Hawaii	Approved	07/14/1994	Texas	Approved	04/01/1985
Idaho	Approved	12/07/1993	Utah	Approved	02/28/1994
Illinois	Approved	03/25/1985	Vermont	Approved	03/18/1994
Indiana	Approved	03/03/1994	Virgin Islands	Approved	12/06/2018
Iowa	Approved	02/11/1994	Virginia	Approved	11/24/1987
Kansas	Approved	12/10/1993	Washington	Approved	01/25/1988
Kentucky	Approved	02/09/1994	West Virginia	Approved	11/02/1993
Louisiana	Approved	11/01/1993	Wisconsin	Approved	10/05/1988
Maine	Approved	11/22/1993	Wyoming	Approved	02/04/1994
Maryland	Approved	02/18/1994			
Massachusetts	Approved	04/19/1985			
Michigan	Approved	03/21/1985			
Minnesota	Approved	08/24/1987			
Mississippi	Approved	03/01/1994			
Missouri	Approved	03/17/1988			
Montana	Approved	06/26/1986			
Nebraska	Approved	02/07/1994			
Nevada	Approved	04/14/1994			
New Hampshire	Approved	02/08/1994			
New Jersey	Approved	04/24/1985			
New Mexico	Approved	03/18/1994			
New York	Approved	01/02/1986			



## 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 5 types of businesses.**

#### Types of Business

Exchange member engaged in exchange commission business other than floor activities

Exchange member engaged in floor activities

U S. government securities broker

Municipal securities broker

Put and call broker or dealer or option writer

#### 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 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:** PROOFPOINT, INC.  
**Business Address:** 892 ROSS DRIVE  
 SUNNYVALE, CA 94089  
**Effective Date:** 08/01/2020  
**Description:** THE FIRM HAS ENTERED INTO AN ARRANGEMENT WITH PROOFPOINT, INC. TO KEEP OR MAINTAIN DOCUMENTATION RELATING TO ELECTRONIC COMMUNICATIONS RECORDS.

**Name:** IRON MOUNTAIN INFORMATION MANAGEMENT, INC.  
**Business Address:** 1 FEDERAL STREET  
 BOSTON, MA 02110  
**Effective Date:** 04/01/2015  
**Description:** THE FIRM HAS ENTERED INTO AN ARRANGEMENT WITH IRON MOUNTAIN TO KEEP OR MAINTAIN CERTAIN HARD COPY RECORDS.

**Name:** ORANGE LOGIC, INC.  
**Business Address:** 19100 VON KARMAN AVE., SUITE 900  
 IRVINE, CA 92612  
**Effective Date:** 12/31/2018  
**Description:** THE FIRM HAS ENTERED INTO AN ARRANGEMENT WITH ORANGE LOGIC TO PROVIDE A DIGITAL ASSET MANAGEMENT SYSTEM THAT SERVES AS A REPOSITORY FOR VARIOUS MARKETING MATERIALS INCLUDING TEMPLATES AND ARTWORK.

**Name:** REGED, INC.  
**Business Address:** 2100 GATEWAY CENTER BLVD., SUITE 200  
 MORRISVILLE, NC 27560  
**Effective Date:** 07/28/2019  
**Description:** THE FIRM HAS ENTERED INTO AN ARRANGEMENT WITH REGED TO KEEP OR MAINTAIN DOCUMENTATION RELATING TO THE REVIEW AND APPROVAL OF MARKETING AND ADVERTISING COMMUNICATIONS.

**Name:** ENTIT SOFTWARE LLC (AUTONOMY)  
**Business Address:** 1140 ENTERPRISE WAY, BLDG F  
 SUNNYVALE, CA 94089

## Firm Operations



### Industry Arrangements (continued)

**Effective Date:** 01/02/2012

**Description:** THE FIRM HAS ENTERED INTO AN ARRANGEMENT WITH ENTIT SOFTWARE TO KEEP OR MAINTAIN DOCUMENTATION RELATING TO COMMUNICATIONS: ELECTRONIC CORRESPONDENCE BOTH SENT AND RECEIVED; AND ALTERNATIVE TRADING SYSTEM RECORDS: NOTICES PROVIDED TO ATS CUSTOMERS.

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

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

### Control Persons/Financing

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

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





## Firm Operations

### Organization Affiliates

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

**This firm is, directly or indirectly:**

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

**BOFA SECURITIES EUROPE SA is under common control with the firm.**

<b>Business Address:</b>	112 AVENUE KLEBER PARIS, FRANCE 75116
<b>Effective Date:</b>	11/12/2018
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	FRANCE
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**BOFA SECURITIES, INC. controls the firm.**

<b>CRD #:</b>	283942
<b>Business Address:</b>	ONE BRYANT PARK NEW YORK, NY 10036
<b>Effective Date:</b>	01/23/2018
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**MERRILL LYNCH MARKETS SINGAPORE PTE. LTD. is under common control with the firm.**

**Firm Operations****Organization Affiliates (continued)**

**Business Address:** 50 COLLYER QUAY  
#14-01 QUE BAYFRONT  
SINGAPORE, SINGAPORE 049321

**Effective Date:** 02/02/2015

**Foreign Entity:** Yes

**Country:** SINGAPORE

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** MERRILL LYNCH MARKETS SINGAPORE PTE. LTD. IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**MERRILL LYNCH EQUITY S.A.R.L. is under common control with the firm.**

**Business Address:** ATRIUM BUSINESS PARK  
33 RUE DU PITS ROMAIN  
BETRANGE, LUXEMBOURG L-8070

**Effective Date:** 07/29/2010

**Foreign Entity:** Yes

**Country:** LUXEMBOURG

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** MERRILL LYNCH EQUITY S.A.R.L. IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**MERRILL LYNCH, KINGDOM OF SAUDI ARABIA COMPANY is under common control with the firm.**

**Business Address:** KINGDOM TOWER  
20TH FLOOR  
RIYADH, KINGDOM OF SAUDI ARABIA 11623

**Effective Date:** 01/15/2011

**Foreign Entity:** Yes

**Country:** SAUDI ARABIA

**Securities Activities:** Yes

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** No

**Description:** MERRILL LYNCH, KINGDOM OF SAUDI ARABIA COMPANY IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

#### **MERRILL LYNCH BANK AND TRUST (CAYMAN) LIMITED is under common control with the firm.**

**Business Address:** HARBOUR CENTRE, 4TH FLOOR  
NORTH CHURCH STREET, PO BOX 1164 GT  
GEORGE TOWN, CAYMAN ISLANDS KY1-1102

**Effective Date:** 12/01/2014

**Foreign Entity:** Yes

**Country:** CAYMAN ISLANDS

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** MERRILL LYNCH BANK AND TRUST (CAYMAN) LIMITED IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

#### **MERRILL LYNCH SECURITIES (THAILAND) LIMITED is under common control with the firm.**

**Business Address:** 20TH FL, UNIT 4, C.R.C. TOWER, ALL SEASONS PLACE  
87/2 WIRELESS ROAD, LUMPINI, PATUMWAN  
BANGKOK, THAILAND 10330

**Effective Date:** 08/01/2013

**Foreign Entity:** Yes

**Country:** THAILAND

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** MERRILL LYNCH SECURITIES (THAILAND) IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

#### **MERRILL LYNCH MARKETS (AUSTRALIA) PTY. LIMITED is under common control with the firm.**

**Business Address:** LEVEL 34, GOVERNOR PHILLIP TOWER  
1 FARRER PLACE  
SYDNEY, NSW, AUSTRALIA 2000

**Firm Operations****Organization Affiliates (continued)**

**Effective Date:** 01/22/2013  
**Foreign Entity:** Yes  
**Country:** AUSTRALIA  
**Securities Activities:** Yes  
**Investment Advisory Activities:** No  
**Description:** WHOLLY/MAJORITY-OWNED INDIRECT SUBIDIARY OF BANK OF AMERICA CORPORATION, APPLICANT'S PARENT COMPANY.

**MERRILL LYNCH (AUSTRALIA) PTY LIMITED is under common control with the firm.**

**Business Address:** LEVEL 34, GOVERNOR PHILLIP TOWER  
 1 FARRER PLACE  
 SYDNEY, NSW, AUSTRALIA 2000  
**Effective Date:** 04/23/1971  
**Foreign Entity:** Yes  
**Country:** AUSTRALIA  
**Securities Activities:** Yes  
**Investment Advisory Activities:** No  
**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**BANK OF AMERICA CUSTODIAL SERVICES (IRELAND) LIMITED is under common control with the firm.**

**Business Address:** 2 PARK PLACE  
 HATCH STREET  
 DUBLIN, IRELAND 2  
**Effective Date:** 01/01/2009  
**Foreign Entity:** Yes  
**Country:** IRELAND  
**Securities Activities:** Yes  
**Investment Advisory Activities:** No  
**Description:** BANK OF AMERICA CUSTODIAL SERVICES (IRELAND) LIMITED IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT

## Firm Operations



### Organization Affiliates (continued)

COMPANY.

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#### **BANK OF AMERICA, NATIONAL ASSOCIATION is under common control with the firm.**

**Business Address:** 100 NORTH TRYON STREET  
SUITE 170  
CHARLOTTE, NC 28202

**Effective Date:** 01/01/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** BANK OF AMERICA, NATIONAL ASSOCIATION IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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#### **BANK OF AMERICA SINGAPORE LIMITED is under common control with the firm.**

**Business Address:** 50 COLLYER QUAY  
#14-01 OUE BAYFRONT  
SINGAPORE, SINGAPORE 049321

**Effective Date:** 01/01/2009

**Foreign Entity:** Yes

**Country:** SINGAPORE

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** BANK OF AMERICA SINGAPORE LIMITED IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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#### **BANK OF AMERICA MEXICO, S.A., INSTITUCION DE BANCA MULTIPLE is under common control with the firm.**

**Business Address:** PASEO DE LA REFORMA 115-19  
COL. LOMAS DE CHAPULTEPEC, C.P.  
MEXICO CITY, MEXICO 11000

**Effective Date:** 11/01/2010

**Foreign Entity:** Yes

## Firm Operations



### Organization Affiliates (continued)

<b>Country:</b>	MEXICO
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	BANK OF AMERICA MEXICO S.A., INSTITUCION DE BANCA MULTIPLE, GRUPO FINANCIERO BANK OF AMERICA IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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#### **BANC OF AMERICA SECURITIES ASIA LIMITED is under common control with the firm.**

<b>Business Address:</b>	52/F CHEUNG KONG CENTER 2 QUEEN'S ROAD CENTRAL HONG KONG, HONG KONG
<b>Effective Date:</b>	01/01/2009
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	HONG KONG
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	BANC OF AMERICA ASIA LIMITED IS A SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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#### **MERRILL LYNCH, PIERCE, FENNER & SMITH DE ARGENTINA SOCIEDAD ANONIMA, FINANCIERA, MOBILIARIA Y DE MANDATOS is under common control with the firm.**

<b>Business Address:</b>	TUCUMAN 1 PISO 4 BUENOS AIRES, ARGENTINA 1049
<b>Effective Date:</b>	08/10/1971
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	ARGENTINA
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**Firm Operations****Organization Affiliates (continued)**

**MERRILL LYNCH INTERNATIONAL LLC is under common control with the firm.**

**Business Address:** 250 VESEY STREET  
NEW YORK, NY 10281

**Effective Date:** 06/18/1976

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**MERRILL LYNCH VALUATIONS LLC is under common control with the firm.**

**Business Address:** ONE BRYANT PARK  
NEW YORK, NY 10036

**Effective Date:** 10/07/1974

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**MERRILL LYNCH S.A. CORRETORA DE TITULOS E VALORES MOBILIARIOS is under common control with the firm.**

**Business Address:** AV. BIGADEIRO FARIA LIMA 3400 - 16TH FLOOR  
ITAIM BIBI  
SAO PAULO, BRAZIL 04538-132

**Effective Date:** 12/31/2004

**Foreign Entity:** Yes

**Country:** BRAZIL

**Securities Activities:** Yes

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**BANK OF AMERICA YATIRIM BANK AS is under common control with the firm.**

**Business Address:** KANYON OFIS, KAT: 11 BUYUKDERE CAD.  
NO: 185 34394 LEVENT  
ISTANBUL, TURKEY

**Effective Date:** 12/07/2006

**Foreign Entity:** Yes

**Country:** TURKEY

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**OOO MERRILL LYNCH SECURITIES is under common control with the firm.**

**Business Address:** 7 PETROVKA STREET  
MOSCOW, RUSSIA 107031

**Effective Date:** 01/09/2007

**Foreign Entity:** Yes

**Country:** RUSSIA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**MERRILL LYNCH (AUSTRALIA) FUTURES LIMITED is under common control with the firm.**

**Business Address:** LEVEL 34, GOVERNOR PHILLIP TOWER  
1 FARRER PLACE  
SYDNEY, NSW, AUSTRALIA 2000

**Effective Date:** 10/27/1998



**Firm Operations****Organization Affiliates (continued)**

<b>Foreign Entity:</b>	Yes
<b>Country:</b>	AUSTRALIA
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**MERRILL LYNCH EQUITIES (AUSTRALIA) LIMITED is under common control with the firm.**

<b>Business Address:</b>	LEVEL 34, GOVERNOR PHILLIP TOWER 1 FARRER PLACE SYDNEY, NSW, AUSTRALIA 2000
<b>Effective Date:</b>	01/20/1997
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	AUSTRALIA
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**MERRILL LYNCH (SINGAPORE) PTE LTD. is under common control with the firm.**

<b>Business Address:</b>	50 COLLYER QUAY #14-01 OUE BAYFRONT SINGAPORE, SINGAPORE 049321
<b>Effective Date:</b>	01/11/1995
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	SINGAPORE
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

**Firm Operations****Organization Affiliates (continued)**

**MERRILL LYNCH SECURITIES (TAIWAN) LTD. is under common control with the firm.**

**Business Address:** 9F & 17F (PART)  
207 TUN HWA SOUTH ROAD, SECTION 2  
TAIPEI, TAIWAN

**Effective Date:** 09/01/2008

**Foreign Entity:** Yes

**Country:** TAIWAN

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**MERRILL LYNCH CORREDORES DE BOLSA SPA is under common control with the firm.**

**Business Address:** APOQUINDO 3500  
PISO 9, LAS CONDES  
SANTIAGO, CHILE

**Effective Date:** 07/18/2008

**Foreign Entity:** Yes

**Country:** CHILE

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**MANAGED ACCOUNT ADVISORS LLC is under common control with the firm.**

**CRD #:** 142558

**Business Address:** 101 HUDSON STREET  
9TH FLOOR  
JERSEY CITY, NJ 07302

**Effective Date:** 02/27/2007

**Foreign Entity:** No

**Firm Operations****Organization Affiliates (continued)****Country:****Securities Activities:** No**Investment Advisory Activities:** Yes**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.**PT MERRILL LYNCH SECURITAS INDONESIA is under common control with the firm.****Business Address:** INDONESIA STOCK EXCHANGE BUILDING, 18/F  
JI. JEND. SUDIRMAN KAV. 52-53  
JAKARTA, INDONESIA 12190**Effective Date:** 12/05/1994**Foreign Entity:** Yes**Country:** INDONESIA**Securities Activities:** Yes**Investment Advisory Activities:** No**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.**MERRILL LYNCH, PIERCE, FENNER & SMITH LIMITED is under common control with the firm.****Business Address:** 2 KING EDWARD STREET  
LONDON, UNITED KINGDOM EC1A 1HQ**Effective Date:** 09/16/1960**Foreign Entity:** Yes**Country:** UNITED KINGDOM**Securities Activities:** No**Investment Advisory Activities:** Yes**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.**MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED is under common control with the firm.****CRD #:** 7691

**Firm Operations****Organization Affiliates (continued)**

**Business Address:** ONE BRYANT PARK  
NEW YORK, NY 10036

**Effective Date:** 12/01/1984

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**MERRILL LYNCH SOUTH AFRICA PROPRIETARY LIMITED is under common control with the firm.**

**Business Address:** 138 WEST STREET  
SANDOWN  
SANDTON, SOUTH AFRICA 2196

**Effective Date:** 02/28/1995

**Foreign Entity:** Yes

**Country:** SOUTH AFRICA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**MERRILL LYNCH ARGENTINA S.A. is under common control with the firm.**

**Business Address:** DELLA PAOLERA 265  
PISO 11  
BUENOS AIRES, ARGENTINA

**Effective Date:** 02/17/1995

**Foreign Entity:** Yes

**Country:** ARGENTINA

**Securities Activities:** Yes

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

#### **MERRILL LYNCH MEXICO, S.A. DE C.V., CASA DE BOLSA is under common control with the firm.**

**Business Address:** PASEO DE LA REFORMA NO.115-19  
COL. LOMAS DE CHAPULTEPEC  
MÉXICO CITY, MEXICO 11000

**Effective Date:** 01/09/1995

**Foreign Entity:** Yes

**Country:** MEXICO

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

#### **BOFA SECURITIES JAPAN CO., LTD. is under common control with the firm.**

**Business Address:** NIHONBASHI 1 - CHOME MITSUI BLDG  
NIHONBASHI CHUO-KU  
TOKYO, JAPAN 203-8230

**Effective Date:** 02/26/1998

**Foreign Entity:** Yes

**Country:** JAPAN

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

#### **MERRILL LYNCH INTERNATIONAL (AUSTRALIA) LTD is under common control with the firm.**

**Business Address:** LEVEL 34, GOVERNOR PHILLIP TOWER  
1 FARRER PLACE  
SYDNEY, NSW, AUSTRALIA 2000

**Firm Operations****Organization Affiliates (continued)**

**Effective Date:** 01/12/1985  
**Foreign Entity:** Yes  
**Country:** AUSTRALIA  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**MERRILL LYNCH INTERNATIONAL is under common control with the firm.**

**Business Address:** 2 KING EDWARD STREET  
LONDON, UNITED KINGDOM EC1A 1HQ  
**Effective Date:** 11/02/1988  
**Foreign Entity:** Yes  
**Country:** UNITED KINGDOM  
**Securities Activities:** Yes  
**Investment Advisory Activities:** No  
**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**MERRILL LYNCH FAR EAST LIMITED is under common control with the firm.**

**Business Address:** 55/F CHEUNG KONG CENTER  
2 QUEEN'S ROAD CENTRAL  
HONG KONG, HONG KONG  
**Effective Date:** 12/19/1972  
**Foreign Entity:** Yes  
**Country:** HONG KONG  
**Securities Activities:** Yes  
**Investment Advisory Activities:** Yes  
**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**Firm Operations****Organization Affiliates (continued)**

**MERRILL LYNCH CAPITAL MARKETS ESPANA, S.A., S.V. is under common control with the firm.**

**Business Address:** CALLE MARQUES DE VILLAMAGNA, 3  
TORRE SERRANO, PLANTA 8  
MADRID, SPAIN 28001

**Effective Date:** 06/13/1996

**Foreign Entity:** Yes

**Country:** SPAIN

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**BANK OF AMERICA EUROPE DAC is under common control with the firm.**

**Business Address:** TWO PARK PLACE  
HATCH STREET  
DUBLIN, IRELAND 2

**Effective Date:** 02/21/1995

**Foreign Entity:** Yes

**Country:** IRELAND

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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**MERRILL LYNCH CANADA INC. is under common control with the firm.**

**Business Address:** BROOKFIELD PLACE  
181 BAY STREET, SUITE 400  
TORONTO, ON, CANADA M5J 2V8

**Effective Date:** 08/26/1998

**Foreign Entity:** Yes

**Country:** CANADA

## Firm Operations



### Organization Affiliates (continued)

<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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#### **MERRILL LYNCH (ASIA PACIFIC) LTD. is under common control with the firm.**

<b>Business Address:</b>	55/F CHEUNG KONG CENTER 2 QUEEN'S ROAD CENTRAL HONG KONG, HONG KONG
<b>Effective Date:</b>	01/16/1987
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	HONG KONG
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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#### **BOFA SECURITIES INDIA LIMITED is under common control with the firm.**

<b>Business Address:</b>	ONE BKC, A WING, GROUND FLOOR G BLOCK, BANDRA KURLA COMPLEX, BANDRA (EAST) MUMBAI, INDIA 400 051
<b>Effective Date:</b>	10/23/1975
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	INDIA
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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#### **BANK OF AMERICA MERRILL LYNCH BANCO MULTIPLO S.A. is under common control with the firm.**

<b>Business Address:</b>	AV. BIGADEIRO FARIA LIMA 3400 - 18TH FLOOR ITAIM BIBI
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## Firm Operations



### Organization Affiliates (continued)

	SAO PAULO, BRAZIL 04538-132
<b>Effective Date:</b>	07/04/1997
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	BRAZIL
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	WHOLLY/MAJORITY OWNED INDIRECT SUBSIDIARY OF BANK OF AMERICA CORPORATION, ULTIMATE PARENT OF APPLICANT.

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#### This firm is 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

#### NB HOLDINGS COMPANY is a Bank Holding Company and controls the firm.

<b>Business Address:</b>	100 NORTH TRYON STREET CHARLOTTE, NC 28202
<b>Effective Date:</b>	10/13/2013
<b>Description:</b>	NB HOLDINGS CORPORATION IS A BANK HOLDING COMPANY AND THE SOLE SHAREHOLDER OF BAC NORTH AMERICA HOLDING COMPANY.

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#### BANK OF AMERICA CORPORATION is a Bank Holding Company and controls the firm.

<b>Business Address:</b>	100 NORTH TRYON STREET CHARLOTTE, NC 28202
<b>Effective Date:</b>	01/01/2009
<b>Description:</b>	BANK OF AMERICA CORPORATION (56-0906609) IS A MULTI-BANK HOLDING COMPANY REGISTERED UNDER THE BANK HOLDING COMPANY ACT OF 1956 WITH ITS PRINCIPAL ASSETS BEING THE STOCK OF THE SUBSIDIARIES. ONE OF ITS WHOLLY-OWNED SUBSIDIARIES IS NB HOLDINGS CORPORATION.

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## 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.

	<b>Pending</b>	<b>Final</b>	<b>On Appeal</b>
Regulatory Event	0	55	0
Arbitration	N/A	1	N/A

## Disclosure Event Details

### What you should know about reported disclosure events:

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

### Regulatory - Final

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

### Disclosure 1 of 55

**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 THE FIRM INACCURATELY REPORTED CERTAIN OF ITS LISTED OPTIONS POSITIONS TO THE LARGE OPTION POSITION REPORTING SYSTEM (LOPR) IN VIOLATION OF NYSE AMERICAN RULE 906. THE FINDINGS STATED THAT THERE WERE APPROXIMATELY 13,198 INSTANCES IN WHICH THERE WERE INCONSISTENCIES BETWEEN THE SHORT POSITIONS HELD IN THE FIRM'S ACCOUNTS THAT REQUIRED REPORTING TO THE LOPR AND THE SHORT POSITIONS THAT THE FIRM HAD ACTUALLY REPORTED TO LOPR. IN THESE INSTANCES, THE FIRM HAD INACCURATELY REPORTED ITS REPORTABLE OPTIONS POSITIONS TO LOPR BECAUSE A PROPRIETARY SYSTEM FLAW CAUSED THE FIRM TO OMIT THE SHORT CONTRACT QUANTITIES FROM BEING REPORTED TO LOPR IN FIRM ACCOUNTS THAT HELD SHORT STRADDLES (THE COMBINATION OF SHORT PUTS AND SHORT CALLS WITH THE SAME STRIKE PRICE AND EXPIRATION). THE FIRM SUBSEQUENTLY CORRECTED THIS FLAW.

**Initiated By:** NYSE AMERICAN LLC

**Date Initiated:** 12/15/2020

**Docket/Case Number:** 2020-05-00105

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/15/2020

**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 \$75,000.00

**Other Sanctions Ordered:**

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



<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED NYSE AMERICAN LLC RULE 906 BY INACCURATELY REPORTING CERTAIN OF ITS LISTED OPTIONS POSITIONS TO THE LARGE OPTION POSITION REPORTING ("LOPR") SYSTEM.
<b>Initiated By:</b>	NYSE AMERICAN LLC
<b>Date Initiated:</b>	12/15/2020
<b>Docket/Case Number:</b>	2020-05-00105
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	12/15/2020
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$75,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM WAS CENSURED AND FINED \$75,000.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM WAS CENSURED AND FINED \$75,000.

#### Disclosure 2 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	MLPRO: (I) TENDERED SHARES FOR THE PARTIAL TENDER OFFER IN HAL IN EXCESS OF ITS NET LONG POSITION; (II) TENDERED SHARES FOR THE PARTIAL TENDER OFFER IN CBS IN EXCESS OF ITS NET LONG POSITION; AND (III) FAILED TO ESTABLISH AND MAINTAIN WRITTEN SUPERVISORY



PROCEDURES TO ASSURE COMPLIANCE WITH RULE 14E-4,  
PROMULGATED UNDER THE EXCHANGE ACT. (VIOLATIONS OF EXCHANGE  
RULES 4.2 AND 4.24; EXCHANGE ACT RULE 14E-4)

**Initiated By:** CBOE EXCHANGE, INC.

**Date Initiated:** 11/17/2017

**Docket/Case Number:** 17-0060/ 20150464137

**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:** 12/29/2017

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

**Other Sanctions Ordered:** A \$20,000 FINE, A CENSURE AND DISGORGEMENT IN THE AMOUNT OF \$3,193.

**Sanction Details:** A \$20,000 FINE, A CENSURE AND DISGORGEMENT IN THE AMOUNT OF \$3,193.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE CBOE EXCHANGE, INC. ("CBOE") ALLEGED THAT THE FIRM (1) TENDERED SHARES FOR THE PARTIAL TENDER OFFER IN TWO ISSUERS IN EXCESS OF ITS NET LONG POSITION, IN VIOLATION OF CBOE RULE 4.2 AND SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") RULE 14E-4; AND (2) FAILED TO ESTABLISH AND MAINTAIN WRITTEN SUPERVISORY PROCEDURES, AND A SYSTEM FOR APPLYING SUCH PROCEDURES, REASONABLY DESIGNED TO PREVENT AND DETECT VIOLATIONS OF EXCHANGE ACT RULE 14E-4 RELATING TO PARTIAL SHORT TENDER ACTIVITY, IN VIOLATION OF CBOE RULES 4.2 AND 4.24 BY THE FIRM.

**Initiated By:** CBOE EXCHANGE, INC.

**Date Initiated:** 12/29/2017



<b>Docket/Case Number:</b>	FILE NO. 17-0060
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE; DISGORGEMENT
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	12/29/2017
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$20,000.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THAT A VIOLATION OF CBOE RULES OR THE EXCHANGE ACT HAS BEEN COMMITTED, THE FIRM AGREED TO A \$20,000 FINE, CENSURE AND DISGORGEMENT IN THE AMOUNT OF \$3,193.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THAT A VIOLATION OF CBOE RULES OR THE EXCHANGE ACT HAS BEEN COMMITTED, THE FIRM AGREED TO A \$20,000 FINE, CENSURE AND DISGORGEMENT IN THE AMOUNT OF \$3,193.

### Disclosure 3 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC ADMIN RELEASE 34-78141 / JUNE 23, 2016: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AGAINST MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MLPRO") ("ML OR RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER OF SETTLEMENT, THE COMMISSION FINDS THAT THIS MATTER ARISES FROM SIGNIFICANT VIOLATIONS OF THE CUSTOMER PROTECTION RULE THAT BEGAN DURING THE FINANCIAL CRISIS AND, IN CERTAIN RESPECTS, CONTINUED UNTIL THIS YEAR. THE VIOLATIONS WERE TWO-FOLD. ML USED CASH BELONGING TO ITS CUSTOMERS TO FUND ITS OWN BUSINESS ACTIVITIES THROUGH A SERIES OF INCREASINGLY COMPLEX TRADES. THE VIOLATIONS



CONCERNS TRADES DEvised BY ML THAT WERE KNOWN INTERNALLY AS THE LEVERAGED CONVERSION TRADES ("TRADES"). FROM 2009 TO 2012, ML USED THE TRADES TO REDUCE THE AMOUNT OF CASH IT WAS REQUIRED TO DEPOSIT IN A CUSTOMER RESERVE ACCOUNT THAT IT MAINTAINED PURSUANT TO RULE 15C3-3(E). MARGIN LOANS EXTENDED TO FINANCE CUSTOMER POSITIONS CAN PROPERLY REDUCE THE AMOUNT A BROKER-DEALER IS REQUIRED TO DEPOSIT; HOWEVER, ML MADE BILLIONS OF DOLLARS IN MARGIN LOANS TO FINANCE RISKLESS TRADES THAT LACKED DEFINED TERMS AND ECONOMIC SUBSTANCE WHICH ML STRUCTURED AND THEN EXECUTED WITH NEWLY-CREATED COUNTERPARTY ENTITIES. THROUGH THESE TRADES, ML IMPROPERLY REDUCED BY BILLIONS OF DOLLARS THE AMOUNT IT WAS REQUIRED TO DEPOSIT IN ITS CUSTOMER RESERVE ACCOUNT. THESE TRADES EVOLVED OVER TIME AND, IN THEIR FINAL ITERATION, BECAME INSTANTANEOUS ROUNDTrips STRUCTURED TO PROVIDE FINANCING FOR ML'S ACTIVITIES RATHER THAN IN RESPONSE TO CUSTOMER TRADING OBJECTIVES. RESPONDENT USED THESE TRADES TO REMOVE UP TO \$5 BILLION OF CUSTOMER CASH WEEK OVER WEEK FROM ITS CUSTOMER RESERVE ACCOUNT. ML THEN USED THESE FUNDS TO FINANCE ITS BUSINESS ACTIVITIES. HAD ML FAILED WHEN THE TRADES WERE IN USE, ITS CUSTOMERS WOULD HAVE BEEN EXPOSED TO A SHORTFALL OF CUSTOMER CASH IN THE CUSTOMER RESERVE ACCOUNT. THE SIGNIFICANT PENALTIES AND OTHER RELIEF IMPOSED IN THIS ORDER IN CONNECTION WITH ML'S VIOLATIONS OF THE CUSTOMER PROTECTION RULE REFLECT THE SERIOUSNESS WITH WHICH THE COMMISSION VIEWS FAILURES TO COMPLY WITH THIS RULE. AS A RESULT OF THE CONDUCT, MLPRO WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-3 THEREUNDER. ALSO, MLPRO WILLFULLY VIOLATED SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-3(A)(10), AND 17A-5(A).

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 06/23/2016

**Docket/Case Number:** 3-17312

**Principal Product Type:** No Product

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order





<b>Resolution Date:</b>	06/23/2016
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Disgorgement/Restitution Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	PREJUDGMENT INTEREST
<b>Sanction Details:</b>	THE FIRM SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C3-3, 17A-3(A)(10) AND 17A-5(A) THEREUNDER; IS CENSURED; AND SHALL PAY, JOINTLY AND SEVERALLY, DISGORGEMENT OF \$50,000,000 AND PREJUDGMENT INTEREST OF \$7,000,000.
<b>Regulator Statement</b>	<p>IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT THAT THE COMMISSION HAS DETERMINED TO ACCEPT. RESPONDENT ADMIT THE FACTS, ACKNOWLEDGE THAT ITS CONDUCT VIOLATED THE FEDERAL SECURITIES LAWS, ADMIT THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, AND CONSENT TO THE ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER.</p> <p>ACCORDINGLY, PURSUANT TO SECTIONS 15(B) AND 21C OF THE EXCHANGE ACT, IT IS HEREBY ORDERED THAT: MLPRO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C3-3, 17A-3(A)(10) AND 17A-5(A) THEREUNDER; IS CENSURED; AND SHALL, WITHIN 14 DAYS OF THE ENTRY OF THIS ORDER, PAY, JOINTLY AND SEVERALLY, DISGORGEMENT OF \$50,000,000 AND PREJUDGMENT INTEREST OF \$7,000,000 TO THE SECURITIES AND EXCHANGE COMMISSION FOR TRANSFER TO THE GENERAL FUND OF THE UNITED STATES TREASURY.</p>
<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final



<b>Allegations:</b>	ON JUNE 23, 2016, THE SECURITIES AND EXCHANGE COMMISSION ("SEC") ISSUED AN ADMINISTRATIVE ORDER IN WHICH IT FOUND THAT MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED ("MERRILL LYNCH") AND MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MLPRO") (COLLECTIVELY, "ML") HAD WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND RULE 15C3-3 THEREUNDER AND SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-3(A)(10) AND 17A-5(A) THEREUNDER, AND THAT MERRILL LYNCH WILLFULLY VIOLATED SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULES 17A-5(D)(3) (AS IT EXISTED PRIOR TO AMENDMENTS TO RULE 17A-5 IN 2014), 17A-5(D)(2)(II), 17A-5(D)(3) AND 17A-11(E) THEREUNDER, AND EXCHANGE ACT RULE 21F-17. SPECIFICALLY, THE ORDER FOUND THAT (I) ML ENGAGED IN A SERIES OF COMPLEX TRADES THAT ALLOWED IT TO USE CUSTOMER CASH TO FINANCE FIRM INVENTORY AND (II) MERRILL LYNCH ALLOWED CERTAIN OF ITS CLEARING BANKS TO HOLD LIENS ON CUSTOMER SECURITIES.
<b>Initiated By:</b>	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
<b>Date Initiated:</b>	06/23/2016
<b>Docket/Case Number:</b>	3-17312
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CEASE AND DESIST; CENSURE; DISGORGEMENT; PREJUDGMENT INTEREST
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	06/23/2016
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$358,000,000.00 Disgorgement/Restitution Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	PREJUDGMENT INTEREST
<b>Sanction Details:</b>	IN DETERMINING TO ACCEPT ML'S OFFER, THE SEC CONSIDERED REMEDIAL ACTS PROMPTLY UNDERTAKEN BY ML AND SUBSTANTIAL COOPERATION AFFORDED THE SEC STAFF DURING THE COURSE OF ITS INVESTIGATION. IN THE ORDER, (I) MERRILL LYNCH AND MLPRO WERE CENSURED, (II) MERRILL LYNCH WAS ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE



VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C3-3, 17A-3(A)(10), 17A-5(A), 17A-5(D)(2)(II), 17A-5(D)(3), 17A-11(E) AND 21F-17 THEREUNDER, (III) MLPRO WAS ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C3-3, 17A-3(A)(10) AND 17A-5(A) THEREUNDER, (IV) MERRILL LYNCH AND MLPRO WERE ORDERED TO PAY DISGORGEMENT OF \$50,000,000 AND PREJUDGMENT INTEREST IN THE AMOUNT OF \$7,000,000, AND (V) MERRILL LYNCH WAS ORDERED TO PAY A CIVIL MONETARY PENALTY OF \$358,000,000. NO CUSTOMERS WERE HARMED, AND THE ISSUES RELATED TO ML'S PROCEDURES AND CONTROLS HAVE BEEN CORRECTED. THE PENALTY WAS PAID ON JUNE 29, 2016.

### Firm Statement

IN DETERMINING TO ACCEPT ML'S OFFER, THE SEC CONSIDERED REMEDIAL ACTS PROMPTLY UNDERTAKEN BY ML AND SUBSTANTIAL COOPERATION AFFORDED THE SEC STAFF DURING THE COURSE OF ITS INVESTIGATION. IN THE ORDER, (I) MERRILL LYNCH AND MLPRO WERE CENSURED, (II) MERRILL LYNCH WAS ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C3-3, 17A-3(A)(10), 17A-5(A), 17A-5(D)(2)(II), 17A-5(D)(3), 17A-11(E) AND 21F-17 THEREUNDER, (III) MLPRO WAS ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C3-3, 17A-3(A)(10) AND 17A-5(A) THEREUNDER, (IV) MERRILL LYNCH AND MLPRO WERE ORDERED TO PAY DISGORGEMENT OF \$50,000,000 AND PREJUDGMENT INTEREST IN THE AMOUNT OF \$7,000,000, AND (V) MERRILL LYNCH WAS ORDERED TO PAY A CIVIL MONETARY PENALTY OF \$358,000,000. NO CUSTOMERS WERE HARMED, AND THE ISSUES RELATED TO ML'S PROCEDURES AND CONTROLS HAVE BEEN CORRECTED. THE PENALTY WAS PAID ON JUNE 29, 2016.

### Disclosure 4 of 55

#### Reporting Source:

Regulator

#### Current Status:

Final

#### Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ON 62 OUT OF 144 TRADE DATES (43.05 PERCENT), THE FIRM, AT THE TIME A PRIMARY LEAD MARKET MAKER, FAILED TO DISSEMINATE QUOTES AT THE OPENING OR DURING A RE-OPENING WITHIN ONE MINUTE OF THE DISSEMINATION OF A QUOTE OR TRADE BY THE PRIMARY MARKET FOR THE UNDERLYING



SECURITY, OR FAILED TO OPEN OR RE-OPEN SERIES IN VARIOUS APPOINTED CLASSES. THE FINDINGS STATED THAT ON 14 OF THE 62 OF THOSE VIOLATIVE TRADE DATES, THE FIRM HAD OPENING QUOTING NON-COMPLIANCE RATES IN EXCESS OF 10 PERCENT, INCLUDING ONE TRADE DATE ON WHICH THE FIRM FAILED TO MEET ITS OPENING QUOTING OBLIGATION IN APPROXIMATELY 48 PERCENT OF ITS ASSIGNED OPTIONS SERIES. THE FOREGOING CONDUCT CONSTITUTED SEPARATE AND DISTINCT VIOLATIONS OF THE MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC RULES 503(E) AND 603(C).

**Initiated By:** MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC

**Date Initiated:** 03/08/2016

**Docket/Case Number:** 2014043826901

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/08/2016

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

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

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$15,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ON 62 OUT OF 144 TRADE DATES (43.05 PERCENT), THE FIRM, AT THE TIME A PRIMARY



LEAD MARKET MAKER, FAILED TO DISSEMINATE QUOTES AT THE OPENING OR DURING A RE-OPENING WITHIN ONE MINUTE OF THE DISSEMINATION OF A QUOTE OR TRADE BY THE PRIMARY MARKET FOR THE UNDERLYING SECURITY, OR FAILED TO OPEN OR RE-OPEN SERIES IN VARIOUS APPOINTED CLASSES. THE FINDINGS STATED THAT ON 14 OF THE 62 OF THOSE VIOLATIVE TRADE DATES, THE FIRM HAD OPENING QUOTING NON-COMPLIANCE RATES IN EXCESS OF 10 PERCENT, INCLUDING ONE TRADE DATE ON WHICH THE FIRM FAILED TO MEET ITS OPENING QUOTING OBLIGATION IN APPROXIMATELY 48 PERCENT OF ITS ASSIGNED OPTIONS SERIES. THE FOREGOING CONDUCT CONSTITUTED SEPARATE AND DISTINCT VIOLATIONS OF THE MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC RULES 503(E) AND 603(C).

<b>Initiated By:</b>	MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC
<b>Date Initiated:</b>	03/08/2016
<b>Docket/Case Number:</b>	2014043826901
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	03/08/2016
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$15,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	THE FIRM WAS CENSURED AND FINED \$15,000.
<b>Firm Statement</b>	THE FIRM WAS CENSURED AND FINED \$15,000.

#### Disclosure 5 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TIMELY SUBMIT 375 EXPIRING EXERCISE DECLARATIONS (EEDS) TO THE



OPTIONS CLEARING CORPORATION (OCC) THAT IT HAD TIMELY RECEIVED FROM ITS CUSTOMERS BY THE APPLICABLE CUT-OFF TIME; TIMELY SUBMIT A REVISED EED TO THE OCC THAT IT HAD BEEN RECEIVED FROM A CUSTOMER BY THE APPLICABLE CUT-OFF TIME; AND TIMELY SUBMIT THREE "DO NOT EXERCISE" DECLARATIONS (NDEDS) TO THE OCC THAT IT HAD TIMELY RECEIVED FROM ITS CUSTOMERS, AND THEREBY CAUSED THE OPTIONS TO BE AUTOMATICALLY EXERCISED. AS A RESULT, THE FIRM VIOLATED BOX RULES 9000(D)(2) AND (3). THE FIRM FAILED TO ADHERE TO, AND SUPERVISE COMPLIANCE WITH, ITS WRITTEN SUPERVISORY PROCEDURES REGARDING THE CATEGORIZATION OF EED AND NDED INSTRUCTIONS SUBMITTED BY ITS CUSTOMERS, IN VIOLATION OF BOX RULE 3070.

**Initiated By:** BOX OPTIONS EXCHANGE LLC

**Date Initiated:** 12/17/2015

**Docket/Case Number:** 2013035768201

**Principal Product Type:** Options

**Other Product Type(s):**

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

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

**Resolution:** Consent

**Resolution Date:** 12/17/2015

**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 \$45,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$45,000.

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**Reporting Source:** Firm

**Current Status:** Final



<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TIMELY SUBMIT 375 EXPIRING EXERCISE DECLARATIONS (EEDS) TO THE OPTIONS CLEARING CORPORATION (OCC) THAT IT HAD TIMELY RECEIVED FROM ITS CUSTOMERS BY THE APPLICABLE CUT-OFF TIME; TIMELY SUBMIT A REVISED EED TO THE OCC THAT IT HAD BEEN RECEIVED FROM A CUSTOMER BY THE APPLICABLE CUT-OFF TIME; AND TIMELY SUBMIT THREE "DO NOT EXERCISE" DECLARATIONS (DNEDS) TO THE OCC THAT IT HAD TIMELY RECEIVED FROM ITS CUSTOMERS, AND THEREBY CAUSED THE OPTIONS TO BE AUTOMATICALLY EXERCISED. AS A RESULT, THE FIRM VIOLATED BOX RULES 9000(D)(2) AND (3). THE FIRM FAILED TO ADHERE TO, AND SUPERVISE COMPLIANCE WITH, ITS WRITTEN SUPERVISORY PROCEDURES REGARDING THE CATEGORIZATION OF EED AND DNED INSTRUCTIONS SUBMITTED BY ITS CUSTOMERS, IN VIOLATION OF BOX RULE 3070.
<b>Initiated By:</b>	BOX OPTIONS EXCHANGE LLC
<b>Date Initiated:</b>	12/17/2015
<b>Docket/Case Number:</b>	2013035768201
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	12/17/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$45,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	THE FIRM WAS CENSURED AND FINED \$45,000.
<b>Firm Statement</b>	THE FIRM WAS CENSURED AND FINED \$45,000.

#### Disclosure 6 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final



**Allegations:** MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED ("MERRILL PIERCE") AND MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MERRILL PRO"), BOTH EXCHANGE TPH ORGANIZATIONS, WERE CENSURED AND FINED BY CBOE AND THE OTHER OPTIONS EXCHANGES IDENTIFIED BELOW IN THE AMOUNT OF \$9,000,000, OF WHICH \$4,500,000 WAS PAYABLE TO CBOE. IN ADDITION, MERRILL PIERCE AND MERRILL PRO AGREED TO CERTAIN UNDERTAKINGS. MERRILL PIERCE (I) MARKED AND EXECUTED NUMEROUS ORDERS WITH AN INCORRECT ORDER ORIGIN CODE; (II) FAILED TO IMPLEMENT ADEQUATE SUPERVISORY PROCEDURES AND FAILED TO PROPERLY SUPERVISE TO ASSURE COMPLIANCE WITH EXCHANGE RULES. SPECIFICALLY, MERRILL PIERCE FAILED TO ASSURE THAT ITS SALES TRADERS AND FLOOR BROKERS UNDERSTOOD THE IMPORTANCE AND PURPOSE OF ORDER ORIGIN CODES AND THAT ORDERS WERE MARKED AND EXECUTED WITH CORRECT ORDER ORIGIN CODES; AND (III) FAILED TO MAINTAIN ACCURATE BOOKS AND RECORDS AS IT RELATES TO ITS ELECTRONIC ORDER MANAGEMENT SYSTEM, ELECTRONIC ORDER LOG AND ELECTRONIC ORDER AUDIT TRAIL RECORDS THAT CONTAINED, COMMUNICATED AND/OR CAUSED MERRILL PIERCE TRADERS TO COMMUNICATE AN INCORRECT ORDER ORIGIN CODE TO THE EXCHANGE ON NUMEROUS ORDERS. MERRILL PRO (I) MARKED AND EXECUTED NUMEROUS ORDERS WITH AN INCORRECT ORDER ORIGIN CODE; AND (II) FAILED TO MAINTAIN AN ADEQUATE SYSTEM OF REVIEW AND OVERSIGHT DESIGNED TO DETECT, PREVENT AND REMEDY ISSUES RELATED TO PROPER ORDER ORIGIN CODE USE. IN ADDITION, MERRILL PRO FAILED TO ASSURE ORDERS WERE EXECUTED AND CLEARED WITH CORRECT ORDER ORIGIN CODES, INCLUDING BUT NOT LIMITED TO NUMEROUS ORDERS THAT MERRILL PRO SUBMITTED TO THE EXCHANGE AND SUBSEQUENTLY MADE A POST-TRADE OR OCC ADJUSTMENT TO THE INACCURATE ORDER ORIGIN CODE ON BEHALF OF MERRILL PRO'S PROFESSIONAL CLIENTS. (MERRILL PIERCE: EXCHANGE RULES 4.2 - ADHERENCE TO LAW, 4.22 - COMMUNICATIONS TO THE EXCHANGE OR THE CLEARING CORPORATION, 6.51 - REPORTING DUTIES AND 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS, RECORDS AND OTHER INFORMATION; SECTION 17(A) OF THE ACT AND RULE 17A-3 - RECORDS TO BE MADE BY CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS THEREUNDER; MERRILL PRO: EXCHANGE RULES 4.2 - ADHERENCE TO LAW, 4.22 - COMMUNICATIONS TO THE EXCHANGE OR THE CLEARING CORPORATION, AND 6.51 - REPORTING DUTIES)

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE

**Date Initiated:** 05/11/2015

**Docket/Case Number:** 15-0052 / 20150453098

**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:**

06/23/2015

**Sanctions Ordered:**Censure  
Monetary/Fine \$4,500,000.00**Other Sanctions Ordered:**

MERRILL PIERCE AGREES TO AN UNDERTAKING PURSUANT TO WHICH AT INTERVALS OF 90, 180, 270, AND 360 DAYS AFTER ACCEPTANCE BY THE BUSINESS CONDUCT COMMITTEE OF THIS LETTER OF CONSENT, MERRILL PIERCE SHALL PRODUCE TO CBOE, IN CARE OF FINRA MARKET REGULATION - LEGAL (CHICAGO), ITS WRITTEN SUPERVISORY PROCEDURES PERTAINING TO ORDER ORIGIN CODES AS WELL AS ANY UPDATES TO ITS WRITTEN SUPERVISORY PROCEDURES PERTAINING TO ORDER ORIGIN CODES. MERRILL PRO AGREES TO AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

**Sanction Details:**

A CENSURE OF MERRILL PIERCE AND MERRILL PRO AND A TOTAL FINE IMPOSED BY CBOE AND THE OTHER OPTIONS EXCHANGES IDENTIFIED BELOW IN THE AMOUNT OF \$9,000,000, OF WHICH \$4,500,000 SHALL BE PAID TO CBOE. (THE BALANCE OF THE FINE AMOUNT WILL BE PAID TO BATS EXCHANGE, INC.; BOX OPTIONS EXCHANGE LLC; NASDAQ OMX BX, INC.; NASDAQ OMX PHLX LLC; NASDAQ STOCK MARKET LLC; AND NYSE REGULATION, INC. ON BEHALF OF NYSE ARCA INC. AND NYSE MKT LLC) IN ADDITION, MERRILL PIERCE AND MERRILL PRO AGREED TO CERTAIN UNDERTAKINGS

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THAT A VIOLATION OF EXCHANGE RULES HAS BEEN COMMITTED, THE FIRM CONSENTED TO THE FOLLOWING STIPULATION OF FACTS AND FINDINGS AND SANCTIONS: FROM ON OR ABOUT JANUARY 2004 THROUGH ON OR ABOUT 2011, THE FIRM VIOLATED CERTAIN FEDERAL SECURITIES LAWS AND CERTAIN CBOE RULES BY IMPROPERLY MARKING NUMEROUS OPTIONS ORDERS ON BEHALF OF BROKER-DEALERS WITH INCORRECT OPTION ORIGIN CODES THAT WERE THEREAFTER SENT TO THE EXCHANGE THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE FIRM TO SEND OPTIONS



ORDERS, RESULTING IN (I) TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED ADHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; (II) POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND/OR CONTRACT QUALITY OF OTHER MARKET PARTICIPANTS' ORDERS; (III) AN INACCURATE EXCHANGE AUDIT TRAIL AND INACCURATE BOOKS AND RECORDS; (IV) TRADES BEING REPORT TO THE OPTIONS CLEARING CORPORATION WITH INACCURATE TRADE DETAILS; AND (V) AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. IN ADDITION, THE STAFF CONCLUDED THAT THE FIRM HAD SUPERVISORY DEFICIENCIES RELATED TO THE IMPROPER MARKING, EXECUTION AND CLEARANCE OF INCORRECT ORDER ORIGIN CODES.

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE

**Date Initiated:** 06/23/2015

**Docket/Case Number:** 15-0052

**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; UNDERTAKING

**Resolution:** Consent

**Resolution Date:** 06/23/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$9,000,000, OF WHICH \$4,500,000 SHALL BE PAID TO THE CBOE, AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

**Firm Statement** THE FIRM WAS CENSURED, FINED \$9,000,000, OF WHICH \$4,500,000 SHALL BE PAID TO THE CBOE, AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

#### Disclosure 7 of 55

**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 AUTOMATED MARKET MAKING DESK INCORRECTLY MARKED SELL ORDER EXECUTIONS AS "LONG" RATHER THAN "SHORT". THE FINDINGS STATED THAT THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WRITTEN SUPERVISORY PROCEDURES AND AN ADEQUATE SUPERVISORY SYSTEM, AND SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 200(G). IN ADDITION THIS CONDUCT CONSTITUTES A VIOLATION OF ISE RULE 401.

**Initiated By:** INTERNATIONAL SECURITIES EXCHANGE

**Date Initiated:** 04/13/2015

**Docket/Case Number:** 20130366433

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/20/2015

**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:** Monetary/Fine \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** RESULT OF A CROSS MARKET EXAM. TOTAL OF \$55,000 FINE OF WHICH \$10,000 SHALL BE PAYABLE TO ISE.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S



AUTOMATED MARKET MAKING DESK INCORRECTLY MARKED SELL ORDER EXECUTIONS AS "LONG" RATHER THAN "SHORT". THE FINDINGS STATED THAT THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WRITTEN SUPERVISORY PROCEDURES AND AN ADEQUATE SUPERVISORY SYSTEM, AND SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 200(G).

**Initiated By:** INTERNATIONAL SECURITIES EXCHANGE, LLC ("ISE")

**Date Initiated:** 05/20/2015

**Docket/Case Number:** 20130366433

**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:** 05/20/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$55,000.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$55,000, OF WHICH \$10,000 WAS PAID TO ISE.

**Firm Statement** THE FIRM WAS CENSURED AND FINED \$55,000, OF WHICH \$10,000 WAS PAID TO ISE.

#### Disclosure 8 of 55

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S AUTOMATED MARKET MAKING DESK INCORRECTLY MARKED SELL ORDER EXECUTIONS AS "LONG" RATHER THAN "SHORT". THE FINDINGS STATED THAT THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WRITTEN SUPERVISORY PROCEDURES AND AN ADEQUATE SUPERVISORY SYSTEM, AND SYSTEM OF FOLLOW-UP



AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 200(G).

**Initiated By:** BOX OPTIONS EXCHANGE LLC

**Date Initiated:** 05/18/2015

**Docket/Case Number:** 20130366433

**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:** Consent

**Resolution Date:** 05/18/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$55,000.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$55,000, OF WHICH \$5,000 WAS PAID TO BOX.

**Firm Statement** THE FIRM WAS CENSURED AND FINED \$55,000, OF WHICH \$5,000 WAS PAID TO BOX.

#### Disclosure 9 of 55

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ON BEHALF OF BATS, THE STAFF OF FINRA'S MARKET REGULATION DEPARTMENT CONDUCTED A REVIEW OF THE FIRM'S ORDER ENTRY ACTIVITIES IN THEIR CAPACITY AS AN OPTIONS MEMBER DURING THE PERIOD FROM FEBRUARY 2010 AND JULY 2011 WHEN THE FIRM CEASED ACCEPTING ORDERS FOR EXECUTION (THE "REVIEW PERIOD") FOR COMPLIANCE WITH BATS RULES AND POLICIES GOVERNING THE USE OF ORIGIN CODES. DURING THE REVIEW PERIOD, THE FIRM VIOLATED CERTAIN BATS RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF THEIR BROKER-DEALER CLIENTS. THE FIRM IMPROPERLY MARKED NUMEROUS OPTIONS ORDERS WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO BATS THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE



FIRM TO SEND OPTION ORDERS, RESULTING IN: (I) AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; (II) TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION ("OCC") WITH INACCURATE TRADE DETAILS; AND (III) AN ADVERSE IMPACT TO BATS'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. ADDITIONALLY, THE STAFF CONCLUDED THAT THE FIRM HAD SUPERVISORY DEFICIENCIES RELATED TO THESE MATTERS. AS A RESULT, THE FIRM WAS FOUND TO HAVE VIOLATED SECTION 17(A)(1) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SEC RULE 17A-3(A)(6)(I) PROMULGATED THEREUNDER, AND BATS RULES 5.1, 5.2, 18.1, 18.2(A)(2), 18.2(A)(6), 20.1(B)(4), 20.7(B)(17), AND 24.1(A).

<b>Initiated By:</b>	BATS EXCHANGE, INC. ("BATS")
<b>Date Initiated:</b>	06/09/2015
<b>Docket/Case Number:</b>	20110277299
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE; UNDERTAKING
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/09/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$200,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE, A JOINT AND SEVERAL FINE IN THE AMOUNT OF \$9,000,000, OF WHICH \$200,000 SHALL BE PAID TO BATS; AND TO AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE, A JOINT AND SEVERAL FINE IN THE AMOUNT OF \$9,000,000, OF WHICH \$200,000 SHALL BE PAID TO BATS; AND TO AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

#### Disclosure 10 of 55

**Reporting Source:** Regulator



**Current Status:** Final

**Allegations:** ENFORCEMENT NO. 2015-04, MAY 29, 2015: THE BUSINESS CONDUCT COMMITTEE (THE "COMMITTEE"), PURSUANT TO RULE 960.2(F) OF THE RULES OF NASDAQ OMX PHLX, LLC ("EXCHANGE RULES") AND UPON INFORMATION AND BELIEF, HEREBY AUTHORIZES THE ISSUANCE OF THIS STATEMENT OF CHARGES AND ALLEGES MERRILL LYNCH PROFESSIONAL CLEARING CORP. AND ANOTHER ENTITY VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING CERTAIN ORDERS ON BEHALF OF THEIR BROKER-DEALER CLIENTS. THE FIRM IMPROPERLY MARKED NUMEROUS OPTIONS ORDERS WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO THE EXCHANGE THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE RESPONDENTS TO SEND OPTIONS ORDERS, RESULTING IN TRANSACTIONS EXECUTED BY THE RESPONDENTS THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS; AND AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. ADDITIONALLY, THE STAFF CONCLUDED THAT THE RESPONDENTS HAD SUPERVISORY DEFICIENCIES RELATED TO THESE MATTERS.

**Initiated By:** NASDAQ OMX PHLX, INC.

**Date Initiated:** 05/29/2015

**Docket/Case Number:** 20110277299

**Principal Product Type:** Other

**Other Product Type(s):** VARIOUS SECURITIES

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

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

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 06/08/2015



<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$9,000,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$9,000,000, JOINTLY AND SEVERALLY, AND AGREES TO AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.
<b>Regulator Statement</b>	THIS MATTER ALSO INVOLVED FINRA CASE #: 20110277298 ENFORCEMENT NO. 2015-04, JUNE 8, 2015: THE DECISION OF THE BUSINESS CONDUCT COMMITTEE ("COMMITTEE") OF NASDAQ OMX PHLX LLC ("PHLX" OR THE "EXCHANGE") IN THIS MATTER IS THAT THE RESPONDENTS STIPULATE TO THE FACTS, CONSENT TO THE CONCLUSION OF VIOLATIONS OF CERTAIN FEDERAL SECURITIES LAWS AND EXCHANGE RULES, AND CONSENT TO THE IMPOSITION OF SANCTIONS SPECIFICALLY INCLUDING, BUT NOT LIMITED TO, CONSENTING TO PAY THE FINE IMPOSED BY THE COMMITTEE CONSISTENT WITH THE OFFER, AND TO COMPLY WITH ALL OTHER SANCTIONS, ALL AS HEREINAFTER SET FORTH, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR CONCLUSIONS IN THE STATEMENT OF CHARGES. THE COMMITTEE ACCEPTS THE STIPULATION OF FACTS, AND ON THE BASIS THEREOF FINDS THAT MERRILL LYNCH PROFESSIONAL CLEARING CORP. AND THE OTHER ENTITY VIOLATED SECTION 17(A)(1) OF THE EXCHANGE ACT AND SEC RULE 17A-3(A)(6)(I) THEREUNDER, AND PHLX RULES 707, 748(B), (D), (G), LATER (H), 760, 785(C), 1014(G)(I)(A), 1053(IX), AND 1063(E)(I).
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	ON BEHALF OF THE EXCHANGE, THE STAFF OF FINRA'S MARKET REGULATION DEPARTMENT CONDUCTED A REVIEW OF THE FIRM'S ORDER ENTRY ACTIVITIES IN THEIR CAPACITY AS A MEMBER ORGANIZATION DURING THE PERIOD BETWEEN 2005 AND JULY 2011 WHEN THE FIRM CEASED ACCEPTING ORDERS FOR EXECUTION (THE "REVIEW PERIOD") FOR COMPLIANCE WITH VARIOUS RULES AND FEDERAL SECURITIES LAWS. DURING THE REVIEW PERIOD, THE FIRM VIOLATED CERTAIN EXCHANGE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING





CERTAIN ORDERS ON BEHALF OF THEIR BROKER-DEALER CLIENTS. THE FIRM IMPROPERLY MARKED NUMEROUS OPTIONS ORDERS WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO THE EXCHANGE THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE FIRM TO SEND OPTION ORDERS, RESULTING IN: (I) TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; (II) POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; (III) AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; (IV) TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION ("OCC") WITH INACCURATE TRADE DETAILS; AND (V) AN ADVERSE IMPACT TO ISE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. ADDITIONALLY, THE STAFF CONCLUDED THAT THE FIRM HAD SUPERVISORY DEFICIENCIES RELATED TO THESE MATTERS. AS A RESULT, THE FIRM WAS FOUND TO HAVE VIOLATED SECTION 17(A)(1) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SEC RULE 17A-3(A)(6)(I) PROMULGATED THEREUNDER, AND PHLX RULES 707, 748(B), (D), (G), LATER (H), 760, 785(C), 1014(G)(I)(A), 1053(IX), AND 1063(E)(I).

**Initiated By:** NASDAQ OMX PHLX LLC (THE "EXCHANGE")

**Date Initiated:** 05/28/2015

**Docket/Case Number:** 20110277299

**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; UNDERTAKING

**Resolution:** Decision

**Resolution Date:** 06/08/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO A CENSURE, A JOINT AND SEVERAL FINE IN THE AMOUNT OF \$9,000,000, OF WHICH \$1,125,000 SHALL BE PAID TO THE EXCHANGE; AND TO AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

**Firm Statement**

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO A CENSURE, A JOINT AND SEVERAL FINE IN THE AMOUNT OF \$9,000,000, OF WHICH \$1,125,000 SHALL BE PAID TO THE EXCHANGE; AND TO AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

**Disclosure 11 of 55**

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MERRILL PRO"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$5,000 FOR THE FOLLOWING CONDUCT. MERRILL PRO FAILED TO REGISTER TWO FINANCIAL AND OPERATIONS PRINCIPALS AS A FINANCIAL AND OPERATIONS PRINCIPAL (FN) WITH THE EXCHANGE IN WEBCRD. (EXCHANGE RULE 3.4 - QUALIFICATION AND REGISTRATION)
<b>Initiated By:</b>	CHICAGO BOARD OPTIONS EXCHANGE
<b>Date Initiated:</b>	01/06/2015
<b>Docket/Case Number:</b>	C2 14-0006
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	02/12/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$5,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	A \$5,000 FINE AND A CENSURE.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final



<b>Allegations:</b>	MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MERRILL PRO"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$5,000 FOR THE FOLLOWING CONDUCT. FROM ON OR ABOUT NOVEMBER 5, 2011 THROUGH ON OR ABOUT AUGUST 19, 2013, THE FIRM FAILED TO REGISTER ITS FINOP (FN) WITH THE EXCHANGE IN WEBCRD. ADDITIONALLY, FROM ON OR ABOUT AUGUST 20, 2013 THROUGH ON OR ABOUT MAY 16, 2014, THE FIRM FAILED TO REGISTER ITS FINOP (FN) WITH THE EXCHANGE IN WEBCRD. (EXCHANGE RULE 3.4 - QUALIFICATION AND REGISTRATION)
<b>Initiated By:</b>	CHICAGO BOARD OPTIONS EXCHANGE
<b>Date Initiated:</b>	01/06/2015
<b>Docket/Case Number:</b>	C2 14-0006
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	02/12/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$5,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	A \$5,000 FINE AND A CENSURE.
<b>Firm Statement</b>	A \$5,000 FINE AND A CENSURE.

#### Disclosure 12 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MERRILL PRO"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$7,500 FOR THE FOLLOWING CONDUCT: MERRILL PRO FAILED TO REGISTER TWO (2) ASSOCIATED PERSONS AS PROPRIETARY TRADERS (PT) WITH THE EXCHANGE IN WEBCRD. IN ADDITION, FROM ON OR ABOUT JANUARY 29, 2013 THROUGH ON OR ABOUT NOVEMBER 15, 2013, MERRILL PRO FAILED



TO REGISTER ONE (1) ASSOCIATED PERSON AS A PROPRIETARY TRADER (PT) WITH THE EXCHANGE IN WEBCRD. (EXCHANGE RULE 3.6A - QUALIFICATION AND REGISTRATION OF TRADING PERMIT HOLDERS AND ASSOCIATED PERSONS)

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE

**Date Initiated:** 01/06/2015

**Docket/Case Number:** 14-0183

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 02/12/2015

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

**Other Sanctions Ordered:**

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

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MERRILL PRO"), AN EXCHANGE TPH ORGANIZATION, WAS CENSURED AND FINED \$7,500 FOR THE FOLLOWING CONDUCT: FROM ON OR ABOUT NOVEMBER 15, 2011 THROUGH ON OR ABOUT NOVEMBER 15, 2013, MERRILL PRO FAILED TO REGISTER TWO (2) ASSOCIATED PERSONS AS PROPRIETARY TRADERS (PT) WITH THE EXCHANGE IN WEBCRD. IN ADDITION, FROM ON OR ABOUT JANUARY 29, 2013 THROUGH ON OR ABOUT NOVEMBER 15, 2013, MERRILL PRO FAILED TO REGISTER ONE (1) ASSOCIATED PERSON AS A PROPRIETARY TRADER (PT) WITH THE EXCHANGE IN WEBCRD. (EXCHANGE RULE 3.6A - QUALIFICATION AND REGISTRATION OF TRADING PERMIT HOLDERS AND ASSOCIATED PERSONS)

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE

**Date Initiated:** 01/06/2015



<b>Docket/Case Number:</b>	14-0183
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	02/12/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$7,500.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	A \$7,500 FINE AND A CENSURE.
<b>Firm Statement</b>	A \$7,500 FINE AND A CENSURE.

#### Disclosure 13 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** DURING THE REVIEW PERIOD (2004 TO 2014), MERRILL PIERCE AND MERRILL PRO VIOLATED CERTAIN ISE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF THEIR BROKER-DEALER CLIENTS. THE FIRMS IMPROPERLY MARKED NUMEROUS OPTIONS ORDERS WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO THE EXCHANGE THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE FIRMS TO SEND OPTIONS ORDERS, RESULTING IN: (I) TRANSACTIONS EXECUTED BY THE FIRMS THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; (II) POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; (III) AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; (IV) TRADES BEING REPORTED TO OCC WITH INACCURATE TRADE DETAILS; AND (V) AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. ADDITIONALLY, THE STAFF CONCLUDED THAT THE FIRMS HAD SUPERVISORY DEFICIENCIES RELATED TO THESE MATTERS.

BY MARKING ORDERS WITH THE WRONG ORIGIN CODE, MERRILL PIERCE



AND MERRILL PRO VIOLATED OR CAUSED VIOLATIONS OF THE FOLLOWING RULES:

A. SECTION 17(A)(1) OF THE EXCHANGE ACT AND EXCHANGE ACT RULE 17A-3(A)(6)(I) PROMULGATED THEREUNDER REQUIRING THAT MEMBER ORGANIZATIONS CREATE A MEMORANDUM OF EACH ORDER, AND ANY OTHER INSTRUCTION, SHOWING THE TERMS AND CONDITIONS OF THE ORDER.

B. ISE RULE 400, WHICH PROHIBITS MEMBERS FROM ENGAGING IN ACTS OR PRACTICES INCONSISTENT WITH JUST AND EQUITABLE PRINCIPLES OF TRADE.

C. ISE RULE 401, WHICH PROHIBITS MEMBERS FROM VIOLATING THE EXCHANGE ACT OR RULES THEREUNDER, ISE'S CONSTITUTION OR RULES, OR OCC RULES AS THEY RELATE TO REPORTING OR CLEARING ISE TRANSACTIONS.

D. ISE RULE 712(A), WHICH REQUIRES MEMBERS TO SUBMIT TRADE INFORMATION AS PRESCRIBED BY THE EXCHANGE TO ALLOW THE EXCHANGE TO PROPERLY PRIORITIZE AND MATCH ORDERS AND QUOTATIONS PURSUANT TO ISE RULE 713 AND TO REPORT RESULTING TRANSACTIONS TO OCC.

E. RULE 713(C), WHICH GRANTS PRIORITY TO PRIORITY CUSTOMER ORDERS OVER PROFESSIONAL ORDERS AND MARKET MAKER QUOTES AT THE SAME PRICE IN THE SAME OPTIONS SERIES.

F. ISE RULE 1400(A), WHICH REQUIRES MEMBERS TO MAKE AND PRESERVE RECORDS PRESCRIBED BY ISE AND PRESCRIBED BY THE EXCHANGE ACT AND RULES THEREUNDER.

**Initiated By:** INTERNATIONAL SECURITIES EXCHANGE

**Date Initiated:** 05/11/2015

**Docket/Case Number:** 20110277299

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/20/2015



**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 \$1,350,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

MERRILL PIERCE AND MERRILL PRO WERE JOINTLY FINED \$9 MILLION OF WHICH \$1.35 MILLION WAS PAID TO ISE, THE BALANCE TO OTHER SRO'S.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

ON BEHALF OF THE ISE STAFF, FINRA STAFF MEMBERS CONDUCTED A REVIEW OF THE FIRM'S ORDER ENTRY ACTIVITIES IN THEIR CAPACITY AS ELECTRONIC ACCESS MEMBERS DURING THE PERIOD BETWEEN 2005 AND JULY 2011 WHEN THE FIRM CEASED ACCEPTING ORDERS FOR EXECUTION (THE "REVIEW PERIOD") FOR COMPLIANCE WITH ISE RULES. DURING THE REVIEW PERIOD, THE FIRM VIOLATED CERTAIN ISE RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF THEIR BROKER-DEALER CLIENTS. THE FIRM IMPROPERLY MARKED NUMEROUS OPTIONS ORDERS WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO ISE THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE FIRM TO SEND OPTION ORDERS, RESULTING IN: (I) TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; (II) POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; (III) AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; (IV) TRADES BEING REPORTED TO OCC WITH INACCURATE TRADE DETAILS; AND (V) AN ADVERSE IMPACT TO ISE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. ADDITIONALLY, THE STAFF CONCLUDED THAT THE FIRM HAD SUPERVISORY DEFICIENCIES RELATED TO THESE MATTERS. AS A RESULT, THE FIRM WAS FOUND TO HAVE VIOLATED OR CAUSED VIOLATIONS OF SECTION 17(A)(1) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED AND EXCHANGE ACT RULE 17A-3(A)(6)(I) PROMULGATED THEREUNDER, AND ISE RULES 400, 401, 712(A), 713(C), AND 1400(A).

**Initiated By:**

INTERNATIONAL SECURITIES EXCHANGE, LLC ("ISE")



<b>Date Initiated:</b>	05/20/2015
<b>Docket/Case Number:</b>	20110277299
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE; UNDERTAKING
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/03/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,350,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO A CENSURE, A JOINT AND SEVERAL FINE IN THE AMOUNT OF \$9,000,000, OF WHICH \$1,350,000 SHALL BE PAID TO ISE; AND TO AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO A CENSURE, A JOINT AND SEVERAL FINE IN THE AMOUNT OF \$9,000,000, OF WHICH \$1,350,000 SHALL BE PAID TO ISE; AND TO AN UNDERTAKING TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

#### Disclosure 14 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	STATEMENT OF CHARGES, MAY 29, 2015: THE BUSINESS CONDUCT COMMITTEE, PURSUANT TO RULE 960.2(F) OF THE RULES OF THE NASDAQ OMX PHLX, LLC AND UPON INFORMATION AND BELIEF, HEREBY AUTHORIZES THE ISSUANCE OF THIS STATEMENT OF CHARGES AND ALLEGES THAT ON SEPARATE TRADE DATES, STAFF SAMPLED SELL ORDERS EXECUTED BY THE FIRM WHERE ITS POSITION IN A PARTICULAR SECURITY HAD CHANGED FROM "LONG" TO "SHORT" DURING THE TRADING DAY. AS A RESULT OF ITS REVIEW. STAFF IDENTIFIED A TOTAL OF 30 SELL ORDER EXECUTIONS THAT HAD BEEN INCORRECTLY MARKED AS 'LONG" RATHER THAN 'SHORT" BY THE FIRM'S AUTOMATED MARKET MAKING DESK. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF SEC RULE 200(G).





IN ADDITION, THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WRITTEN SUPERVISORY PROCEDURES (WSPS) AND AN ADEQUATE SUPERVISORY SYSTEM, AND SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 200(G). ALTHOUGH THE FIRM'S WSPS INCLUDED A REQUIREMENT TO REVIEW A SAMPLE OF TEN SELL ORDERS EACH MONTH TO CONFIRM THAT THEY ARE ACCURATELY MARKED, THESE PROCEDURES ONLY BECAME EFFECTIVE IN JULY 2012, AND FAILED TO INCLUDE AN ADEQUATE SAMPLE SIZE AND FREQUENCY OF REVIEW GIVEN THE VOLUME OF EQUITY ORDERS ENTERED BY THE FIRM. BY FAILING TO ESTABLISH AND MAINTAIN ADEQUATE SUPERVISORY PROCEDURES, AND A REASONABLE SYSTEM OF FOLLOW-UP AND REVIEW TO ENSURE COMPLIANCE WITH SEC RULE 200(G), THE FIRM VIOLATED EXCHANGE RULE 748.

**Initiated By:** NASDAQ OMX PHLX, INC.

**Date Initiated:** 05/29/2015

**Docket/Case Number:** 20130366433

**Principal Product Type:** No Product

**Other Product Type(s):**

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

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

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 06/08/2015

**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 \$55,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$55,000.

**Regulator Statement** DECISION ISSUED UPON ACCEPTANCE OF OFFER OF SETTLEMENT, JUNE 8, 2015: THE DECISION OF THE BUSINESS CONDUCT COMMITTEE OF NASDAQ OMX PHLX LLC IN THE MATTER IS AS FOLLOWS: MERRILL LYNCH



PROFESSIONAL CLEARING CORP. MADE AN OFFER OF SETTLEMENT, STIPULATION OF FACTS AND CONSENT TO SANCTIONS. RESPONDENT MADE AND ENTERED INTO SAID OFFER, PURSUANT TO EXCHANGE RULE 960.7, SOLELY FOR THE PURPOSES OF THESE PROCEEDINGS AND TO SETTLE AND CONCLUDE ALL DISCIPLINARY ACTIONS BY THE EXCHANGE BASED ON OR ARISING OUT OF THE FACTS HEREINAFTER STIPULATED. THE COMMITTEE AND RESPONDENT HAVE AGREED TO SETTLE THIS MATTER. THE FACTS, AS STIPULATED TO IN THE OFFER, ARE THAT DURING THE RELEVANT PERIOD, ON 20 SEPARATE TRADE DATES, STAFF SAMPLED SELL ORDERS EXECUTED BY THE FIRM WHERE ITS POSITION IN A PARTICULAR SECURITY HAD CHANGED FROM "LONG" TO "SHORT" DURING THE TRADING DAY. AS A RESULT OF ITS REVIEW, STAFF IDENTIFIED A TOTAL OF 30 SELL ORDER EXECUTIONS THAT HAD BEEN INCORRECTLY MARKED AS "LONG" RATHER THAN "SHORT" BY THE FIRM'S AUTOMATED MARKET MAKING DESK. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF SEC RULE 200(G). ALSO DURING THE RELEVANT PERIOD, THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WSPS AND AN ADEQUATE SUPERVISORY SYSTEM, AND SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 200(G). ALTHOUGH THE FIRM'S WSPS INCLUDED A REQUIREMENT TO REVIEW A SAMPLE OF TEN SELL ORDERS EACH MONTH TO CONFIRM THAT THEY ARE ACCURATELY MARKED, THESE PROCEDURES ONLY BECAME EFFECTIVE IN JULY 2012, AND FAILED TO INCLUDE AN ADEQUATE SAMPLE SIZE AND FREQUENCY OF REVIEW GIVEN THE VOLUME OF EQUITY ORDERS ENTERED BY RESPONDENT. THIS CONDUCT VIOLATED EXCHANGE RULE 748.

THE COMMITTEE ACCEPTS THE STIPULATION OF FACTS, AND ON THE BASIS THEREOF FINDS THAT THE FIRM VIOLATED SEC RULE 200(G) OF REGULATION SHO AND EXCHANGE RULE 748. THE COMMITTEE BELIEVES THAT THE SANCTIONS PROPOSED BY THE FIRM IN ITS OFFER SERVE THE PUBLIC INTEREST, ARE SUFFICIENTLY REMEDIAL UNDER THE CIRCUMSTANCES, AND REPRESENT A PROPER DISCHARGE OF THE EXCHANGE'S REGULATORY RESPONSIBILITIES UNDER THE EXCHANGE ACT.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** STATEMENT OF CHARGES, MAY 29, 2015: THE BUSINESS CONDUCT COMMITTEE, PURSUANT TO RULE 960.2(F) OF THE RULES OF THE NASDAQ OMX PHLX, LLC AND UPON INFORMATION AND BELIEF, HEREBY AUTHORIZES THE ISSUANCE OF THIS STATEMENT OF CHARGES AND



ALLEGES THAT ON SEPARATE TRADE DATES, STAFF SAMPLED SELL ORDERS EXECUTED BY THE FIRM WHERE ITS POSITION IN A PARTICULAR SECURITY HAD CHANGED FROM "LONG" TO "SHORT" DURING THE TRADING DAY. AS A RESULT OF ITS REVIEW, STAFF IDENTIFIED A TOTAL OF 30 SELL ORDER EXECUTIONS THAT HAD BEEN INCORRECTLY MARKED AS "LONG" RATHER THAN "SHORT" BY THE FIRM'S AUTOMATED MARKET MAKING DESK. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF SEC RULE 200(G). IN ADDITION, THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WRITTEN SUPERVISORY PROCEDURES (WSPS) AND AN ADEQUATE SUPERVISORY SYSTEM, AND SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 200(G). ALTHOUGH THE FIRM'S WSPS INCLUDED A REQUIREMENT TO REVIEW A SAMPLE OF TEN SELL ORDERS EACH MONTH TO CONFIRM THAT THEY ARE ACCURATELY MARKED, THESE PROCEDURES ONLY BECAME EFFECTIVE IN JULY 2012, AND FAILED TO INCLUDE AN ADEQUATE SAMPLE SIZE AND FREQUENCY OF REVIEW GIVEN THE VOLUME OF EQUITY ORDERS ENTERED BY THE FIRM. BY FAILING TO ESTABLISH AND MAINTAIN ADEQUATE SUPERVISORY PROCEDURES, AND A REASONABLE SYSTEM OF FOLLOW-UP AND REVIEW TO ENSURE COMPLIANCE WITH SEC RULE 200(G), THE FIRM VIOLATED EXCHANGE RULE 748.

**Initiated By:** NASDAQ OMX PHLX LLC

**Date Initiated:** 05/29/2015

**Docket/Case Number:** 20130366433

**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:** Decision & Order of Offer of Settlement

**Resolution Date:** 06/08/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$55,000.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$55,000, OF WHICH \$10,000 WAS PAID TO THE EXCHANGE.

**Firm Statement** DECISION ISSUED UPON ACCEPTANCE OF OFFER OF SETTLEMENT, JUNE



8, 2015: THE DECISION OF THE BUSINESS CONDUCT COMMITTEE OF NASDAQ OMX PHLX LLC IN THE MATTER IS AS FOLLOWS: MERRILL LYNCH PROFESSIONAL CLEARING CORP. MADE AN OFFER OF SETTLEMENT, STIPULATION OF FACTS AND CONSENT TO SANCTIONS. RESPONDENT MADE AND ENTERED INTO SAID OFFER, PURSUANT TO EXCHANGE RULE 960.7, SOLELY FOR THE PURPOSES OF THESE PROCEEDINGS AND TO SETTLE AND CONCLUDE ALL DISCIPLINARY ACTIONS BY THE EXCHANGE BASED ON OR ARISING OUT OF THE FACTS HEREINAFTER STIPULATED. THE COMMITTEE AND RESPONDENT HAVE AGREED TO SETTLE THIS MATTER. THE FACTS, AS STIPULATED TO IN THE OFFER, ARE THAT DURING THE RELEVANT PERIOD, ON 20 SEPARATE TRADE DATES, STAFF SAMPLED SELL ORDERS EXECUTED BY THE FIRM WHERE ITS POSITION IN A PARTICULAR SECURITY HAD CHANGED FROM "LONG" TO "SHORT" DURING THE TRADING DAY. AS A RESULT OF ITS REVIEW, STAFF IDENTIFIED A TOTAL OF 30 SELL ORDER EXECUTIONS THAT HAD BEEN INCORRECTLY MARKED AS "LONG" RATHER THAN "SHORT" BY THE FIRM'S AUTOMATED MARKET MAKING DESK. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF SEC RULE 200(G). ALSO DURING THE RELEVANT PERIOD, THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WSPS AND AN ADEQUATE SUPERVISORY SYSTEM, AND SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 200(G). ALTHOUGH THE FIRM'S WSPS INCLUDED A REQUIREMENT TO REVIEW A SAMPLE OF TEN SELL ORDERS EACH MONTH TO CONFIRM THAT THEY ARE ACCURATELY MARKED, THESE PROCEDURES ONLY BECAME EFFECTIVE IN JULY 2012, AND FAILED TO INCLUDE AN ADEQUATE SAMPLE SIZE AND FREQUENCY OF REVIEW GIVEN THE VOLUME OF EQUITY ORDERS ENTERED BY RESPONDENT. THIS CONDUCT VIOLATED EXCHANGE RULE 748. THE COMMITTEE ACCEPTS THE STIPULATION OF FACTS, AND ON THE BASIS THEREOF FINDS THAT THE FIRM VIOLATED SEC RULE 200(G) OF REGULATION SHO AND EXCHANGE RULE 748. THE COMMITTEE BELIEVES THAT THE SANCTIONS PROPOSED BY THE FIRM IN ITS OFFER SERVE THE PUBLIC INTEREST, ARE SUFFICIENTLY REMEDIAL UNDER THE CIRCUMSTANCES, AND REPRESENT A PROPER DISCHARGE OF THE EXCHANGE'S REGULATORY RESPONSIBILITIES UNDER THE EXCHANGE ACT.

#### Disclosure 15 of 55

**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 AUTOMATED MARKET MAKING DESK INCORRECTLY MARKED SELL ORDER



EXECUTIONS AS "LONG" RATHER THAN "SHORT". THE FINDINGS STATED THAT THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WRITTEN SUPERVISORY PROCEDURES AND AN ADEQUATE SUPERVISORY SYSTEM, AND SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 200(G).

**Initiated By:** NASDAQ STOCK MARKET

**Date Initiated:** 06/25/2015

**Docket/Case Number:** 2013036643303

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/25/2015

**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 \$55,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$55,000, OF WHICH \$10,000 SHALL BE PAID TO THE NASDAQ OPTIONS MARKET LLC.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM'S AUTOMATED MARKET MAKING DESK INCORRECTLY MARKED SELL ORDER EXECUTIONS AS "LONG" RATHER THAN "SHORT". THE FINDINGS STATED THAT THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN



PLACE, INCLUDING SUFFICIENT WRITTEN SUPERVISORY PROCEDURES AND AN ADEQUATE SUPERVISORY SYSTEM, AND SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO ACHIEVE COMPLIANCE WITH SEC RULE 200(G).

<b>Initiated By:</b>	NASDAQ STOCK MARKET
<b>Date Initiated:</b>	06/25/2015
<b>Docket/Case Number:</b>	2013036643303
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/25/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$55,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	THE FIRM WAS CENSURED AND FINED \$55,000, OF WHICH \$10,000 WAS PAID TO NASDAQ OPTIONS MARKET LLC.
<b>Firm Statement</b>	THE FIRM WAS CENSURED AND FINED \$55,000, OF WHICH \$10,000 WAS PAID TO NASDAQ OPTIONS MARKET LLC.

#### Disclosure 16 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WHEN THE FIRM CEASED ACCEPTING ORDERS FOR EXECUTION, THE FIRM EXECUTED NUMEROUS TRANSACTIONS WITH INCORRECT ORIGIN CODES ACROSS MULTIPLE MARKETS, INCLUDING THE NASDAQ OPTIONS MARKET LLC (NOM). THE FIRM USED INCORRECT ACCOUNT ORIGIN CODES TO EXECUTE TRADES FOR CERTAIN ACCOUNTS BECAUSE IT HAD PLACED THE WRONG ORIGIN CODE IN THE ACCOUNT PROFILES OF THOSE ACCOUNTS AT ON-BOARDING. THE FINDINGS STATED THAT DESPITE THE FACT THAT THE FIRM TRADED MILLIONS OF CONTRACTS BY EXECUTING



ORDERS WITH INCORRECT ORIGIN CODES, THE FIRM LACKED PROCEDURES FOR ENSURING ORDERS HAD BEEN ENTERED WITH CORRECT ORIGIN CODES, AND FOR CONDUCTING REVIEWS TO DETECT THAT ORDERS HAD BEEN ENTERED AND EXECUTED WITH INCORRECT ORIGIN CODES. INSTEAD, THE FIRM ONLY LEARNED ABOUT MISREPRESENTED ORDERS IN ISOLATION AND THEN ADDRESSED EACH INSTANCE IN ISOLATION AND ON AN AD HOC BASIS. THE FINDINGS ALSO STATED THAT DESPITE THE KNOWLEDGE THAT THE FIRM HAD OF THE USE OF INCORRECT ORIGIN CODES, THE FIRM DID NOT TAKE MEASURES TO ENSURE THAT IT EXECUTED ORDERS WITH CORRECT ORIGIN CODES, OR TO DETECT INSTANCES IN WHICH IT HAD EXECUTED ORDERS WITH INCORRECT ORIGIN CODES. THE FINDINGS ALSO INCLUDED THAT THE FIRM NEVER ADDRESSED ITS ONGOING DEFICIENCIES RELATING TO ITS INACCURATE USE OF ORIGIN CODES BEFORE IT STOPPED TRANSMITTING AND EXECUTING ORDERS ALTOGETHER. FINRA FOUND THAT EACH INSTANCE IN WHICH THE FIRM EXECUTED AN ORDER WITH AN INCORRECT ORIGIN CODE COULD HAVE HAD ADVERSE CONSEQUENCES, SUCH AS CREATING INACCURATE ORDER RECORDS, CREATING AN INACCURATE AUDIT TRAIL, REPORTING TRADES TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND ADVERSELY IMPACTING NOM'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND FEDERAL SECURITIES LAWS. FINRA ALSO FOUND THAT THE FIRM FAILED TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE NOM'S ORIGIN CODE REQUIREMENTS. SPECIFICALLY THE FIRM FAILED TO: (I) REASONABLY ADDRESS ORIGIN CODE REQUIREMENTS IN THE DEVELOPMENT AND PROGRAMMING OF ITS ORDER ENTRY SYSTEMS; (II) MAINTAIN WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S RULES RELATING TO THE ASSIGNMENT OF ORIGIN CODES; (III) ADEQUATELY TRAIN THEIR EMPLOYEES WITH RESPECT TO THE SIGNIFICANCE OF PROPERLY MARKING ORIGIN CODES IN THEIR ORDER ENTRY SYSTEMS; AND (IV) ADEQUATELY SUPERVISE THEIR EMPLOYEES WITH RESPECT TO THE PROPER MARKING OF ORIGIN CODES.

**Initiated By:** NASDAQ STOCK MARKET  
**Date Initiated:** 06/23/2015  
**Docket/Case Number:** 2011027729904  
**Principal Product Type:** Options  
**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/23/2015

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

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000,000.00

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

**Sanction Details:** THE FIRM WAS CENSURED, JOINTLY AND SEVERALLY FINED \$9,000,000, OF WHICH \$225,000 SHALL BE PAID TO NOM, AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WHEN THE FIRM CEASED ACCEPTING ORDERS FOR EXECUTION, THE FIRM EXECUTED NUMEROUS TRANSACTIONS WITH INCORRECT ORIGIN CODES ACROSS MULTIPLE MARKETS, INCLUDING THE NASDAQ OPTIONS MARKET LLC (NOM). THE FIRM USED INCORRECT ACCOUNT ORIGIN CODES TO EXECUTE TRADES FOR CERTAIN ACCOUNTS BECAUSE IT HAD PLACED THE WRONG ORIGIN CODE IN THE ACCOUNT PROFILES OF THOSE ACCOUNTS AT ON-BOARDING. THE FINDINGS STATED THAT DESPITE THE FACT THAT THE FIRM TRADED MILLIONS OF CONTRACTS BY EXECUTING ORDERS WITH INCORRECT ORIGIN CODES, THE FIRM LACKED PROCEDURES FOR ENSURING ORDERS HAD BEEN ENTERED WITH CORRECT ORIGIN CODES, AND FOR CONDUCTING REVIEWS TO DETECT THAT ORDERS HAD BEEN ENTERED AND EXECUTED WITH INCORRECT ORIGIN CODES. INSTEAD, THE FIRM ONLY LEARNED ABOUT MISREPRESENTED ORDERS IN ISOLATION AND THEN ADDRESSED EACH INSTANCE IN ISOLATION AND ON AN AD HOC BASIS. THE FINDINGS ALSO





STATED THAT DESPITE THE KNOWLEDGE THAT THE FIRM HAD OF THE USE OF INCORRECT ORIGIN CODES, THE FIRM DID NOT TAKE MEASURES TO ENSURE THAT IT EXECUTED ORDERS WITH CORRECT ORIGIN CODES, OR TO DETECT INSTANCES IN WHICH IT HAD EXECUTED ORDERS WITH INCORRECT ORIGIN CODES. THE FINDINGS ALSO INCLUDED THAT THE FIRM NEVER ADDRESSED ITS ONGOING DEFICIENCIES RELATING TO ITS INACCURATE USE OF ORIGIN CODES BEFORE IT STOPPED TRANSMITTING AND EXECUTING ORDERS ALTOGETHER. FINRA FOUND THAT EACH INSTANCE IN WHICH THE FIRM EXECUTED AN ORDER WITH AN INCORRECT ORIGIN CODE COULD HAVE HAD ADVERSE CONSEQUENCES, SUCH AS CREATING INACCURATE ORDER RECORDS, CREATING AN INACCURATE AUDIT TRAIL, REPORTING TRADES TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND ADVERSELY IMPACTING NOM'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND FEDERAL SECURITIES LAWS. FINRA ALSO FOUND THAT THE FIRM FAILED TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE NOM'S ORIGIN CODE REQUIREMENTS.

**Initiated By:** NASDAQ STOCK MARKET

**Date Initiated:** 06/23/2015

**Docket/Case Number:** 2011027729904

**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; UNDERTAKING

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/23/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000,000.00

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

**Sanction Details:** THE FIRM WAS CENSURED, JOINTLY AND SEVERALLY FINED \$9,000,000, OF WHICH \$225,000 SHALL BE PAID TO NOM, AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

**Firm Statement** THE FIRM WAS CENSURED, JOINTLY AND SEVERALLY FINED \$9,000,000, OF



WHICH \$225,000 SHALL BE PAID TO NOM, AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

## Disclosure 17 of 55

**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 WHEN THE FIRM CEASED ACCEPTING ORDERS FOR EXECUTION, THE FIRM EXECUTED NUMEROUS TRANSACTIONS WITH INCORRECT ORIGIN CODES ACROSS MULTIPLE MARKETS, INCLUDING THE NASDAQ OMX BX, INC. THE FIRM USED INCORRECT ACCOUNT ORIGIN CODES TO EXECUTE TRADES FOR CERTAIN ACCOUNTS BECAUSE IT HAD PLACED THE WRONG ORIGIN CODE IN THE ACCOUNT PROFILES OF THOSE ACCOUNTS AT ON-BOARDING. THE FINDINGS STATED THAT DESPITE THE FACT THAT THE FIRM TRADED MILLIONS OF CONTRACTS BY EXECUTING ORDERS WITH INCORRECT ORIGIN CODES, THE FIRM LACKED PROCEDURES FOR ENSURING ORDERS HAD BEEN ENTERED WITH CORRECT ORIGIN CODES, AND FOR CONDUCTING REVIEWS TO DETECT THAT ORDERS HAD BEEN ENTERED AND EXECUTED WITH INCORRECT ORIGIN CODES. INSTEAD, THE FIRM ONLY LEARNED ABOUT MISREPRESENTED ORDERS IN ISOLATION AND THEN ADDRESSED EACH INSTANCE IN ISOLATION AND ON AN AD HOC BASIS. THE FINDINGS ALSO STATED THAT DESPITE THE KNOWLEDGE THAT THE FIRM HAD OF THE USE OF INCORRECT ORIGIN CODES, THE FIRM DID NOT TAKE MEASURES TO ENSURE THAT IT EXECUTED ORDERS WITH CORRECT ORIGIN CODES, OR TO DETECT INSTANCES IN WHICH IT HAD EXECUTED ORDERS WITH INCORRECT ORIGIN CODES. THE FINDINGS ALSO INCLUDED THAT THE FIRM NEVER ADDRESSED ITS ONGOING DEFICIENCIES RELATING TO ITS INACCURATE USE OF ORIGIN CODES BEFORE IT STOPPED TRANSMITTING AND EXECUTING ORDERS ALTOGETHER. FINRA FOUND THAT EACH INSTANCE IN WHICH THE FIRM EXECUTED AN ORDER WITH AN INCORRECT ORIGIN CODE COULD HAVE HAD ADVERSE CONSEQUENCES, SUCH AS CREATING INACCURATE ORDER RECORDS, CREATING AN INACCURATE AUDIT TRAIL, REPORTING TRADES TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND ADVERSELY IMPACTING THE NASDAQ OMX BX, INC.'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND FEDERAL SECURITIES LAWS. FINRA ALSO FOUND THAT THE FIRM FAILED TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE NASDAQ OMX BX, INC.'S ORIGIN CODE REQUIREMENTS. SPECIFICALLY THE FIRM FAILED TO: (I) REASONABLY ADDRESS ORIGIN



CODE REQUIREMENTS IN THE DEVELOPMENT AND PROGRAMMING OF ITS ORDER ENTRY SYSTEMS; (II) MAINTAIN WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE NASDAQ OMX BX, INC.'S RULES RELATING TO THE ASSIGNMENT OF ORIGIN CODES; (III) ADEQUATELY TRAIN THEIR EMPLOYEES WITH RESPECT TO THE SIGNIFICANCE OF PROPERLY MARKING ORIGIN CODES IN THEIR ORDER ENTRY SYSTEMS; AND (IV) ADEQUATELY SUPERVISE THEIR EMPLOYEES WITH RESPECT TO THE PROPER MARKING OF ORIGIN CODES.

**Initiated By:** NASDAQ OMX BX, INC.

**Date Initiated:** 06/23/2015

**Docket/Case Number:** 2011027729903

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/23/2015

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

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000,000.00

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

**Sanction Details:** THE FIRM WAS CENSURED, JOINTLY AND SEVERALLY FINED \$9,000,000, OF WHICH \$315,000 SHALL BE PAID TO THE NASDAQ OMX BX, INC., AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

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**Reporting Source:** Firm

**Current Status:** Final



**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT PRIOR TO JULY 2011 WHEN THE FIRM CEASED ACCEPTING OPTION ORDERS FOR EXECUTION, THE FIRM EXECUTED NUMEROUS TRANSACTIONS WITH INCORRECT ORIGIN CODES ACROSS MULTIPLE MARKETS, INCLUDING THE NASDAQ OMX BX, INC. THE FIRM USED INCORRECT ACCOUNT ORIGIN CODES TO EXECUTE TRADES FOR CERTAIN ACCOUNTS BECAUSE IT HAD PLACED THE WRONG ORIGIN CODE IN THE ACCOUNT PROFILES OF THOSE ACCOUNTS AT ON-BOARDING. THE FINDINGS STATED THAT DESPITE THE FACT THAT THE FIRM TRADED MILLIONS OF CONTRACTS BY EXECUTING ORDERS WITH INCORRECT ORIGIN CODES, THE FIRM LACKED PROCEDURES FOR ENSURING ORDERS HAD BEEN ENTERED WITH CORRECT ORIGIN CODES, AND FOR CONDUCTING REVIEWS TO DETECT THAT ORDERS HAD BEEN ENTERED AND EXECUTED WITH INCORRECT ORIGIN CODES. INSTEAD, THE FIRM ONLY LEARNED ABOUT MISREPRESENTED ORDERS IN ISOLATION AND THEN ADDRESSED EACH INSTANCE IN ISOLATION AND ON AN AD HOC BASIS. THE FINDINGS ALSO STATED THAT DESPITE THE KNOWLEDGE THAT THE FIRM HAD OF THE USE OF INCORRECT ORIGIN CODES, THE FIRM DID NOT TAKE MEASURES TO ENSURE THAT IT EXECUTED ORDERS WITH CORRECT ORIGIN CODES, OR TO DETECT INSTANCES IN WHICH IT HAD EXECUTED ORDERS WITH INCORRECT ORIGIN CODES. THE FINDINGS ALSO INCLUDED THAT THE FIRM NEVER ADDRESSED ITS ONGOING DEFICIENCIES RELATING TO ITS INACCURATE USE OF ORIGIN CODES BEFORE IT STOPPED TRANSMITTING AND EXECUTING ORDERS ALTOGETHER. FINRA FOUND THAT EACH INSTANCE IN WHICH THE FIRM EXECUTED AN ORDER WITH AN INCORRECT ORIGIN CODE COULD HAVE HAD ADVERSE CONSEQUENCES, SUCH AS CREATING INACCURATE ORDER RECORDS, CREATING AN INACCURATE AUDIT TRAIL, REPORTING TRADES TO THE OPTIONS CLEARING CORPORATION (OCC) WITH INACCURATE TRADE DETAILS, AND ADVERSELY IMPACTING THE NASDAQ OMX BX, INC.'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND FEDERAL SECURITIES LAWS. FINRA ALSO FOUND THAT THE FIRM FAILED TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE NASDAQ OMX BX, INC.'S ORIGIN CODE REQUIREMENTS.

**Initiated By:** NASDAQ OMX BX, INC.

**Date Initiated:** 06/23/2015

**Docket/Case Number:** 2011027729903

**Principal Product Type:** Options

**Other Product Type(s):**



<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE; UNDERTAKING
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/23/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$9,000,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING: REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES.
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, JOINTLY AND SEVERALLY FINED \$9,000,000, OF WHICH \$315,000 SHALL BE PAID TO THE NASDAQ OMX BX, INC., AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.
<b>Firm Statement</b>	THE FIRM WAS CENSURED, JOINTLY AND SEVERALLY FINED \$9,000,000, OF WHICH \$315,000 SHALL BE PAID TO THE NASDAQ OMX BX, INC., AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

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<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	A FINRA HEARING OFFICER CONSIDERED A STIPULATION OF FACTS AND CONSENT TO PENALTY ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE FIRM STIPULATED TO THE FACTS AND FINDINGS THAT THE FIRM VIOLATED EXCHANGE RULES 16, 153, 324, 955(C)(1), 956NY(A)(8), 957NY(E), 963NY(A) AND (B), AND 964NY(B)(2)(A), AS WELL AS SECTION 17(A)(1) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SEC RULE 17A-3(A)(6)(I) THEREUNDER BY MISREPRESENTING OPTIONS ORDERS EXECUTED ON THE EXCHANGE WITH INACCURATE ACCOUNT ORIGIN CODES. RESPONDENT ALSO VIOLATED EXCHANGE RULE 320 BY FAILING TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS, INCLUDING SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S RULES AND POLICIES GOVERNING THE USE OF ACCOUNT ORIGIN CODES. DURING THE REVIEW THE FIRM VIOLATED CERTAIN NYSE MKT RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF THEIR BROKER-DEALER CLIENTS. THE FIRM IMPROPERLY MARKED NUMEROUS OPTIONS ORDERS WITH INCORRECT ORIGIN CODES AND



SENT THOSE ORDERS TO THE EXCHANGE THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE FIRM TO SEND OPTIONS ORDERS, RESULTING IN THE FOLLOWING: TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION ("OCC") WITH INACCURATE TRADE DETAILS; AND AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. ADDITIONALLY, IT WAS CONCLUDED THAT THE FIRM HAD SUPERVISORY DEFICIENCIES RELATED TO THESE MATTERS. THEREFORE, IN SUMMARY, THE FIRM FAILED TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE REQUIREMENTS IN THAT THE FIRM FAILED TO DO THE FOLLOWING: REASONABLY ADDRESS ORIGIN CODE REQUIREMENTS IN THE DEVELOPMENT AND PROGRAMMING OF ITS ORDER ENTRY SYSTEMS; MAINTAIN WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S RULES RELATING TO THE ASSIGNMENT OF ORIGIN CODES; ADEQUATELY TRAIN ITS EMPLOYEES WITH RESPECT TO THE SIGNIFICANCE OF PROPERLY MARKING ORIGIN CODES IN ITS ORDER ENTRY SYSTEMS; AND ADEQUATELY SUPERVISE ITS EMPLOYEES WITH RESPECT TO THE PROPER MARKING OF ORIGIN CODES.

**Initiated By:** NYSE MKT LLC  
**Date Initiated:** 05/27/2015  
**Docket/Case Number:** 2011027729902  
**Principal Product Type:** Options  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Stipulation and Consent  
**Resolution Date:** 06/22/2015



<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$868,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	THE FIRM IS CENSURED AND FINED JOINTLY AND SEVERALLY FINED \$868,000. IN ADDITION, THE FIRM SHALL UNDERTAKE TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO A SYSTEM FOR IDENTIFYING INCORRECT ORIGIN CODES ON ORDERS AND CONDUCTING ANY REVIEWS TO ENSURE CORRECT ORIGIN CODES WERE PLACED ON ORDERS. THE FINE WILL BE PAYABLE ON THE DATE ON WHICH THE DECISION BECOMES FINAL. THE FIRM IS REQUIRED TO PAY THE FINE WITHIN 45 DAYS OF THAT DATE, OR IT MAY FACE SUMMARY SUSPENSION, PURSUANT TO NYSE RULE 476(K).
<b>Regulator Statement</b>	HEARING OFFICER DECISION RENDERED MAY 27, 2015; THEREFORE THE FIRM IS CENSURED AND FINED JOINTLY AND SEVERALLY FINED \$868,000. IN ADDITION, THE FIRM SHALL UNDERTAKE TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO A SYSTEM FOR IDENTIFYING INCORRECT ORIGIN CODES ON ORDERS AND CONDUCTING ANY REVIEWS TO ENSURE CORRECT ORIGIN CODES WERE PLACED ON ORDERS. THE FIRM VIOLATED EXCHANGE RULES 16, 153, 324, 955(C)(1), 956NY(A)(8), 957NY(E), 963NY(A) AND (B), AND 964NY(B)(2)(A), AS WELL AS SECTION 17(A)(1) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SEC RULE 17A-3(A)(6)(I) THEREUNDER BY MISREPRESENTING OPTIONS ORDERS EXECUTED ON THE EXCHANGE WITH INACCURATE ACCOUNT ORIGIN CODES. RESPONDENT ALSO VIOLATED EXCHANGE RULE 320 BY FAILING TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS, INCLUDING SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S RULES AND POLICIES GOVERNING THE USE OF ACCOUNT ORIGIN CODES. THE DECISION BECAME FINAL AT THE CLOSE OF BUSINESS ON JUNE 22, 2015.  THIS PROCEEDING INCLUDES PROCEEDING NUMBER 20110277298

**Reporting Source:** Firm

**Current Status:** Final





**Allegations:** A FINRA HEARING OFFICER CONSIDERED A STIPULATION OF FACTS AND CONSENT TO PENALTY ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE FIRM STIPULATED TO THE FACTS AND FINDINGS THAT, PRIOR TO JULY 2011 WHEN THE FIRM CEASED ACCEPTING OPTION ORDERS FOR EXECUTION, THE FIRM VIOLATED EXCHANGE RULES 16, 153, 324, 955(C)(1), 956NY(A)(8), 957NY(E), 963NY(A) AND (B), AND 964NY(B)(2)(A), AS WELL AS SECTION 17(A)(1) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SEC RULE 17A-3(A)(6)(I) THEREUNDER BY MISREPRESENTING OPTIONS ORDERS EXECUTED ON THE EXCHANGE WITH INACCURATE ACCOUNT ORIGIN CODES. THE FIRM ALSO VIOLATED EXCHANGE RULE 320 BY FAILING TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS, INCLUDING SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S RULES AND POLICIES GOVERNING THE USE OF ACCOUNT ORIGIN CODES. DURING THE REVIEW THE FIRM VIOLATED CERTAIN NYSE MKT RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF THEIR BROKER-DEALER CLIENTS. THE FIRM IMPROPERLY MARKED NUMEROUS OPTIONS ORDERS WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO THE EXCHANGE THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE FIRM TO SEND OPTIONS ORDERS, RESULTING IN THE FOLLOWING: TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION ("OCC") WITH INACCURATE TRADE DETAILS; AND AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. ADDITIONALLY, IT WAS CONCLUDED THAT THE FIRM HAD SUPERVISORY DEFICIENCIES RELATED TO THESE MATTERS.

**Initiated By:** NYSE MKT LLC

**Date Initiated:** 05/27/2015

**Docket/Case Number:** 2011027729902

**Principal Product Type:** Options

**Other Product Type(s):**

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





<b>Other Sanction(s)/Relief Sought:</b>	CENSURE; UNDERTAKING
<b>Resolution:</b>	Stipulation and Consent
<b>Resolution Date:</b>	06/22/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$868,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	THE FIRM IS CENSURED AND FINED JOINTLY AND SEVERALLY FINED \$868,000. IN ADDITION, THE FIRM SHALL UNDERTAKE TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO A SYSTEM FOR IDENTIFYING INCORRECT ORIGIN CODES ON ORDERS AND CONDUCTING ANY REVIEWS TO ENSURE CORRECT ORIGIN CODES WERE PLACED ON ORDERS. THE FINE WILL BE PAYABLE ON THE DATE ON WHICH THE DECISION BECOMES FINAL. THE FIRM IS REQUIRED TO PAY THE FINE WITHIN 45 DAYS OF THAT DATE, OR IT MAY FACE SUMMARY SUSPENSION, PURSUANT TO NYSE RULE 476(K).
<b>Firm Statement</b>	HEARING OFFICER DECISION RENDERED MAY 27, 2015; THEREFORE THE FIRM IS CENSURED AND FINED JOINTLY AND SEVERALLY FINED \$868,000. IN ADDITION, THE FIRM SHALL UNDERTAKE TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO A SYSTEM FOR IDENTIFYING INCORRECT ORIGIN CODES ON ORDERS AND CONDUCTING ANY REVIEWS TO ENSURE CORRECT ORIGIN CODES WERE PLACED ON ORDERS. THE FIRM VIOLATED EXCHANGE RULES 16, 153, 324, 955(C)(1), 956NY(A)(8), 957NY(E), 963NY(A) AND (B), AND 964NY(B)(2)(A), AS WELL AS SECTION 17(A)(1) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SEC RULE 17A-3(A)(6)(I) THEREUNDER BY MISREPRESENTING OPTIONS ORDERS EXECUTED ON THE EXCHANGE WITH INACCURATE ACCOUNT ORIGIN CODES. RESPONDENT ALSO VIOLATED EXCHANGE RULE 320 BY FAILING TO REASONABLY SUPERVISE AND IMPLEMENT ADEQUATE CONTROLS, INCLUDING SEPARATE SYSTEMS OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S RULES AND POLICIES GOVERNING THE USE OF ACCOUNT ORIGIN CODES. THE DECISION BECAME FINAL AT THE CLOSE OF BUSINESS ON JUNE 22, 2015. THIS PROCEEDING INCLUDES PROCEEDING NUMBER 20110277298

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<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final

**Allegations:**

WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION. A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. THE FIRM VIOLATED 17A-3(A)(6)(1) THEREUNDER, AND NYSE ARCA OPTIONS RULES 6.68(A)(8), 6.69, 11.1(B), 11.16(A), AND 11.18(A) BY FAILING TO PLACE THE CORRECT ORIGIN CODES ON ORDERS. RESPONDENT ALSO VIOLATED NYSE ARCA OPTIONS RULE 11.18 BY FAILING TO PROVIDE AN ADEQUATE SYSTEM OF SUPERVISION, INCLUDING WRITTEN PROCEDURES AND A SYSTEM OF FOLLOW-UP AND REVIEW, WITH RESPECT TO COMPLIANCE WITH NYSE ARCA OPTIONS RULES AND POLICIES GOVERNING THE USE OF ACCOUNT ORIGIN CODES ON ORDERS. DURING THE REVIEW PERIOD, THE FIRM VIOLATED CERTAIN NYSE ARCA OPTIONS RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS BROKER-DEALER CLIENTS. THE FIRM IMPROPERLY MARKED NUMEROUS OPTIONS ORDERS WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO THE EXCHANGE THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE FIRM TO SEND OPTIONS ORDERS, RESULTING IN: TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION ("OCC") WITH INACCURATE TRADE DETAILS; AND AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. ADDITIONALLY, IT WAS CONCLUDED THAT THE FIRM HAD SUPERVISORY DEFICIENCIES RELATED TO THESE MATTERS. THEREFORE, IN SUMMARY, THE FIRM FAILED TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S ORIGIN CODE REQUIREMENTS IN THAT THE FIRM FAILED TO DO THE FOLLOWING: REASONABLY ADDRESS ORIGIN CODE REQUIREMENTS IN THE DEVELOPMENT AND PROGRAMMING OF ITS ORDER ENTRY SYSTEMS; MAINTAIN WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S RULES RELATING TO THE ASSIGNMENT OF ORIGIN CODES; ADEQUATELY TRAIN ITS EMPLOYEES WITH RESPECT TO THE SIGNIFICANCE OF PROPERLY MARKING ORIGIN CODES IN ITS ORDER ENTRY SYSTEMS; AND ADEQUATELY SUPERVISE ITS EMPLOYEES WITH RESPECT TO THE PROPER MARKING OF ORIGIN CODES.

**Initiated By:**

NYSE ARCA, INC.



**Date Initiated:** 05/27/2015

**Docket/Case Number:** 2011027729901

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/27/2015

**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 \$417,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM IS CENSURED AND JOINTLY AND SEVERALLY FINED \$417,000. ALSO, THE FIRM SHALL UNDERTAKE TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO A SYSTEM FOR IDENTIFYING INCORRECT ORIGIN CODES ON ORDERS AND CONDUCTING ANY REVIEWS TO ENSURE CORRECT ORIGIN CODES WERE PLACED ON ORDERS.  
THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA OPTIONS RULE 13.2(A).

**Regulator Statement** THIS MATTER IS RELATED TO PROCEEDING NUMBER 20110277298.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION. A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO



BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. THE FIRM VIOLATED 17A-3(A)(6)(1) THEREUNDER, AND NYSE ARCA OPTIONS RULES 6.68(A)(8), 6.69, 11.1(B), 11.16(A), AND 11.18(A) BY FAILING TO PLACE THE CORRECT ORIGIN CODES ON ORDERS. THE FIRM ALSO VIOLATED NYSE ARCA OPTIONS RULE 11.18 BY FAILING TO PROVIDE AN ADEQUATE SYSTEM OF SUPERVISION, INCLUDING WRITTEN PROCEDURES AND A SYSTEM OF FOLLOW-UP AND REVIEW, WITH RESPECT TO COMPLIANCE WITH NYSE ARCA OPTIONS RULES AND POLICIES GOVERNING THE USE OF ACCOUNT ORIGIN CODES ON ORDERS. DURING THE REVIEW PERIOD, THE FIRM VIOLATED CERTAIN NYSE ARCA OPTIONS RULES AND FEDERAL SECURITIES LAWS WHEN ENTERING AND EXECUTING CERTAIN ORDERS ON BEHALF OF ITS BROKER-DEALER CLIENTS. THE FIRM IMPROPERLY MARKED NUMEROUS OPTIONS ORDERS WITH INCORRECT ORIGIN CODES AND SENT THOSE ORDERS TO THE EXCHANGE THROUGH VARIOUS ORDER ENTRY SYSTEMS EMPLOYED BY THE FIRM TO SEND OPTIONS ORDERS, RESULTING IN: TRANSACTIONS EXECUTED BY THE FIRM THAT MAY HAVE TRADED AHEAD OF OTHER ORDERS ENTITLED TO EXECUTION PRIORITY; POTENTIAL ADVERSE IMPACT TO THE EXECUTION PRICE AND QUANTITY OF OTHER MARKET PARTICIPANTS' ORDERS; AN INACCURATE AUDIT TRAIL AND INACCURATE ORDER RECORDS; TRADES BEING REPORTED TO THE OPTIONS CLEARING CORPORATION ("OCC") WITH INACCURATE TRADE DETAILS; AND AN ADVERSE IMPACT TO THE EXCHANGE'S ABILITY TO SURVEIL FOR AND DETECT POTENTIAL VIOLATIONS OF ITS RULES AND OF FEDERAL SECURITIES LAWS. ADDITIONALLY, IT WAS CONCLUDED THAT THE FIRM HAD SUPERVISORY DEFICIENCIES RELATED TO THESE MATTERS.

**Initiated By:** NYSE ARCA, INC.

**Date Initiated:** 05/27/2015

**Docket/Case Number:** 2011027729901

**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; UNDERTAKING

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/27/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$417,000.00



<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	THE FIRM IS CENSURED AND JOINTLY AND SEVERALLY FINED \$417,000. ALSO, THE FIRM SHALL UNDERTAKE TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO A SYSTEM FOR IDENTIFYING INCORRECT ORIGIN CODES ON ORDERS AND CONDUCTING ANY REVIEWS TO ENSURE CORRECT ORIGIN CODES WERE PLACED ON ORDERS. THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA OPTIONS RULE 13.2(A).
<b>Firm Statement</b>	THIS MATTER IS RELATED TO PROCEEDING NUMBER 20110277298.

#### Disclosure 20 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION. A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. THE FIRM VIOLATED RULE 200(G) OF REGULATION SHO, PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT RULE 200(G)"), BY FAILING TO PROPERLY MARK SELL ORDERS AS SHORT, AND VIOLATED NYSE ARCA OPTIONS RULE 11.18 BY FAILING TO ESTABLISH AND MAINTAIN ADEQUATE SUPERVISORY PROCEDURES AND CONTROLS, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT SELL ORDERS WERE PROPERLY MARKED.
<b>Initiated By:</b>	NYSE ARCA, INC.
<b>Date Initiated:</b>	05/27/2015
<b>Docket/Case Number:</b>	2013036643301
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)



**Resolution Date:** 05/27/2015

**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 \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM IS CENSURED AND FINED \$10,000.  
  
THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA OPTIONS RULE 13.2(A).

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION. A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. THE FIRM VIOLATED RULE 200(G) OF REGULATION SHO, PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT RULE 200(G)"), BY FAILING TO PROPERLY MARK SELL ORDERS AS SHORT, AND VIOLATED NYSE ARCA OPTIONS RULE 11.18 BY FAILING TO ESTABLISH AND MAINTAIN ADEQUATE SUPERVISORY PROCEDURES AND CONTROLS, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT SELL ORDERS WERE PROPERLY MARKED.

**Initiated By:** NYSE ARCA, INC.

**Date Initiated:** 05/27/2015

**Docket/Case Number:** 2013036643301

**Principal Product Type:** Options

**Other Product Type(s):**

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



<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	05/27/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	THE FIRM IS CENSURED AND FINED \$10,000. THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA OPTIONS RULE 13.2(A).
<b>Firm Statement</b>	THE FIRM IS CENSURED AND FINED \$10,000.

#### Disclosure 21 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	A FINRA HEARING OFFICER CONSIDERED A STIPULATION OF FACTS AND CONSENT TO PENALTY ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE FIRM STIPULATED TO THE FACTS AND FINDINGS THAT THE FIRM VIOLATED RULE 200(G) OF REGULATION SHO, PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT RULE 200(G)), BY FAILING TO PROPERLY MARK SELL ORDERS AS SHORT, AND VIOLATED EXCHANGE ACT RULE 320 BY FAILING TO ESTABLISH AND MAINTAIN ADEQUATE SUPERVISORY PROCEDURES AND CONTROLS, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT SELL ORDERS WERE PROPERLY MARKED.
<b>Initiated By:</b>	NYSE MKT LLC
<b>Date Initiated:</b>	05/27/2015
<b>Docket/Case Number:</b>	2013036643302
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	



**Other Sanction(s)/Relief Sought:**

**Resolution:** Stipulation and Consent

**Resolution Date:** 06/22/2015

**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 \$10,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM IS CENSURED AND FINED \$10,000. THE FINE WILL BE PAYABLE ON THE DATE ON WHICH THE DECISION BECOMES FINAL. THE FIRM IS REQUIRED TO PAY THE FINE WITHIN 45 DAYS OF THAT DATE, OR IT MAY FACE SUMMARY SUSPENSION, PURSUANT TO NYSE RULE 476(K).

**Regulator Statement** HEARING OFFICER DECISION RENDERED MAY 27, 2015; THEREFORE THE FIRM IS CENSURED AND FINED \$10,000. THE FIRM VIOLATED EXCHANGE ACT RULE 200(G) BY FAILING TO PROPERLY MARK SELL ORDERS AS SHORT, AND VIOLATED EXCHANGE ACT RULE 320 BY FAILING TO ESTABLISH AND MAINTAIN ADEQUATE SUPERVISORY PROCEDURES AND CONTROLS, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT SELL ORDERS WERE PROPERLY MARKED. THE FINE WILL BE PAYABLE ON THE DATE ON WHICH THE DECISION BECOMES FINAL. THE DECISION BECAME FINAL AT THE CLOSE OF BUSINESS ON JUNE 22, 2015.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** A FINRA HEARING OFFICER CONSIDERED A STIPULATION OF FACTS AND CONSENT TO PENALTY ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE FIRM STIPULATED TO THE FACTS AND FINDINGS THAT THE FIRM VIOLATED RULE 200(G) OF REGULATION SHO, PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT RULE 200(G)), BY FAILING TO PROPERLY MARK SELL ORDERS AS SHORT, AND VIOLATED EXCHANGE ACT RULE 320 BY FAILING TO ESTABLISH AND MAINTAIN ADEQUATE SUPERVISORY





PROCEDURES AND CONTROLS, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT SELL ORDERS WERE PROPERLY MARKED.

<b>Initiated By:</b>	NYSE MKT LLC
<b>Date Initiated:</b>	05/27/2015
<b>Docket/Case Number:</b>	2013036643302
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Stipulation and Consent
<b>Resolution Date:</b>	06/22/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	THE FIRM IS CENSURED AND FINED \$10,000. THE FINE WILL BE PAYABLE ON THE DATE ON WHICH THE DECISION BECOMES FINAL. THE FIRM IS REQUIRED TO PAY THE FINE WITHIN 45 DAYS OF THAT DATE, OR IT MAY FACE SUMMARY SUSPENSION, PURSUANT TO NYSE RULE 476(K).
<b>Firm Statement</b>	HEARING OFFICER DECISION RENDERED MAY 27, 2015; THEREFORE THE FIRM IS CENSURED AND FINED \$10,000. THE FIRM VIOLATED EXCHANGE ACT RULE 200(G) BY FAILING TO PROPERLY MARK SELL ORDERS AS SHORT, AND VIOLATED EXCHANGE ACT RULE 320 BY FAILING TO ESTABLISH AND MAINTAIN ADEQUATE SUPERVISORY PROCEDURES AND CONTROLS, INCLUDING WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT SELL ORDERS WERE PROPERLY MARKED. THE FINE WILL BE PAYABLE ON THE DATE ON WHICH THE DECISION BECOMES FINAL. THE DECISION BECAME FINAL AT THE CLOSE OF BUSINESS ON JUNE 22, 2015.

#### Disclosure 22 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED



TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SUBMITTED TRADE CORRECTIONS DIRECTLY THROUGH THE OPTIONS CLEARING CORPORATION (OCC) FOR ORDERS IN MULTIPLE OPTIONS SERIES, WHICH RESULTED IN THE IMPROPER DUPLICATION OF OPTIONS TRADES AND THE FIRM INCURRING A LOSS OF \$13.2 MILLION. THE FINDINGS STATED THAT THE FIRM FAILED TO MAINTAIN AND HAVE IN PLACE A SYSTEM OF ADEQUATE POLICIES AND PROCEDURE DESIGNED TO PREVENT THE DUPLICATION OF OPTIONS ORDERS.

**Initiated By:** FINRA

**Date Initiated:** 06/12/2015

**Docket/Case Number:** [2012034383701](#)

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/12/2015

**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 \$100,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$100,000. FINE PAID IN FULL JULY 3, 2015.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SUBMITTED TRADE CORRECTIONS DIRECTLY THROUGH THE OPTIONS CLEARING



CORPORATION (OCC) FOR ORDERS IN MULTIPLE OPTIONS SERIES, WHICH RESULTED IN THE IMPROPER DUPLICATION OF OPTIONS TRADES AND THE FIRM INCURRING A LOSS OF \$13.2 MILLION. THE FINDINGS STATED THAT THE FIRM FAILED TO MAINTAIN AND HAVE IN PLACE A SYSTEM OF ADEQUATE POLICIES AND PROCEDURE DESIGNED TO PREVENT THE DUPLICATION OF OPTIONS ORDERS.

**Initiated By:** FINRA

**Date Initiated:** 06/12/2015

**Docket/Case Number:** [2012034383701](#)

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/12/2015

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

**Other Sanctions Ordered:** N/A

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$100,000.

**Firm Statement** THE FIRM WAS CENSURED AND FINED \$100,000.

#### Disclosure 23 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC ADMIN RELEASE 34-75083 / JUNE 1, 2015: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED AGAINST THE RESPONDENT ("MERRILL"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS CONCERN MERRILL'S VIOLATIONS OF REGULATION SHO (REG SHO) OF THE EXCHANGE ACT, IN CONNECTION WITH ITS PRACTICES RELATING TO ITS EXECUTION OF SHORT SALES. THE

VIOLATIONS AROSE FROM TWO SEPARATE ISSUES CONCERNING MERRILL'S USE OF ITS "EASY TO BORROW" LISTS. MERRILL FAILED TO COMPORT WITH THE SEC GUIDANCE WHEN EXECUTING TRANSACTIONS IN RELIANCE ON EASY TO BORROW ("ETB") LISTS IN TWO SEPARATE BUT IMPORTANT WAYS. FIRST, MERRILL'S EXECUTION PLATFORMS WERE DESIGNED TO CONTINUE ACCEPTING SHORT SALE ORDERS IN RELIANCE ON ITS LENDING DESK'S ETB LIST EVEN WHERE MERRILL HAD DETERMINED, THROUGH PLACEMENT OF THE STOCK ON MERRILL'S WATCH LIST, THAT "COUNTERVAILING FACTORS" EXISTED THAT RENDERED MERRILL'S RELIANCE ON THE LIST AS A LOCATE SOURCE UNREASONABLE. THE COUNTERVAILING FACTORS CONSISTED OF MERRILL'S KNOWLEDGE OF EVENTS THAT OCCURRED THROUGHOUT THE DAY AFTER THE ISSUANCE OF THE ETB LIST THAT HAD, OR WERE DEEMED LIKELY BY MERRILL TO HAVE, THE POTENTIAL TO IMPACT A PARTICULAR STOCK'S AVAILABILITY SUCH THAT MERRILL ADDED THE STOCK TO ITS WATCH LIST. IN RECOGNITION OF THESE COUNTERVAILING FACTORS, MERRILL'S PRACTICE (IN ACCORDANCE WITH AN UNWRITTEN POLICY) WAS THAT ITS LENDING DESK COULD NOT RELY ON THE ETB LIST EXCLUSIVELY TO GRANT "LOCATES" UNDER SUCH CIRCUMSTANCES. HOWEVER, EVEN THOUGH MERRILL'S POLICY PREVENTED THE LENDING DESK FROM GRANTING LOCATES IN SUCH CIRCUMSTANCES SOLELY ON THE BASIS OF THE ETB LIST, MERRILL ALLOWED ITS EXECUTION PLATFORMS TO CONTINUE TO EXECUTE SHORT SALES SOLELY IN RELIANCE ON THE ETB LIST IN SUCH CIRCUMSTANCES. AS A CONSEQUENCE, MERRILL'S CONDUCT VIOLATED RULE 203(B) OF REG SHO IN THAT MERRILL PURPORTED TO RELY ON ETB LIST LOCATES THAT COULD NOT PROVIDE THE REQUISITE REASONABLE GROUNDS TO BELIEVE THE AFFECTED SECURITIES COULD BE BORROWED FOR DELIVERY ON THE DELIVERY DATE AS REQUIRED UNDER THE RULE. MOREOVER, BY RECORDING THE ETB LIST AS THE LOCATE SOURCE WITH RESPECT TO SHORT SALE ORDERS ACCEPTED AND EXECUTED AFTER MERRILL HAD ALREADY DETERMINED TO CUT OFF ETB LIST LOCATES FOR A SECURITY, MERRILL FURTHER VIOLATED RULE 203(B) BY FAILING TO DOCUMENT AN APPROPRIATE LOCATE. SECOND, BECAUSE OF A FLAW IN MERRILL'S SYSTEMS, IN CERTAIN INSTANCES, MERRILL USED DATA THAT WAS MORE THAN 24 HOURS OLD FOR PURPOSES OF CONSTRUCTING ITS ETB LISTS. AS A RESULT, MULTIPLE SECURITIES WERE INCLUDED ON ETB LISTS ON DAYS WHEN THEY SHOULD NOT HAVE BEEN, LEADING TO MERRILL ACCEPTING AND EXECUTING SHORT SALE ORDERS BASED ON INAPPROPRIATE RELIANCE ON DEFECTIVE ETB LISTS, SUCH THAT MERRILL DID NOT HAVE REASONABLE GROUNDS TO BELIEVE THE SECURITY COULD BE BORROWED FOR DELIVERY. BECAUSE IN SOME CIRCUMSTANCES THE ETB LIST USED OLDER DATA, BUT MERRILL DID NOT INSTITUTE AND MAINTAIN PROCEDURES REASONABLY DESIGNED TO DETECT THE DISPARITY IN ITS OWN ETB LIST, MERRILL'S CONDUCT



VIOLATED THE REQUIREMENT UNDER RULE 203(B) OF REG SHO. HAD MERRILL HAD THE PROPER SYSTEMS IN PLACE, IT COULD HAVE DISCOVERED ITS RELIANCE ON ETB LISTS CONTAINING INFORMATION THAT WAS GREATER THAN 24 HOURS OLD. SPECIFICALLY, AS A RESULT OF THE CONDUCT, MERRILL WILLFULLY VIOLATED RULE 203(B) OF REGULATION SHO.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 06/01/2015

**Docket/Case Number:** 3-16567

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 06/01/2015

**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 \$9,000,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** UNDERTAKINGS AND PREJUDGMENT INTEREST

**Sanction Details:** RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF RULE 203(B) OF REGULATION SHO, IS CENSURED, SHALL PAY DISGORGEMENT OF \$1,566,245.67 AND PREJUDGMENT INTEREST OF \$334,564.65, AND PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$9 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

**Regulator Statement** IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. MERRILL ADMITS



THE FINDINGS, ACKNOWLEDGES THAT ITS CONDUCT VIOLATED THE FEDERAL SECURITIES LAWS, ADMITS THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, AND CONSENTS TO THE ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER. ACCORDINGLY, IT IS HEREBY ORDERED THAT THE RESPONDENT CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF RULE 203(B) OF REGULATION SHO AND IS CENSURED. RESPONDENT SHALL, WITHIN FIFTEEN (15) DAYS OF THE ENTRY OF THIS ORDER, PAY DISGORGEMENT, WHICH REPRESENTS PROFITS GAINED AS A RESULT OF THE CONDUCT, OF \$1,566,245.67 AND PREJUDGMENT INTEREST OF \$334,564.65 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT SHALL, WITHIN FIFTEEN (15) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$9 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

ON JUNE 1, 2015, PURSUANT TO SEC ADMINISTRATIVE RELEASE 34-75083 THE SECURITIES AND EXCHANGE COMMISSION ANNOUNCED THAT PUBLIC ADMINISTRATIVE AND CEASE AND DESIST PROCEEDINGS WERE INSTITUTED AGAINST MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED ("MERRILL LYNCH") AND MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MLPRO") (COLLECTIVE, "MERRILL") FOR VIOLATIONS OF RULE 203(B) OF REGULATION SHO IN CONNECTION WITH ITS PRACTICES RELATED TO ITS EXECUTION OF SHORT SALES. THE VIOLATIONS AROSE FROM TWO SEPARATE ISSUES WITH RESPECT TO MERRILL'S USE OF ITS EASY TO BORROW LIST ("ETB LIST") IN CONNECTION WITH THE EXECUTION OF SHORT SALE TRANSACTIONS. FIRST, MERRILL'S EXECUTION PLATFORMS CONTINUED TO ACCEPT SHORT SALES ORDERS IN RELIANCE ON THE FIRM'S ETB LIST AS THE SOURCE OF THE LOCATE AFTER HAVING LEARNED OF FACTS INDICATING THAT SUCH RELIANCE WAS NO LONGER REASONABLE. AS A CONSEQUENCE, MERRILL'S CONDUCTED VIOLATED RULE 203(B) OF REG SHO IN THAT MERRILL LACKED THE REQUISITE REASONABLE GROUNDS TO BELIEVE THE AFFECTED SECURITIES COULD BE BORROWED FOR DELIVERY ON DELIVERY DATE AS REQUIRED BY THE RULE. IN ADDITION, BY RECORDING THE ETB LIST AS THE LOCATE SOURCE IN INSTANCES WHERE MERRILL



HAD DETERMINED THAT SUCH WAS NO LONGER REASONABLE, MERRILL FAILED TO DOCUMENT AN APPROPRIATE LOCATE AS REQUIRED BY THE RULE. SECOND, THERE WERE IN CERTAIN INSTANCES IN WHICH MERRILL UTILIZED DATA THAT WAS MORE THAN 24 HOURS OLD TO CONSTRUCT ITS ETB LIST, WHICH, AT TIMES, RESULTED IN SECURITIES BEING INCLUDED ON THE ETB LIST WHEN THEY OTHERWISE SHOULD NOT HAVE BEEN. MERRILL LYNCH AND MLPRO HAVE CONSENTED TO (A) CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF RULE 203(B) OF REGULATION SHO; (B) BE CENSURED; (C) PAY DISGORGEMENT OF \$1.56 MILLION PLUS PREJUDGMENT INTEREST; (D) PAY A CIVIL MONETARY PENALTY OF \$9 MILLION; AND (E) COMPLY WITH CERTAIN UNDERTAKINGS, INCLUDING RETAINING AN INDEPENDENT CONSULTANT WITHIN THIRTY (30) DAYS OF ENTRY OF THE ADMINISTRATIVE ORDER TO CONDUCT A REVIEW OF THEIR POLICIES, PROCEDURES AND PRACTICES WITH RESPECT TO THEIR ACCEPTANCE OF SHORT SALE ORDERS FOR EXECUTION IN RELIANCE ON THE FIRM'S ETB LIST AND PROCEDURES TO MONITOR COMPLIANCE THEREWITH TO SATISFY CERTAIN OF ITS OBLIGATIONS UNDER RULE 203(B) OF REGULATION SHO.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 06/01/2015

**Docket/Case Number:** 3-16567

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

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

**Other Sanction(s)/Relief Sought:** DISGORGEMENT; CEASE AND DESIST; CENSURE; UNDERTAKINGS; PREJUDGMENT INTEREST

**Resolution:** Order

**Resolution Date:** 06/01/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$9,000,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** UNDERTAKINGS AND PREJUDGMENT INTEREST

**Sanction Details:** RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF RULE 203(B) OF REGULATION SHO, IS CENSURED, SHALL PAY DISGORGEMENT OF



\$1,566,245.67 AND PREJUDGMENT INTEREST OF \$334,564.65, AND PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$9 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

#### Firm Statement

IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. MERRILL ADMITS THE FINDINGS, ACKNOWLEDGES THAT ITS CONDUCT VIOLATED THE FEDERAL SECURITIES LAWS, ADMITS THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, AND CONSENTS TO THE ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER. ACCORDINGLY, IT IS HEREBY ORDERED THAT THE RESPONDENT CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF RULE 203(B) OF REGULATION SHO AND IS CENSURED. RESPONDENT SHALL, WITHIN FIFTEEN (15) DAYS OF THE ENTRY OF THIS ORDER, PAY DISGORGEMENT, WHICH REPRESENTS PROFITS GAINED AS A RESULT OF THE CONDUCT, OF \$1,566,245.67 AND PREJUDGMENT INTEREST OF \$334,564.65 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT SHALL, WITHIN FIFTEEN (15) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$9 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

#### Disclosure 24 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** DURING THE PERIOD BETWEEN APRIL 2013 AND JUNE 2013 (REVIEW PERIOD), MERRILL PRO ENTERED NON-MARKETABLE LIMIT ORDERS ON THE ISE ORDER BOOK THAT LOCKED OR CROSSED THE NBBO WITHOUT TAKING CORRECTIVE ACTION IN A TIMELY MANNER ON 123 OCCASIONS. THIS CONSTITUTES SEPARATE & DISTINCTIVE VIOLATIONS OF ISE RULE 1902.

DURING THE REVIEW PERIOD, MERRILL PRO FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WRITTEN SUPERVISORY PROCEDURES DESIGNED TO PREVENT OR DETECT SITUATIONS WHERE AN ORDER PLACED BY THE FIRM CREATED A LOCKED OR CROSSED MARKET CONDITION. THIS CONDUCT CONSTITUTES





SEPARATE &amp; DISTINCT VIOLATIONS OF ISE RULE 401.

**Initiated By:** INTERNATIONAL SECURITIES EXCHANGE

**Date Initiated:** 12/03/2014

**Docket/Case Number:** 2013-167

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/22/2014

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

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

**Other Sanctions Ordered:**

**Sanction Details:** FIRM FINED \$10,000

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** DURING THE PERIOD BETWEEN APRIL 2013 AND JUNE 2013 (REVIEW PERIOD), THE FIRM ENTERED NON-MARKETABLE LIMIT ORDERS ON THE ISE ORDER BOOK THAT LOCKED OR CROSSED THE NATIONAL BEST BID OR OFFER WITHOUT TAKING CORRECTIVE ACTION IN A TIMELY MANNER ON 123 OCCASIONS. THIS CONSTITUTES SEPARATE & DISTINCTIVE VIOLATIONS OF ISE RULE 1902. DURING THE REVIEW PERIOD, THE FIRM FAILED TO HAVE SUFFICIENT SUPERVISORY CONTROLS IN PLACE, INCLUDING SUFFICIENT WRITTEN SUPERVISORY PROCEDURES DESIGNED TO PREVENT OR DETECT SITUATIONS WHERE AN ORDER PLACED BY THE FIRM CREATED A LOCKED OR CROSSED MARKET CONDITION. THIS CONDUCT CONSTITUTES SEPARATE & DISTINCT VIOLATIONS OF ISE RULE 401.



<b>Initiated By:</b>	INTERNATIONAL SECURITIES EXCHANGE
<b>Date Initiated:</b>	12/03/2014
<b>Docket/Case Number:</b>	2013-167
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	12/22/2014
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	THE FIRM WAS CENSURED AND FINED \$10,000.
<b>Firm Statement</b>	THE FIRM WAS CENSURED AND FINED \$10,000.

#### Disclosure 25 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT FOR SETTLEMENT DATES BETWEEN MARCH 31, 2011 AND FEBRUARY 28, 2013, THE FIRM INACCURATELY REPORTED 60 SHORT INTEREST POSITIONS TOTALING 101,400,256 SHARES, WHEN IT SHOULD HAVE REPORTED 60 SHORT INTEREST POSITIONS TOTALING 46,881,873 SHARES. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULE 4560.

<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	02/12/2015
<b>Docket/Case Number:</b>	<a href="#">2013037124401</a>
<b>Principal Product Type:</b>	No Product

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 02/12/2015**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 \$57,500.00**Other Sanctions Ordered:****Sanction Details:** THE FIRM WAS CENSURED AND FINED \$57,500. IN DETERMINING TO RESOLVE THIS MATTER IN THE MANNER SET FORTH HEREIN, AND IN DETERMINING THE APPROPRIATE MONETARY SANCTION, FINRA TOOK INTO CONSIDERATION THAT THE FIRM SELF-REPORTED THE MAJORITY OF THE VIOLATIONS AT ISSUE AFTER CONDUCTING AN INTERNAL INVESTIGATION, AND PROMPTLY TOOK ACTION TO CORRECT THE VIOLATIVE ACTIVITY. FINE PAID IN FULL ON MARCH 17, 2015.**Reporting Source:** Firm**Current Status:** Final**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT FOR SETTLEMENT DATES BETWEEN MARCH 31, 2011 AND FEBRUARY 28, 2013, THE FIRM INACCURATELY REPORTED 60 SHORT INTEREST POSITIONS TOTALING 101,400,256 SHARES, WHEN IT SHOULD HAVE REPORTED 60 SHORT INTEREST POSITIONS TOTALING 46,881,873 SHARES. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULE 4560.**Initiated By:** FINRA**Date Initiated:** 02/12/2015



<b>Docket/Case Number:</b>	<a href="#">2013037124401</a>
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	02/12/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$57,500.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	THE FIRM WAS CENSURED AND FINED \$57,500. IN DETERMINING TO RESOLVE THIS MATTER IN THE MANNER SET FORTH HEREIN, AND IN DETERMINING THE APPROPRIATE MONETARY SANCTION, FINRA TOOK INTO CONSIDERATION THAT THE FIRM SELF-REPORTED THE MAJORITY OF THE VIOLATIONS AT ISSUE AFTER CONDUCTING AN INTERNAL INVESTIGATION, AND PROMPTLY TOOK ACTION TO CORRECT THE VIOLATIVE ACTIVITY.
<b>Firm Statement</b>	THE FIRM WAS CENSURED AND FINED \$57,500. IN DETERMINING TO RESOLVE THIS MATTER IN THE MANNER SET FORTH HEREIN, AND IN DETERMINING THE APPROPRIATE MONETARY SANCTION, FINRA TOOK INTO CONSIDERATION THAT THE FIRM SELF-REPORTED THE MAJORITY OF THE VIOLATIONS AT ISSUE AFTER CONDUCTING AN INTERNAL INVESTIGATION, AND PROMPTLY TOOK ACTION TO CORRECT THE VIOLATIVE ACTIVITY.

#### Disclosure 26 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR CONCLUSIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE CONCLUSION OF VIOLATIONS OF CERTAIN EXCHANGE RULES. IN MORE THAN 700,000 INSTANCES FROM JANUARY 2010 THROUGH MARCH 2013, THE FIRM FAILED TO REPORT POSITIONS WITH RESPECT TO ACCOUNTS ACTING IN CONCERT WITH OTHERS THAT TOGETHER HAD ESTABLISHED AN



AGGREGATE POSITION OF 200 OR MORE OPTION CONTRACTS ON THE SAME SIDE OF THE MARKET COVERING THE SAME UNDERLYING SECURITY, IN VIOLATION OF PHLX RULE 1003(A). IN APPROXIMATELY 39,000 INSTANCES FROM JANUARY 2010 THROUGH MARCH 2013, THE FIRM REPORTED IN-CONCERT POSITIONS INACCURATELY BY OVER-REPORTING POSITIONS AS IN CONCERT, IN VIOLATION OF PHLX RULE 1003(A). IN APPROXIMATELY 112,000 INSTANCES FROM JANUARY 2010 THROUGH MARCH 2013, THE FIRM UNDER-REPORTED IN-CONCERT POSITIONS, IN VIOLATION OF PHLX RULE 1003(A). IN APPROXIMATELY 1,650,000 INSTANCES FROM JUNE 2011 THROUGH JANUARY 2013, THE FIRM REPORTED POSITIONS TO THE LARGE OPTION POSITION REPORTING (LOPR) SYSTEM WITH INCORRECT ACCOUNT TYPES, IN VIOLATION OF PHLX RULE 1003(A). IN NEARLY 35,000 INSTANCES FROM JANUARY 2010 THROUGH APRIL 2013, THE FIRM REPORTED POSITIONS TO THE LOPR SYSTEM WITH INCORRECT ADDRESSES, IN VIOLATION OF PHLX RULE 1003(A). FROM JANUARY 2010 THROUGH APRIL 2013, THE FIRM IMPROPERLY DELETED APPROXIMATELY 360,000 POSITIONS FROM THE LOPR SYSTEM ON THE FRIDAY BEFORE EXPIRATION, IN VIOLATION OF PHLX RULE 1003(A). IN NEARLY 80,000 INSTANCES FROM JUNE 2011 THROUGH JANUARY 2013, THE FIRM REPORTED POSITIONS TO THE LOPR SYSTEM WITH INCORRECT CLEARING NUMBERS, IN VIOLATION OF PHLX RULE 1003(A). FOR 209 TRADING DAYS FROM MARCH 2011 THROUGH JANUARY 2012, THE FIRM FAILED TO UPDATE ONE REPORTED POSITION AFTER A CORPORATE ACTION, IN VIOLATION OF PHLX RULE 1003(A). FROM 2008 THROUGH 2013, THE FIRM FAILED TO ESTABLISH ADEQUATE SYSTEMS OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. ALTHOUGH THE FIRM ESTABLISHED WRITTEN SUPERVISORY PROCEDURES THAT PROVIDED FOR LIMITED REVIEWS OF RANDOMLY SELECTED REPORTS, THESE REVIEWS WERE INADEQUATE TO DETECT OR PREVENT SYSTEMIC VIOLATIONS OF THE LOPR RULES. AS A RESULT, THE FIRM FAILED TO DETECT THE ABOVE VIOLATIONS WHEN THEY OCCURRED. THIS CONDUCT CONSTITUTES VIOLATIONS OF PHLX RULE 748(B), (D), (G), AND RULE 748(G)'S SUCCESSOR RULE, RULE 748(H).

**Initiated By:** NASDAQ OMX PHLX, INC.  
**Date Initiated:** 12/22/2014  
**Docket/Case Number:** 2012032249304  
**Principal Product Type:** Options  
**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision

**Resolution Date:** 12/22/2014

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

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,454,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$1,454,000, OF WHICH \$464,000 SHALL BE PAID TO PHLX, AND UNDERTAKES TO, 90 DAYS AFTER THIS DECISION BECOMES FINAL, AND AGAIN 180 DAYS AFTER THIS DECISION BECOMES FINAL, MAKE A WRITTEN SUBMISSION TO THE EXCHANGE, IN CARE OF FINRA'S MARKET REGULATION DEPARTMENT, REGARDING THEIR IN-CONCERT REPORTING.

**Regulator Statement** CONSIDERATION HAS BEEN GIVEN TO THE FACT THAT THE FIRM HAS ALREADY TAKEN SIGNIFICANT REMEDIAL ACTION, INCLUDING PROVIDING EXTRAORDINARY COOPERATION WITH THIS INVESTIGATION BY RETAINING OUTSIDE COUNSEL TO CONDUCT A REVIEW AND REPORT ITS FINDINGS TO FINRA PERIODICALLY; ENHANCING THEIR LOPR REPORTING SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES; HIRING AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE REVIEW OF THE FIRM'S LOPR REPORTING SYSTEMS AND IDENTIFY ANY ADDITIONAL OR REMAINING DEFICIENCIES; AND CORRECTING THE DEFICIENCIES IDENTIFIED BY THE INDEPENDENT CONSULTANT. (ASSOCIATED CASE NO. 2014-18/20120330912/20120326130)

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR CONCLUSIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE CONCLUSION OF VIOLATIONS OF CERTAIN EXCHANGE RULES. THE FINDINGS STATE THAT, IN VIOLATION OF PHLX RULE 1003(A), THE FIRM SUBMITTED INACCURATE



REPORTS OR FAILED TO SUBMIT REPORTS TO THE LARGE OPTION POSITION REPORTING (LOPR) SYSTEM IN APPROXIMATELY 2,976,000 INSTANCES FROM JANUARY 2010 THROUGH NOVEMBER 2013. FOR 209 TRADING DAYS FROM MARCH 2011 THROUGH JANUARY 2012, THE FIRM ALSO FAILED TO UPDATE ONE REPORTED POSITION AFTER A CORPORATE ACTION IN VIOLATION OF PHLX RULE 1003(A). THE FINDINGS FURTHER STATED THAT, FROM 2008 THROUGH 2013, THE FIRM FAILED TO ESTABLISH ADEQUATE SYSTEMS OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. ALTHOUGH THE FIRM HAD ESTABLISHED WRITTEN SUPERVISORY PROCEDURES THAT PROVIDED FOR LIMITED REVIEWS OF RANDOMLY SELECTED REPORTS, THESE REVIEWS WERE INADEQUATE TO DETECT OR PREVENT SYSTEMIC VIOLATIONS OF THE LOPR RULES. AS A RESULT, THE FIRM FAILED TO DETECT THE ABOVE VIOLATIONS WHEN THEY OCCURRED. THIS CONDUCT CONSTITUTES VIOLATIONS OF PHLX RULE 748(B), (D), (G), AND RULE 748(G)'S SUCCESSOR RULE, RULE 748(H).

**Initiated By:** NASDAQ OMX PHLX, INC.

**Date Initiated:** 12/22/2014

**Docket/Case Number:** 2012032249304

**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; UNDERTAKING

**Resolution:** Decision

**Resolution Date:** 12/22/2014

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,454,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$1,454,000, OF WHICH \$464,000 SHALL BE PAID TO PHLX, AND UNDERTAKES TO, 90 DAYS AFTER THIS DECISION BECOMES FINAL, AND AGAIN 180 DAYS AFTER THIS DECISION BECOMES FINAL, MAKE A WRITTEN SUBMISSION TO THE EXCHANGE, IN CARE OF FINRA'S MARKET REGULATION DEPARTMENT, REGARDING THEIR IN-CONCERT REPORTING.



## Firm Statement

CONSIDERATION HAS BEEN GIVEN TO THE FACT THAT THE FIRM HAS ALREADY TAKEN SIGNIFICANT REMEDIAL ACTION, INCLUDING PROVIDING EXTRAORDINARY COOPERATION WITH THIS INVESTIGATION BY RETAINING OUTSIDE COUNSEL TO CONDUCT A REVIEW AND REPORT ITS FINDINGS TO FINRA PERIODICALLY; ENHANCING THEIR LOPR REPORTING SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES; HIRING AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE REVIEW OF THE FIRM'S LOPR REPORTING SYSTEMS AND IDENTIFY ANY ADDITIONAL OR REMAINING DEFICIENCIES; AND CORRECTING THE DEFICIENCIES IDENTIFIED BY THE INDEPENDENT CONSULTANT. (ASSOCIATED CASE NO. 2014-18/20120330912/20120326130)

## Disclosure 27 of 55

### 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 REPORT POSITIONS WITH RESPECT TO ACCOUNTS ACTING IN CONCERT WITH OTHERS THAT TOGETHER HAD ESTABLISHED AN AGGREGATE POSITION OF 200 OR MORE OPTION CONTRACTS ON THE SAME SIDE OF THE MARKET COVERING THE SAME UNDERLYING SECURITY, REPORTED IN-CONCERT POSITIONS INACCURATELY BY OVER-REPORTING POSITIONS AS IN CONCERT AND UNDER-REPORTED IN-CONCERT POSITIONS. THE FINDINGS STATED THAT THE FIRM REPORTED POSITIONS TO THE LARGE OPTION POSITION REPORTING (LOPR) SYSTEM WITH INCORRECT ACCOUNT TYPES, REPORTED POSITIONS TO THE LOPR SYSTEM WITH INCORRECT ADDRESSES, IMPROPERLY DELETED APPROXIMATELY 360,000 POSITIONS FROM THE LOPR SYSTEM ON THE FRIDAY BEFORE EXPIRATION AND REPORTED POSITIONS TO THE LOPR SYSTEM WITH INCORRECT CLEARING NUMBERS. THE FIRM FAILED TO UPDATE ONE REPORTED POSITION AFTER A CORPORATE ACTION. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH ADEQUATE SYSTEMS OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW-UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. ALTHOUGH THE FIRM ESTABLISHED WRITTEN SUPERVISORY PROCEDURES THAT PROVIDED FOR LIMITED REVIEWS OF RANDOMLY SELECTED REPORTS, THESE REVIEWS WERE INADEQUATE TO DETECT OR PREVENT SYSTEMIC VIOLATIONS OF THE LOPR RULES. AS A RESULT, THE FIRM FAILED TO DETECT THE ABOVE VIOLATIONS WHEN THEY OCCURRED. INSTEAD, IN MOST INSTANCES, THE VIOLATIONS BECAME KNOWN THROUGH THE REVIEWS CONDUCTED BY FINRA.





**Initiated By:** FINRA

**Date Initiated:** 12/22/2014

**Docket/Case Number:** [2012032249301](#)

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/22/2014

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

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,454,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$1,454,000, OF WHICH \$260,000 SHALL BE PAID TO FINRA, AND UNDERTAKES TO, 90 DAYS AFTER THIS AWC BECOMES FINAL, AND AGAIN 180 DAYS AFTER THIS AWC BECOMES FINAL, MAKE A WRITTEN SUBMISSION TO FINRA REGARDING ITS IN-CONCERT REPORTING.  
FINE PAID IN FULL ON JANUARY 12, 2015.

**Regulator Statement** CONSIDERATION HAS BEEN GIVEN TO THE FACT THAT THE FIRM HAS ALREADY TAKEN SIGNIFICANT REMEDIAL ACTION, INCLUDING PROVIDING EXTRAORDINARY COOPERATION WITH THIS INVESTIGATION BY RETAINING OUTSIDE COUNSEL TO CONDUCT A REVIEW AND REPORT ITS FINDINGS TO FINRA PERIODICALLY; ENHANCING THEIR LOPR REPORTING SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES; HIRING AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE REVIEW OF THE FIRM'S LOPR SYSTEMS AND IDENTIFY ANY ADDITIONAL OR REMAINING DEFICIENCIES; AND CORRECTING THE DEFICIENCIES IDENTIFIED BY THE INDEPENDENT CONSULTANT.



**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SUBMITTED INACCURATE REPORTS OR FAILED TO SUBMIT REPORTS TO THE LARGE OPTION POSITION REPORTING (LOPR) SYSTEM, DUE TO PROCEDURAL ERRORS, RESULTING IN APPROXIMATELY 2,976,000 INSTANCES FROM JANUARY 2010 THROUGH NOVEMBER 2013. FOR 209 TRADING DAYS FROM MARCH 2011 THROUGH JANUARY 2012, THE FIRM ALSO FAILED TO UPDATE ONE REPORTED POSITION AFTER A CORPORATE ACTION. THE FINDINGS FURTHER STATED THAT THE FIRM FAILED TO ESTABLISH ADEQUATE SYSTEMS OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. ALTHOUGH THE FIRM HAD ESTABLISHED WRITTEN SUPERVISORY PROCEDURES THAT PROVIDED FOR LIMITED REVIEWS OF RANDOMLY SELECTED REPORTS, THESE REVIEWS WERE INADEQUATE TO DETECT OR PREVENT SYSTEMIC VIOLATIONS OF THE LOPR RULES. AS A RESULT, THE FIRM FAILED TO DETECT THE ABOVE VIOLATIONS WHEN THEY OCCURRED. INSTEAD, IN MOST INSTANCES, THE VIOLATIONS BECAME KNOWN THROUGH THE REVIEWS CONDUCTED BY FINRA.

**Initiated By:** FINRA

**Date Initiated:** 12/22/2014

**Docket/Case Number:** [2012032249301](#)

**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; UNDERTAKING

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/22/2014

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,454,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$1,454,000, OF WHICH \$260,000 SHALL



BE PAID TO FINRA, AND UNDERTAKES TO, 90 DAYS AFTER THIS AWC BECOMES FINAL, AND AGAIN 180 DAYS AFTER THIS AWC BECOMES FINAL, MAKE A WRITTEN SUBMISSION TO FINRA REGARDING ITS IN-CONCERT REPORTING.

#### Firm Statement

CONSIDERATION HAS BEEN GIVEN TO THE FACT THAT THE FIRM HAS ALREADY TAKEN SIGNIFICANT REMEDIAL ACTION, INCLUDING PROVIDING EXTRAORDINARY COOPERATION WITH THIS INVESTIGATION BY RETAINING OUTSIDE COUNSEL TO CONDUCT A REVIEW AND REPORT ITS FINDINGS TO FINRA PERIODICALLY; ENHANCING THEIR LOPR REPORTING SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES; HIRING AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE REVIEW OF THE FIRM'S LOPR SYSTEMS AND IDENTIFY ANY ADDITIONAL OR REMAINING DEFICIENCIES; AND CORRECTING THE DEFICIENCIES IDENTIFIED BY THE INDEPENDENT CONSULTANT.

#### Disclosure 28 of 55

##### 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 IN MORE THAN 700,000 INSTANCES FROM JANUARY 2010 THROUGH MARCH 2013, THE FIRM FAILED TO REPORT POSITIONS WITH RESPECT TO ACCOUNTS ACTING IN CONCERT WITH OTHERS THAT TOGETHER HAD ESTABLISHED AN AGGREGATE POSITION OF 200 OR MORE OPTION CONTRACTS ON THE SAME SIDE OF THE MARKET COVERING THE SAME UNDERLYING SECURITY, IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10. THE FINDINGS STATED THAT IN APPROXIMATELY 39,000 INSTANCES FROM JANUARY 2010 THROUGH MARCH 2013, THE FIRM REPORTED IN-CONCERT POSITIONS INACCURATELY BY OVER-REPORTING POSITIONS AS IN CONCERT, IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10. IN APPROXIMATELY 112,000 INSTANCES FROM JANUARY 2010 THROUGH MARCH 2013, THE FIRM UNDER-REPORTED IN-CONCERT POSITIONS, IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10. IN APPROXIMATELY 1,650,000 INSTANCES FROM JUNE 2011 THROUGH JANUARY 2013, THE FIRM REPORTED POSITIONS TO THE LARGE OPTION POSITION REPORTING (LOPR) SYSTEM WITH INCORRECT ACCOUNT TYPES, IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10. IN NEARLY 35,000 INSTANCES FROM JANUARY 2010 THROUGH APRIL 2013, THE FIRM REPORTED POSITIONS TO THE LOPR SYSTEM WITH INCORRECT ADDRESSES, IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10. FROM JANUARY 2010 THROUGH APRIL 2013, THE FIRM IMPROPERLY DELETED APPROXIMATELY 360,000 POSITIONS FROM THE LOPR SYSTEM



ON THE FRIDAY BEFORE EXPIRATION, IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10. IN NEARLY 80,000 INSTANCES FROM JUNE 2011 THROUGH JANUARY 2013, THE FIRM REPORTED POSITIONS TO THE LOPR SYSTEM WITH INCORRECT CLEARING NUMBERS, IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10. FOR 209 TRADING DAYS FROM MARCH 2011 THROUGH JANUARY 2012, THE FIRM FAILED TO UPDATE ONE REPORTED POSITION AFTER A CORPORATE ACTION, IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH ADEQUATE SYSTEMS OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW-UP AND REVIEW, WHICH WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. ALTHOUGH THE FIRM HAD ESTABLISHED WRITTEN SUPERVISORY PROCEDURES THAT PROVIDED FOR LIMITED REVIEWS OF RANDOMLY SELECTED REPORTS, THESE REVIEWS WERE INADEQUATE TO DETECT OR PREVENT SYSTEMIC VIOLATIONS OF THE LOPR RULES. AS A RESULT, THE FIRM FAILED TO DETECT THE ABOVE VIOLATIONS WHEN THEY OCCURRED. INSTEAD, IN MOST INSTANCES, THE VIOLATIONS BECAME KNOWN THROUGH THE REVIEWS CONDUCTED BY FINRA ON BEHALF OF NASDAQ OMX BX, INC. AS A RESULT, THE FIRM VIOLATED CHAPTER III, SECTIONS 1, 2(A), AND 2(A)(I) OF THE BOX TRADING RULES.

**Initiated By:** NASDAQ OMX BX, INC.

**Date Initiated:** 12/22/2014

**Docket/Case Number:** 2012032249302

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/22/2014

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



<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,454,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKINGS
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$1,454,000, OF WHICH \$365,000 SHALL BE PAID TO NASDAQ OMX BX, INC., AND UNDERTAKES TO, 90 DAYS AFTER THIS AWC BECOMES FINAL, AND AGAIN 180 DAYS AFTER THIS AWC BECOMES FINAL, THE FIRM SHALL MAKE A WRITTEN SUBMISSION TO NASDAQ IN CARE OF FINRA'S MARKET REGULATION DEPARTMENT REGARDING THEIR IN-CONCERT REPORTING.
<b>Regulator Statement</b>	CONSIDERATION HAS BEEN GIVEN TO THE FACT THAT THE FIRM HAS ALREADY TAKEN SIGNIFICANT REMEDIAL ACTION, INCLUDING PROVIDING EXTRAORDINARY COOPERATION WITH THIS INVESTIGATION BY RETAINING OUTSIDE COUNSEL TO CONDUCT A REVIEW AND REPORT ITS FINDINGS TO FINRA PERIODICALLY; ENHANCING ITS LOPR REPORTING SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES; HIRING AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE REVIEW OF THE FIRM'S LOPR SYSTEMS AND IDENTIFY ANY ADDITIONAL OR REMAINING DEFICIENCIES; AND CORRECTING THE DEFICIENCIES IDENTIFIED BY THE INDEPENDENT CONSULTANT.

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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT, IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10, IT SUBMITTED INACCURATE REPORTS OR FAILED TO SUBMIT REPORTS TO THE LARGE OPTION POSITION REPORTING (LOPR) SYSTEM IN APPROXIMATELY 2,976,000 INSTANCES FROM JANUARY 2010 THROUGH NOVEMBER 2013. FOR 209 TRADING DAYS FROM MARCH 2011 THROUGH JANUARY 2012, THE FIRM ALSO FAILED TO UPDATE ONE REPORTED POSITION AFTER A CORPORATE ACTION IN VIOLATION OF BOX TRADING RULE CHAPTER III, SECTION 10. THE FINDINGS FURTHER STATED THAT THE FIRM FAILED TO ESTABLISH ADEQUATE SYSTEMS OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. ALTHOUGH THE FIRM HAD ESTABLISHED WRITTEN SUPERVISORY PROCEDURES THAT PROVIDED FOR LIMITED REVIEWS OF RANDOMLY SELECTED REPORTS, THESE REVIEWS WERE INADEQUATE TO DETECT OR PREVENT SYSTEMIC VIOLATIONS OF THE LOPR RULES. AS A RESULT, THE FIRM FAILED TO DETECT THE ABOVE VIOLATIONS WHEN THEY OCCURRED. INSTEAD, IN



MOST INSTANCES, THE VIOLATIONS BECAME KNOWN THROUGH THE REVIEWS CONDUCTED BY FINRA ON BEHALF OF NASDAQ OMX BX, INC. FOR THIS REASON, THE FIRM VIOLATED CHAPTER III, SECTIONS 1, 2(A), AND 2(A)(I) OF THE BOX TRADING RULES.

<b>Initiated By:</b>	NASDAQ OMX BX, INC.
<b>Date Initiated:</b>	12/22/2014
<b>Docket/Case Number:</b>	2012032249302
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE; UNDERTAKING
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	12/22/2014
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,454,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKINGS
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$1,454,000, OF WHICH \$365,000 SHALL BE PAID TO NASDAQ OMX BX, INC., AND UNDERTAKES TO, 90 DAYS AFTER THIS AWC BECOMES FINAL, AND AGAIN 180 DAYS AFTER THIS AWC BECOMES FINAL, THE FIRM SHALL MAKE A WRITTEN SUBMISSION TO NASDAQ IN CARE OF FINRA'S MARKET REGULATION DEPARTMENT REGARDING THEIR IN-CONCERT REPORTING.
<b>Firm Statement</b>	CONSIDERATION HAS BEEN GIVEN TO THE FACT THAT THE FIRM HAS ALREADY TAKEN SIGNIFICANT REMEDIAL ACTION, INCLUDING PROVIDING EXTRAORDINARY COOPERATION WITH THIS INVESTIGATION BY RETAINING OUTSIDE COUNSEL TO CONDUCT A REVIEW AND REPORT ITS FINDINGS TO FINRA PERIODICALLY; ENHANCING ITS LOPR REPORTING SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES; HIRING AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE REVIEW OF THE FIRM'S LOPR SYSTEMS AND IDENTIFY ANY ADDITIONAL OR REMAINING DEFICIENCIES; AND CORRECTING THE DEFICIENCIES IDENTIFIED BY THE INDEPENDENT CONSULTANT.

## Disclosure 29 of 55

**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 SINCE THE FIRM BECAME A MEMBER OF BOX IN MAY 2012, IT VIOLATED BOX RULE 3150(A) FROM MAY 2012 THROUGH NOVEMBER 2013 BY SUBMITTING INACCURATE REPORTS TO LARGE OPTION POSITION REPORTING (LOPR) SYSTEM AND OMITTING REPORTABLE POSITIONS IN ITS LOPR SUBMISSIONS. THE FINDINGS STATED THAT IN MORE THAN 700,000 INSTANCES FROM JANUARY 2010 THROUGH MARCH 2013, THE FIRM FAILED TO REPORT POSITIONS WITH RESPECT TO ACCOUNTS ACTING IN CONCERT WITH OTHERS THAT TOGETHER HAD ESTABLISHED AN AGGREGATE POSITION OF 200 OR MORE OPTION CONTRACTS ON THE SAME SIDE OF THE MARKET COVERING THE SAME UNDERLYING SECURITY, IN VIOLATION OF BOX RULE 3150(A). IN APPROXIMATELY 39,000 INSTANCES FROM JANUARY 2010 THROUGH MARCH 2013, THE FIRM REPORTED IN-CONCERT POSITIONS INACCURATELY BY OVER-REPORTING POSITIONS AS IN CONCERT, IN VIOLATION OF BOX RULE 3150(A). IN APPROXIMATELY 112,000 INSTANCES FROM JANUARY 2010 THROUGH MARCH 2013, THE FIRM UNDER-REPORTED IN-CONCERT POSITIONS, IN VIOLATION OF BOX RULE 3150(A). IN APPROXIMATELY 1,650,000 INSTANCES FROM JUNE 2011 THROUGH JANUARY 2013, THE FIRM REPORTED POSITIONS TO THE LOPR SYSTEM WITH INCORRECT ACCOUNT TYPES, IN VIOLATION OF BOX RULE 3150(A). IN NEARLY 35,000 INSTANCES FROM JANUARY 2010 THROUGH APRIL 2013, THE FIRM REPORTED POSITIONS TO THE LOPR SYSTEM WITH INCORRECT ADDRESSES, IN VIOLATION OF BOX RULE 3150(A). FROM JANUARY 2010 THROUGH APRIL 2013, THE FIRM IMPROPERLY DELETED APPROXIMATELY 360,000 POSITIONS FROM THE LOPR SYSTEM ON THE FRIDAY BEFORE EXPIRATION, IN VIOLATION OF BOX RULE 3150(A). IN NEARLY 80,000 INSTANCES FROM JUNE 2011 THROUGH JANUARY 2013, THE FIRM REPORTED POSITIONS TO THE LOPR SYSTEM WITH INCORRECT CLEARING NUMBERS, IN VIOLATION OF BOX RULE 3150(A). THE FINDINGS ALSO STATED THAT FROM MAY 2012, WHEN IT BECAME A MEMBER OF BOX, THROUGH NOVEMBER 2013, THE FIRM FAILED TO ESTABLISH ADEQUATE SYSTEMS OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW-UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH BOX RULE 3150(A) GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. ALTHOUGH THE FIRM HAD ESTABLISHED WRITTEN SUPERVISORY PROCEDURES THAT PROVIDED FOR LIMITED REVIEWS OF RANDOMLY SELECTED REPORTS, THESE REVIEWS WERE INADEQUATE TO DETECT OR PREVENT SYSTEMIC VIOLATIONS OF THE LOPR RULES. AS A RESULT, THE FIRM FAILED TO DETECT THE ABOVE VIOLATIONS WHEN THEY OCCURRED. INSTEAD, IN MOST INSTANCES, THE VIOLATIONS BECAME KNOWN THROUGH THE REVIEWS CONDUCTED BY THE MARKET



REGULATION DEPARTMENT. AS A RESULT, THE FIRM VIOLATED BOX RULES 3010 AND 3070(A).

**Initiated By:** BOX OPTIONS EXCHANGE LLC

**Date Initiated:** 12/18/2014

**Docket/Case Number:** 2014-004

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 12/18/2014

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

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,454,000.00

**Other Sanctions Ordered:** UNDERTAKINGS

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$1,454,000, OF WHICH \$365,000 SHALL BE PAID TO BOX, AND UNDERTAKES TO, 90 DAYS AFTER THIS LETTER OF CONSENT (LOC) BECOMES FINAL, AND AGAIN 180 DAYS AFTER THIS LOC BECOMES FINAL, THE FIRM SHALL MAKE A WRITTEN SUBMISSION TO BOX IN CARE OF FINRA'S MARKET REGULATION DEPARTMENT REGARDING THEIR IN-CONCERT REPORTING.

**Regulator Statement** IN ARRIVING AT THE SANCTIONS, CONSIDERATION HAS BEEN GIVEN TO THE FACT THAT THE FIRM HAS ALREADY TAKEN SIGNIFICANT REMEDIAL ACTION, INCLUDING PROVIDING EXTRAORDINARY COOPERATION WITH THIS INVESTIGATION BY RETAINING OUTSIDE COUNSEL TO CONDUCT A REVIEW AND REPORT ITS FINDINGS TO FINRA PERIODICALLY; ENHANCING ITS LOPR REPORTING SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES; HIRING AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE REVIEW OF THE FIRM'S LOPR SYSTEMS AND IDENTIFY ANY ADDITIONAL OR REMAINING DEFICIENCIES; AND CORRECTING THE DEFICIENCIES IDENTIFIED BY THE INDEPENDENT CONSULTANT.





<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT FROM MAY 2012, WHEN IT BECAME A MEMBER OF BOX, THROUGH NOVEMBER 2013, THE FIRM VIOLATED BOX RULE 3150(A) BY SUBMITTING INACCURATE REPORTS AND FAILING TO SUBMIT REPORTS TO THE LARGE OPTION POSITION REPORTING (LOPR) SYSTEM. THE FINDINGS STATE THAT THE FIRM SUBMITTED INACCURATE REPORTS OR FAILED TO SUBMIT REPORTS TO THE LOPR SYSTEM IN APPROXIMATELY 2,976,000 INSTANCES FROM JANUARY 2010 THROUGH NOVEMBER 2013. THE FINDINGS ALSO STATED THAT FROM MAY 2012, WHEN IT BECAME A MEMBER OF BOX, THROUGH NOVEMBER 2013, THE FIRM FAILED TO ESTABLISH ADEQUATE SYSTEMS OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW UP AND REVIEW, THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH BOX RULE 3150(A) GOVERNING THE REPORTING OF POSITIONS TO THE LOPR SYSTEM. ALTHOUGH THE FIRM HAD ESTABLISHED WRITTEN SUPERVISORY PROCEDURES THAT PROVIDED FOR LIMITED REVIEWS OF RANDOMLY SELECTED REPORTS, THESE REVIEWS WERE INADEQUATE TO DETECT OR PREVENT SYSTEMIC VIOLATIONS OF THE LOPR RULES. AS A RESULT, THE FIRM FAILED TO DETECT THE ABOVE VIOLATIONS WHEN THEY OCCURRED. INSTEAD, IN MOST INSTANCES, THE VIOLATIONS BECAME KNOWN THROUGH THE REVIEWS CONDUCTED BY THE MARKET REGULATION DEPARTMENT. FOR THIS REASON, THE FIRM VIOLATED BOX RULES 3010 AND 3070(A).</p>
<b>Initiated By:</b>	BOX OPTIONS EXCHANGE LLC
<b>Date Initiated:</b>	12/18/2014
<b>Docket/Case Number:</b>	2014-004
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE; UNDERTAKING
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	12/18/2014



<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,454,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKINGS
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$1,454,000, OF WHICH \$365,000 SHALL BE PAID TO BOX, AND UNDERTAKES TO, 90 DAYS AFTER THIS LETTER OF CONSENT (LOC) BECOMES FINAL, AND AGAIN 180 DAYS AFTER THIS LOC BECOMES FINAL, THE FIRM SHALL MAKE A WRITTEN SUBMISSION TO BOX IN CARE OF FINRA'S MARKET REGULATION DEPARTMENT REGARDING THEIR IN-CONCERT REPORTING.
<b>Firm Statement</b>	IN ARRIVING AT THE SANCTIONS, CONSIDERATION HAS BEEN GIVEN TO THE FACT THAT THE FIRM HAS ALREADY TAKEN SIGNIFICANT REMEDIAL ACTION, INCLUDING PROVIDING EXTRAORDINARY COOPERATION WITH THIS INVESTIGATION BY RETAINING OUTSIDE COUNSEL TO CONDUCT A REVIEW AND REPORT ITS FINDINGS TO FINRA PERIODICALLY; ENHANCING ITS LOPR REPORTING SYSTEMS AND WRITTEN SUPERVISORY PROCEDURES; HIRING AN INDEPENDENT CONSULTANT TO CONDUCT A COMPLETE REVIEW OF THE FIRM'S LOPR SYSTEMS AND IDENTIFY ANY ADDITIONAL OR REMAINING DEFICIENCIES; AND CORRECTING THE DEFICIENCIES IDENTIFIED BY THE INDEPENDENT CONSULTANT.

## Disclosure 30 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	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 ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING IN SOME INSTANCES WRITTEN SUPERVISORY PROCEDURES THAT WERE REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS INCLUDING REGULATION SHO, THE 2008 EMERGENCY ORDERS ISSUED BY THE SEC AND ANTI-MONEY LAUNDERING REQUIREMENTS. THE FINDINGS STATED THAT THE FIRM FAILED TO CLOSE OUT ITS FAIL-TO-DELIVER (FTD) POSITIONS REFLECTED ON ITS BOOKS AND RECORDS, RESULTING FROM A FAILURE IN ITS INTERCOMPANY SETTLEMENT PROCESS (ISP) TO TRANSFER ITS CLEARANCE AND SETTLEMENT OBLIGATIONS TO ITS AFFILIATED BROKER-DEALER, BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY AS REQUIRED BY RULE 204T(A) AND 204(A) OF REGULATION SHO. THE FINDINGS ALSO STATED THAT THE FIRM ALSO FAILED TO PUT IN PLACE SUPERVISORY SYSTEMS OR PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES THAT ADDRESSED THE REQUIREMENTS OF



RULES 204T(A) AND 204(A) OF REGULATION SHO TO TIMELY CLOSE OUT FTD POSITIONS BY PURCHASING OR BORROWING SECURITIES OF LIKE-KIND AND QUANTITY OR THE REQUIREMENT TO NOTIFY ITS CLIENTS AND REFRAIN FROM EFFECTING OR ACCEPTING FROM ITS CLIENTS SHORT SALES IN SECURITIES IN WHICH IT HAD AN AGED FTD POSITION. THE FINDINGS ALSO INCLUDED THAT THE FIRM ALSO FAILED TO ESTABLISH SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES, THAT WERE REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND RULES BY DOZENS OF DIRECT MARKET ACCESS, SPONSORED ACCESS AND NAKED ACCESS CUSTOMERS WHO TRADED ON US EXCHANGES USING A FIRM PROVIDED MARKET PARTICIPANT IDENTIFIER (MPID). THE FIRM'S FAILURE TO ESTABLISH ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES POTENTIALLY FACILITATED THESE CLIENTS' ABILITY TO VIOLATE VARIOUS RULES AND REGULATIONS ACROSS MULTIPLE EXCHANGES. FINRA FOUND THAT THE FIRM ALSO FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES THAT WERE REASONABLY DESIGNED TO SURVEIL THE ACTIVITIES OF CERTAIN OF ITS DIRECT MARKET ACCESS, NAKED ACCESS AND SPONSORED ACCESS CLIENTS FOR THE PURPOSE OF DETECTING AND REPORTING, WHERE APPROPRIATE, SUSPICIOUS AND/OR MANIPULATIVE TRADING.

**Initiated By:** FINRA

**Date Initiated:** 10/27/2014

**Docket/Case Number:** [2010022971201](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

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

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

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/27/2014

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



**Sanctions Ordered:** Censure  
Monetary/Fine \$5,000,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED IN THE TOTAL AMOUNT OF \$5 MILLION TO BE PAID TO FINRA AND NYSE ARCA, INC., OF WHICH \$3.5 MILLION OF THAT TOTAL AMOUNT SHALL BE PAID TO FINRA. FINE PAID IN FULL ON NOVEMBER 12, 2014.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING IN SOME INSTANCES WRITTEN SUPERVISORY PROCEDURES THAT WERE REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS INCLUDING REGULATION SHO, THE 2008 EMERGENCY ORDERS ISSUED BY THE SEC AND ANTI-MONEY LAUNDERING REQUIREMENTS. THE FINDINGS STATED THAT THE FIRM FAILED TO CLOSE OUT ITS FAIL-TO-DELIVER (FTD) POSITIONS REFLECTED ON ITS BOOKS AND RECORDS, RESULTING FROM A FAILURE IN ITS INTERCOMPANY SETTLEMENT PROCESS (ISP) TO TRANSFER ITS CLEARANCE AND SETTLEMENT OBLIGATIONS TO ITS AFFILIATED BROKER-DEALER, BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY AS REQUIRED BY RULE 204T(A) AND 204(A) OF REGULATION SHO. THE FINDING ALSO STATED THAT THE FIRM ALSO FAILED TO PUT IN PLACE SUPERVISORY SYSTEMS OR PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES THAT ADDRESSED THE REQUIREMENTS OF RULES 204T(A) AND 204(A) OF REGULATION SHO TO TIMELY CLOSE OUT FTD POSITIONS BY PURCHASING OR BORROWING SECURITIES OF LIKE-KIND AND QUANTITY OR THE REQUIREMENT TO NOTIFY ITS CLIENTS AND REFRAIN FROM EFFECTING OR ACCEPTING FROM ITS CLIENTS SHORT SALES IN SECURITIES IN WHICH IT HAD AN AGED FTD POSITION. THE FINDINGS ALSO INCLUDED THAT THE FIRM ALSO FAILED TO ESTABLISH SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES THAT WERE REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND RULES BY DOZENS OF DIRECT MARKET ACCESS, SPONSORED ACCESS AND NAKED ACCESS CUSTOMERS WHO TRADED ON US EXCHANGES USING A FIRM PROVIDED MARKET PARTICIPANT IDENTIFIER (MPID). THE FIRM'S FAILURE TO ESTABLISH ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES POTENTIALLY FACILITATED THESE CLIENTS' ABILITY TO



VIOLATE VARIOUS RULES AND REGULATIONS ACROSS MULTIPLE EXCHANGES. FINRA FOUND THAT THE FIRM ALSO FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES THAT WERE REASONABLY DESIGNED TO SURVEIL THE ACTIVITIES OF CERTAIN OF ITS DIRECT MARKET ACCESS, NAKED ACCESS AND SPONSORED ACCESS CLIENTS FOR THE PURPOSE OF DETECTING AND REPORTING, WHERE APPROPRIATE, SUSPICIOUS AND/OR MANIPULATIVE TRADING.

**Initiated By:** FINRA

**Date Initiated:** 10/27/2014

**Docket/Case Number:** [2010022971201](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

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

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/27/2014

**Sanctions Ordered:** Censure  
Monetary/Fine \$5,000,000.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** THE FIRM WAS CENSURED AND FINED IN THE TOTAL AMOUNT OF \$5 MILLION TO BE PAID TO FINRA AND NYSE ARCA, INC., OF WHICH \$3.5 MILLION OF THAT TOTAL AMOUNT SHALL BE PAID TO FINRA.

**Firm Statement** THE FIRM WAS CENSURED AND FINED IN THE TOTAL AMOUNT OF \$5 MILLION TO BE PAID TO FINRA AND NYSE ARCA, INC., OF WHICH \$3.5 MILLION OF THAT TOTAL AMOUNT SHALL BE PAID TO FINRA.

#### Disclosure 31 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE



OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION. THE FIRM FAILED TO ENSURE THAT CONTINUOUS NET SETTLEMENT (CNS) FAIL-TO-DELIVER (FTD) POSITIONS REFLECTED ON ITS BOOKS AND RECORDS WERE CLOSED OUT AS REQUIRED BY RULES 204T(A) AND 204(A) OF REGULATION SHO. SINCE THE INCEPTION OF RULE 204T AND THROUGH AT LEAST JULY, 2012, IN CERTAIN SITUATIONS THE FIRM TOOK NO ACTION TO PURCHASE AND/OR BORROW SECURITIES OF LIKE KIND AND QUANTITY TO CLOSE OUT FTD POSITIONS AS REQUIRED BY RULE 204T AND RULE 204. CONSEQUENTLY, THE FIRM VIOLATED REG SHO RULE 204T(A) AND REG SHO RULE 204(A). THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES FOR COMPLIANCE WITH REG SHO RULE 204T(A) AND RULE 204(A). THE FIRM FAILED TO HAVE IN PLACE SYSTEMS AND PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES FOR COMPLIANCE WITH THE CLOSE-OUT REQUIREMENTS OF RULES 204T(A) AND 204(A) OF REGULATION SHO. THE WRITTEN SUPERVISORY PROCEDURES ENACTED BY IT WERE DEFICIENT BECAUSE THEY ALLOWED FTD POSITIONS TO BE CLOSED OUT OR REDUCED BY NETTING FAIL TO RECEIVE POSITIONS OR SEGREGATED EXCESS POSITIONS IN THE SAME SECURITIES AND FAILED TO REQUIRE THE FIRM TO CLOSE OUT FTD POSITIONS EXCLUSIVELY BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY. DURING THE FTD RELEVANT PERIOD, DESPITE THE FACT THAT THE INTERCOMPANY SETTLEMENT PROCESS (ISP) PROCESSES GENERATED CERTAIN FTD POSITIONS ON ITS BOOKS AND RECORDS, THE FIRM FAILED TO ALTER THE ISP PROCESS OR IMPLEMENT SYSTEMS AND PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH RULES 204T(A) AND 204(A), INCLUDING SYSTEMS OR PROCEDURES TO ENSURE THAT ITS FTD POSITIONS WERE INVESTIGATED TO DETERMINE WHETHER EACH WAS CAUSED BY A SHORT OR LONG SALE AND, IF SO, TO BORROW OR BUY IN SECURITIES WHEN REQUIRED. BY THE FOREGOING CONDUCT, THE FIRM VIOLATED NYSE ARCA EQUITIES RULES 6.18 (B) AND (C). THE FIRM FAILED TO ESTABLISH ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES FOR COMPLIANCE WITH THE "NOTICE" AND "PENALTY BOX" PROVISIONS OF RULES 204T(B) AND (C) AND 204 (B) AND (C). THE FIRM FAILED TO NOTIFY ANY CLIENTS, INCLUDING BROKER-DEALER CLIENTS FROM WHICH IT RECEIVED TRADES FOR CLEARANCE AND SETTLEMENT, WHEN IT HAD A FTD POSITION IN AN EQUITY SECURITY ASSOCIATED WITH ISP FAILURES THAT HAD NOT BEEN CLOSED OUT AS REQUIRED BY REGULATION SHO RULE 204T(A) AND RULE 204(A). MOREOVER, THE FIRM CONTINUED TO ACCEPT SHORT SALE ORDERS FROM ITS BROKER-DEALER AND OTHER CLIENTS AND TO ITSELF EFFECT SHORT SALE ORDERS IN EQUITY SECURITIES WITH RESPECT TO WHICH IT WAS IN THE "PENALTY BOX" WITHOUT ENSURING THAT THE CLIENT HAD FIRST BORROWED THE SECURITY OR ENTERED INTO A BONA FIDE ARRANGEMENT TO BORROW THE SECURITY PRIOR TO ACCEPTING THE



SHORT SALE ORDER. IN ADDITION, THE FIRM FAILED TO TAKE ANY ACTION TO DETECT THE ENTRY OF SHORT SALES WITHOUT PRE-BORROWS IN EQUITY SECURITIES IN WHICH IT HAD AN AGED FTD DUE TO ISP FAILURES. BY THE FOREGOING CONDUCT, THE FIRM VIOLATED NYSE AREA EQUITIES RULES 6.18(B) AND (C).

**Initiated By:** NYSE ARCA, INC.

**Date Initiated:** 10/27/2014

**Docket/Case Number:** 2011027038001

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 10/27/2014

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

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,500,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$1,500,000. THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA OPTIONS RULE 13.2(A).

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT THE FIRM ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER





ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION. THE FIRM FAILED TO ENSURE THAT CONTINUOUS NET SETTLEMENT (CNS) FAIL-TO-DELIVER (FTD) POSITIONS REFLECTED ON ITS BOOKS AND RECORDS, DUE TO A FAILURE IN AN INTERCOMPANY SETTLEMENT PROCESS (ISP) USED TO TRANSFER CLEARANCE AND SETTLEMENT OBLIGATIONS TO ITS AFFILIATE, WERE CLOSED OUT AS REQUIRED BY RULES 204T(A) AND 204(A) OF REGULATION SHO. SINCE THE INCEPTION OF RULE 204T AND THROUGH AT LEAST JULY, 2012, IN CERTAIN SITUATIONS THE FIRM TOOK NO ACTION TO PURCHASE AND/OR BORROW SECURITIES OF LIKE KIND AND QUANTITY TO CLOSE OUT FTD POSITIONS AS REQUIRED BY RULE 204T AND RULE 204. CONSEQUENTLY, THE FIRM VIOLATED REG SHO RULE 204T(A) AND REG SHO RULE 204(A). THE FIRM FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES FOR COMPLIANCE WITH REG SHO RULE 204T(A) AND RULE 204(A). THE FIRM FAILED TO HAVE IN PLACE SYSTEMS AND PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES FOR COMPLIANCE WITH THE CLOSE-OUT REQUIREMENTS OF RULES 204T(A) AND 204(A) OF REGULATION SHO. THE WRITTEN SUPERVISORY PROCEDURES ENACTED BY IT WERE DEFICIENT BECAUSE THEY ALLOWED FTD POSITIONS TO BE CLOSED OUT OR REDUCED BY NETTING FAIL TO RECEIVE POSITIONS OR SEGREGATED EXCESS POSITIONS IN THE SAME SECURITIES AND FAILED TO REQUIRE THE FIRM TO CLOSE OUT FTD POSITIONS EXCLUSIVELY BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY. DURING THE FTD RELEVANT PERIOD, DESPITE THE FACT THAT THE ISP PROCESSES GENERATED CERTAIN FTD POSITIONS ON ITS BOOKS AND RECORDS, THE FIRM FAILED TO ALTER THE ISP PROCESS OR IMPLEMENT SYSTEMS AND PROCEDURES REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH RULES 204T(A) AND 204(A), INCLUDING SYSTEMS OR PROCEDURES TO ENSURE THAT ITS FTD POSITIONS WERE INVESTIGATED TO DETERMINE WHETHER EACH WAS CAUSED BY A SHORT OR LONG SALE AND, IF SO, TO BORROW OR BUY IN SECURITIES WHEN REQUIRED. BY THE FOREGOING CONDUCT, THE FIRM VIOLATED NYSE ARCA EQUITIES RULES 6.18(B) AND (C). THE FIRM FAILED TO ESTABLISH ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES FOR COMPLIANCE WITH THE "NOTICE" AND "PENALTY BOX" PROVISIONS OF RULES 204T(B) AND (C) AND 204 (B) AND (C). THE FIRM FAILED TO NOTIFY ANY CLIENTS, INCLUDING BROKER-DEALER CLIENTS FROM WHICH IT RECEIVED TRADES FOR CLEARANCE AND SETTLEMENT, WHEN IT HAD A FTD POSITION IN AN EQUITY SECURITY ASSOCIATED WITH ISP FAILURES THAT HAD NOT BEEN CLOSED OUT AS REQUIRED BY REGULATION SHO RULE 204T(A) AND RULE 204(A). MOREOVER, THE FIRM CONTINUED TO ACCEPT SHORT SALE ORDERS FROM ITS BROKER-DEALER AND OTHER CLIENTS AND TO ITSELF EFFECT SHORT SALE ORDERS IN EQUITY SECURITIES WITH RESPECT TO WHICH IT WAS IN THE "PENALTY BOX" WITHOUT ENSURING THAT THE CLIENT HAD FIRST BORROWED THE SECURITY OR ENTERED INTO A BONA





FIDE ARRANGEMENT TO BORROW THE SECURITY PRIOR TO ACCEPTING THE SHORT SALE ORDER. IN ADDITION, THE FIRM FAILED TO TAKE ANY ACTION TO DETECT THE ENTRY OF SHORT SALES WITHOUT PRE-BORROWS IN EQUITY SECURITIES IN WHICH IT HAD AN AGED FTD DUE TO ISP FAILURES. BY THE FOREGOING CONDUCT, THE FIRM VIOLATED NYSE ARCA EQUITIES RULES 6.18(B) AND (C).

**Initiated By:** NYSE ARCA, INC.

**Date Initiated:** 10/27/2014

**Docket/Case Number:** 2011027038001

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

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

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 10/27/2014

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,500,000.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$1,500,000. THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA OPTIONS RULE 13.2(A). THE FINE WAS PAID ON NOVEMBER 26, 2014.

**Firm Statement** THE FIRM WAS CENSURED AND FINED \$1,500,000. THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA OPTIONS RULE 13.2(A). THE FINE WAS PAID ON NOVEMBER 26, 2014.

#### Disclosure 32 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** DURING THE FOURTH QUARTER OF 2010, PRIOR TO THE OPENING ROTATION, MERRILL PRO SUBMITTED OPENING QUOTATIONS THAT EXCEEDED THE SPREAD DIFFERENTIAL APPROXIMATELY 4.15% OF THE TIME.



DURING THE FIRST QUARTER OF 2011, PRIOR TO THE OPENING ROTATION, MERRILL PRO SUBMITTED OPENING QUOTATIONS THAT EXCEEDED THE SPREAD DIFFERENTIAL APPROXIMATELY 2.85% OF THE TIME.

DURING THE SECOND QUARTER OF 2011, PRIOR TO THE OPENING ROTATION, MERRILL PRO SUBMITTED OPENING QUOTATIONS THAT EXCEEDED THE SPREAD DIFFERENTIAL APPROXIMATELY 2.34% OF THE TIME.

DURING THE THIRD QUARTER OF 2011, PRIOR TO THE OPENING ROTATION, MERRILL PRO SUBMITTED OPENING QUOTATIONS THAT EXCEEDED THE SPREAD DIFFERENTIAL APPROXIMATELY 8.86% OF THE TIME.

THE CONDUCT DESCRIBED CONSTITUTES 4 SEPERATE VIOLATIONS OF ISE RULE 803(B)(4).

**Initiated By:** INTERNATIONAL SECURITIES EXCHANGE

**Date Initiated:** 09/18/2012

**Docket/Case Number:** 2011-004, 2011-060 & 2012-005

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/21/2012

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

**Other Sanctions Ordered:**

**Sanction Details:** \$15,000 FINE

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** DURING THE FOURTH QUARTER OF 2010, PRIOR TO THE OPENING ROTATION, MERRILL PRO SUBMITTED OPENING QUOTATIONS THAT EXCEEDED THE SPREAD DIFFERENTIAL APPROXIMATELY 4.15% OF THE TIME. DURING THE FIRST QUARTER OF 2011, PRIOR TO THE OPENING ROTATION, MERRILL PRO SUBMITTED OPENING QUOTATIONS THAT



EXCEEDED THE SPREAD DIFFERENTIAL APPROXIMATELY 2.85% OF THE TIME. DURING THE SECOND QUARTER OF 2011, PRIOR TO OPENING ROTATION, MERRILL PRO SUBMITTED OPENING QUOTATIONS THAT EXCEEDED THE SPREAD DIFFERENTIAL APPROXIMATELY 2.34% OF THE TIME. DURING THE THIRD QUARTER OF 2011, PRIOR TO THE OPENING ROTATION, MERRILL PRO SUBMITTED OPENING QUOTATIONS THAT EXCEEDED THE SPREAD DIFFERENTIAL APPROXIMATELY 8.86% OF THE TIME. THE CONDUCT DESCRIBED CONSTITUTES 4 SEPARATE VIOLATIONS OF ISE RULE 803(B)(4).

**Initiated By:** INTERNATIONAL SECURITIES EXCHANGE

**Date Initiated:** 09/18/2012

**Docket/Case Number:** 2011-004, 2011-060 & 2012-005

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/21/2012

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

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, MERRILL PRO CONSENTED TO ISE IMPOSING A CENSURE AND A \$15,000 FINE.

**Firm Statement** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, MERRILL PRO CONSENTED TO ISE IMPOSING A CENSURE AND A \$15,000 FINE.

#### Disclosure 33 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MERRILL PRO"), A CBOE STOCK EXCHANGE ("CBSX") WAS CENSURED AND FINED \$30,000. IN ADDITION, THE BCC ORDERED AN UNDERTAKING TO REQUIRE THAT MERRILL PRO IMPLEMENT PROCEDURES TO PROPERLY REPORT STOCK TRANSACTIONS ON BEHALF OF ITS MARKET-MAKER CUSTOMERS. THE



UNDERTAKING IS REQUIRED TO BE IMPLEMENTED ONE HUNDRED AND TWENTY (120) CALENDAR DAYS FROM THE ISSUANCE OF THE DECISION IN THIS MATTER. MERRILL PRO FAILED TO ACCURATELY REPORT TO THE EXCHANGE CERTAIN MARKET-MAKER EQUITY TRADING ACTIVITY FOR TWO CBSX TRADING PERMIT HOLDERS. (CBOE RULE 8.9(B))

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE

**Date Initiated:** 06/01/2012

**Docket/Case Number:** 12-0038

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 09/24/2012

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

**Other Sanctions Ordered:** A \$30,000 FINE, A CENSURE AND AN UNDERTAKING TO REQUIRE THAT MERRILL PRO IMPLEMENT PROCEDURES TO PROPERLY REPORT STOCK TRANSACTIONS ON BEHALF OF ITS MARKET-MAKER CUSTOMERS. THE UNDERTAKING IS REQUIRED TO BE IMPLEMENTED ONE HUNDRED AND TWENTY (120) CALENDAR DAYS FROM THE ISSUANCE OF THE DECISION IN THIS MATTER.

**Sanction Details:** A \$30,000 FINE, A CENSURE AND AN UNDERTAKING TO REQUIRE THAT MERRILL PRO IMPLEMENT PROCEDURES TO PROPERLY REPORT STOCK TRANSACTIONS ON BEHALF OF ITS MARKET-MAKER CUSTOMERS. THE UNDERTAKING IS REQUIRED TO BE IMPLEMENTED ONE HUNDRED AND TWENTY (120) CALENDAR DAYS FROM THE ISSUANCE OF THE DECISION IN THIS MATTER.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MERRILL PRO"), A CBOE STOCK EXCHANGE ("CBSX") MEMBER, WAS CENSURED AND FINED \$30,000. IN ADDITION, THE BCC ORDERED AN UNDERTAKING TO REQUIRE



THAT MERRILL PRO IMPLEMENT PROCEDURES TO PROPERLY REPORT STOCK TRANSACTIONS ON BEHALF OF ITS MARKET-MAKER CUSTOMERS. THE UNDERTAKING IS REQUIRED TO BE IMPLEMENTED ONE HUNDRED AND TWENTY (120) CALENDAR DAYS FROM THE ISSUANCE OF THE DECISION IN THIS MATTER. MERRILL PRO FAILED TO ACCURATELY REPORT TO THE EXCHANGE CERTAIN MARKET-MAKER EQUITY TRADING ACTIVITY FOR TWO CBSX TRADING PERMIT HOLDERS. (CBOE RULE 8.9(B))

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE (CBOE)

**Date Initiated:** 06/01/2012

**Docket/Case Number:** 12-0038

**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; UNDERTAKING

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 09/24/2012

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

**Other Sanctions Ordered:** A \$30,000 FINE, A CENSURE, AND AN UNDERTAKING TO REQUIRE THAT MERRILL PRO IMPLEMENT PROCEDURES TO PROPERLY REPORT STOCK TRANSACTIONS ON BEHALF OF ITS MARKET-MAKER CUSTOMERS. THE UNDERTAKING IS REQUIRED TO BE IMPLEMENTED ONE HUNDRED AND TWENTY (120) CALENDAR DAYS FROM ISSUANCE OF THE DECISION IN THIS MATTER.

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE APPLICANT CONSENTED TO A \$30,000 FINE, A CENSURE, AND AN UNDERTAKING TO REQUIRE THAT MERRILL PRO IMPLEMENT PROCEDURES TO PROPERLY REPORT STOCK TRANSACTIONS ON BEHALF OF ITS MARKET-MAKER CUSTOMERS. THE UNDERTAKING IS REQUIRED TO BE IMPLEMENTED ONE HUNDRED AND TWENTY (120) CALENDAR DAYS FROM ISSUANCE OF THE DECISION IN THIS MATTER.

**Firm Statement** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE APPLICANT CONSENTED TO A \$30,000 FINE, A CENSURE, AND AN UNDERTAKING TO REQUIRE THAT MERRILL PRO IMPLEMENT PROCEDURES TO PROPERLY REPORT STOCK TRANSACTIONS ON BEHALF OF ITS MARKET-MAKER CUSTOMERS. THE UNDERTAKING IS REQUIRED TO BE IMPLEMENTED ONE

HUNDRED AND TWENTY (120) CALENDAR DAYS FROM ISSUANCE OF THE DECISION IN THIS MATTER.

### Disclosure 34 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SECURITIES AND EXCHANGE COMMISSION (SEC) RULE 17A-4, FINRA RULE 2010, NASD RULES 2110, 3110: FROM IN OR AROUND APRIL 2005 THROUGH APRIL 2009, THE FIRM FAILED TO RETAIN INSTANT MESSAGE (IMS) SENT AND RECEIVED BY UP TO 106 EMPLOYEES USING NON-FIRM MESSAGING SYSTEMS, WHO JOINED THE FIRM AS PART OF AN ENTITY THE FIRM ACQUIRED IN OR AROUND APRIL 2005. FROM IN OR AROUND APRIL 2005 THROUGH JUNE 2009, THE FIRM FAILED TO RETAIN SENDER/RECIPIENT INFORMATION FOR ELECTRONIC MESSAGES SENT AND RECEIVED THROUGH A PROPRIETARY TRADING SYSTEM BY APPROXIMATELY 20 LEGACY EMPLOYEES OF THE SAME ACQUIRED ENTITY. THE FIRM'S ELECTRONIC SYSTEM ALSO DID NOT VERIFY AUTOMATICALLY THE QUALITY AND ACCURACY OF THE STORAGE MEDIA RECODING PROCESS. THE ELECTRONIC MESSAGES SENT AND RECEIVED VIA THE PROPRIETARY TRADING SYSTEM WERE NOT STORED ACCURATELY. THE SYSTEM ALSO COULD NOT READILY DOWNLOAD COMPLETE AND ACCURATE INDEXES AND RECORDS GIVEN THAT THE SYSTEM DID NOT RETAIN ACCURATE AND COMPLETE SENDER/RECIPIENT INFORMATION.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	06/20/2012
<b>Docket/Case Number:</b>	<a href="#">2009016334001</a>
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	N/A
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/20/2012



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

No

**Sanctions Ordered:**

Censure  
Monetary/Fine \$80,000.00

**Other Sanctions Ordered:**

**Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$80,000. FINE PAID IN FULL ON JULY 5, 2012.

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**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

SECURITIES AND EXCHANGE COMMISSION (SEC) RULE 17A-4, FINRA RULE 2010, NASD RULES 2110, 3110: FROM IN OR AROUND APRIL 2005 THROUGH APRIL 2009, THE FIRM FAILED TO RETAIN INSTANT MESSAGE (IMS) SENT AND RECEIVED BY UP TO 106 EMPLOYEES USING NON-FIRM MESSAGING SYSTEMS, WHO JOINED THE FIRM AS PART OF AN ENTITY THE FIRM ACQUIRED IN OR AROUND APRIL 2005. FROM IN OR AROUND APRIL 2005 THROUGH JUNE 2009, THE FIRM FAILED TO RETAIN SENDER/RECIPIENT INFORMATION FOR ELECTRONIC MESSAGES SENT AND RECEIVED THROUGH A PROPRIETARY TRADING SYSTEM BY APPROXIMATELY 20 LEGACY EMPLOYEES OF THE SAME ACQUIRED ENTITY. THE FIRM'S ELECTRONIC SYSTEM ALSO DID NOT VERIFY AUTOMATICALLY THE QUALITY AND ACCURACY OF THE STORAGE MEDIA RECODING PROCESS. THE ELECTRONIC MESSAGES SENT AND RECEIVED VIA THE PROPRIETARY TRADING SYSTEM WERE NOT STORED ACCURATELY. THE SYSTEM ALSO COULD NOT READILY DOWNLOAD COMPLETE AND ACCURATE INDEXES AND RECORDS GIVEN THAT THE SYSTEM DID NOT RETAIN ACCURATE AND COMPLETE SENDER/RECIPIENT INFORMATION.

**Initiated By:**

FINRA

**Date Initiated:**

06/20/2012

**Docket/Case Number:**

[2009016334001](#)

**Principal Product Type:**

No Product

**Other Product Type(s):**



<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/20/2012
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$80,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$80,000.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$80,000.

#### Disclosure 35 of 55

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	DURING REVIEWS OF THE APPLICANT'S COMPLIANCE WITH BOX EXCHANGE RULES RELATING TO THE PROPER EXERCISE OF OPTIONS CONTRACTS CONDUCTED DURING SIX REVIEW PERIODS RANGING IN TIME FROM APRIL 1, 2008 THROUGH JULY 31, 2010, BOX ALLEGED THAT APPLICANT (I) VIOLATED BOX TRADING RULES CHAPTER VII, EXERCISES AND DELIVERIES, SECTION 1, EXERCISE OF OPTIONS CONTRACTS (C), WHICH PROHIBITS PARTICIPANTS FROM ACCEPTING CONTRARY EXERCISE ADVICE ("CEA") FROM ITS CUSTOMERS AFTER 5:30 P.M. ET, AND FROM SUBMITTING CEAS TO BOX AND THE OPTIONS CLEARING CORPORATION ("OCC") AFTER 6:30 P.M. ET.; (II) VIOLATED BOX TRADING RULES CHAPTER VII, EXERCISES AND DELIVERIES, SECTION 1, EXERCISE OF OPTIONS CONTRACTS (F), WHICH REQUIRES PARTICIPANT SUBMITTING A CEA AFTER THE APPLICABLE CUT-OFF TIME BECAUSE OF A BONA FIDE ERROR TO SUBMIT A MEMORANDUM SETTING FOR THE CIRCUMSTANCE GIVING RISE TO INSTRUCTIONS AFTER THE CUT-OFF TIME TO BOX NO LATER THAN 12:00 NOON ET ON THE FIRST BUSINESS DAY FOLLOWING RESPECTIVE EXPIRATION; AND (III) VIOLATING BOX TRADING RULES CHAPTER III, BUSINESS CONDUCT, SECTION 2, CONDUCT AND COMPLIANCE WITHIN THE RULES (A)(1), WHICH REQUIRES THAT PARTICIPANTS HAVE ADEQUATE ARRANGEMENTS TO ENSURE THAT ALL





STAFF INVOLVED IN THE CONDUCT OF BUSINESS ON BOX ARE SUITABLE, ADEQUATELY TRAINED AND PROPERLY SUPERVISED.

**Initiated By:** BOSTON OPTIONS EXCHANGE REGULATION, LLC ("BOX")

**Date Initiated:** 10/24/2011

**Docket/Case Number:** MATTER NOS. 20080158015, 20090182211, 20090203341, 20090209843, 20100220481, AND 20100233630

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/24/2011

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

**Other Sanctions Ordered:** N/A

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR FINDINGS, APPLICANT CONSENTED TO THE IMPOSITION OF A SANCTION CONSISTING OF A CENSURE AND A FINE IN THE AMOUNT OF \$45,000 FOR VIOLATING THE BOX RULES REFERENCED IN ITEM 7 ABOVE.

**Firm Statement** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR FINDINGS, APPLICANT CONSENTED TO THE IMPOSITION OF A SANCTION CONSISTING OF A CENSURE AND A FINE IN THE AMOUNT OF \$45,000 FOR VIOLATING THE BOX RULES REFERENCED IN ITEM 7 ABOVE. APPLICANT ISSUED A CHECK TO BOX FOR THE AMOUNT OF THE FINE ON NOVEMBER 7, 2011.

#### Disclosure 36 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** \*\*05/11/2011\*\*REVISED STIPULATION OF FACTS AND CONSENT TO PENALTY FILED BY FINRA MARKET REGULATION, LEGAL SECTION AND PENDING. CONSENTED TO FINDINGS: 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, MERRILL PRO STIPULATED THAT DURING THE



PERIOD OF AUGUST 22, 2005 THROUGH MAY 31, 2008, THE FIRM  
 1.CAUSED VIOLATIONS OF AMEX RULE 191, BY FAILING TO PROVIDE THE  
 OPENING POSITIONS, PURCHASES, SALES, TIME AND/OR THE TICK  
 INFORMATION IN MULTIPLE SECURITIES FOR WHICH ITS SPECIALIST FIRM  
 CUSTOMERS SPECIALIZED PRIOR TO THE OPENING OF TRADING ON THE  
 NEXT BUSINESS DAY.  
 2.VIOLATED AMEX RULE 320 BY FAILING TO IMPLEMENT AND MAINTAIN AN  
 ADEQUATE SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO  
 REASONABLY ENSURE THE DELIVERY OF DATA REQUIRED BY AMEX RULE  
 191 ON BEHALF OF ITS SPECIALIST FIRM CLIENTS.  
 STIPULATED SANCTION: 1.CENSURE; AND 2.A FINE IN THE AMOUNT OF  
 \$25,000.

**Initiated By:** AMERICAN STOCK EXCHANGE

**Date Initiated:** 03/24/2011

**Docket/Case Number:** HPD#: 11-AMEX-3

**Principal Product Type:** Other

**Other Product Type(s):**

**Principal Sanction(s)/Relief  
 Sought:**

**Other Sanction(s)/Relief  
 Sought:**

**Resolution:** Decision

**Resolution Date:** 07/12/2011

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

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

**Other Sanctions Ordered:**

**Sanction Details:** \*\*06/16/2011\*\*DECISION NO. 11-AMEX-3 ISSUED BY NYSE AMEX HEARING BOARD. CAUSED VIOLATIONS OF AMEX RULE 191 DURING THE PERIOD AUGUST 22, 2005, THROUGH MAY 31, 2008, BY FAILING TO PROVIDE THE OPENING POSITIONS, PURCHASES, SALES, TIME AND/OR THE TICK INFORMATION IN MULTIPLE SECURITIES IN WHICH ITS SPECIALIST FIRM CUSTOMERS SPECIALIZED, PRIOR TO THE OPENING OF TRADING ON THE



NEXT BUSINESS DAY; VIOLATED AMEX RULE 320 DURING THE PERIOD AUGUST 22, 2005, THROUGH MAY 31, 2008, BY FAILING TO IMPLEMENT AND MAINTAIN AN ADEQUATE SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO REASONABLY ENSURE THE DELIVERY OF DATA REQUIRED BY AMEX RULE 191 ON BEHALF OF ITS SPECIALIST FIRM CLIENTS. CONSENT TO A CENSURE AND A \$25,000 FINE.

**Regulator Statement**

\*\*07/18/2011\*\* DECISION BECAME FINAL AS OF THE CLOSE OF BUSINESS ON JULY 12, 2011.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

\*\*05/11/2011\*\*REVISED STIPULATION OF FACTS AND CONSENT TO PENALTY FILED BY FINRA MARKET REGULATION, LEGAL SECTION AND PENDING. CONSENTED TO FINDINGS: 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, MERRILL PRO STIPULATED THAT DURING THE PERIOD OF AUGUST 22, 2005 THROUGH MAY 31, 2008, THE FIRM 1. CAUSED VIOLATIONS OF AMEX RULE 191, BY FAILING TO PROVIDE THE OPENING POSITIONS, PURCHASES, SALES, TIME AND/OR THE TICK INFORMATION IN MULTIPLE SECURITIES FOR WHICH ITS SPECIALIST FIRM CUSTOMERS SPECIALIZED PRIOR TO THE OPENING OF TRADING ON THE NEXT BUSINESS DAY. 2. VIOLATED AMEX RULE 320 BY FAILING TO IMPLEMENT AND MAINTAIN AN ADEQUATE SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO REASONABLY ENSURE THE DELIVERY OF DATA REQUIRED BY AMEX RULE 191 ON BEHALF OF ITS SPECIALIST FIRM CLIENTS. STIPULATED SANCTION: 1. CENSURE; AND 2. A FINE IN THE AMOUNT OF \$25,000.

**Initiated By:**

AMERICAN STOCK EXCHANGE

**Date Initiated:**

03/24/2011

**Docket/Case Number:**

HPD#: 11-AMEX-3

**Principal Product Type:**

Other

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

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

**Other Sanction(s)/Relief Sought:**

CENSURE

**Resolution:**

Decision



<b>Resolution Date:</b>	07/12/2011
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$25,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	<b>**06/16/2011**</b> DECISION NO. 11-AMEX-3 ISSUED BY NYSE AMEX HEARING BOARD. CAUSED VIOLATIONS OF AMEX RULE 191 DURING THE PERIOD AUGUST 22, 2005, THROUGH MAY 31, 2008, BY FAILING TO PROVIDE THE OPENING POSITIONS, PURCHASES, SALES, TIME AND/OR THE TICK INFORMATION IN MULTIPLE SECURITIES IN WHICH ITS SPECIALIST FIRM CUSTOMERS SPECIALIZED, PRIOR TO THE OPENING OF TRADING ON THE NEXT BUSINESS DAY; VIOLATED AMEX RULE 320 DURING THE PERIOD AUGUST 22, 2005, THROUGH MAY 31, 2008, BY FAILING TO IMPLEMENT AND MAINTAIN AN ADEQUATE SYSTEM OF FOLLOW-UP AND REVIEW, DESIGNED TO REASONABLY ENSURE THE DELIVERY OF DATA REQUIRED BY AMEX RULE 191 ON BEHALF OF ITS SPECIALIST FIRM CLIENTS. CONSENT TO A CENSURE AND A \$25,000 FINE.
<b>Firm Statement</b>	<b>**07/18/2011**</b> DECISION BECAME FINAL AS OF THE CLOSE OF BUSINESS ON JULY 12, 2011.

#### Disclosure 37 of 55

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	ON APRIL 16, 2010 AND JUNE 14, 2010, ONE OF THE APPLICANT'S CLEARING CUSTOMERS EXCEEDED THE POSITION LIMIT IN TWO SECURITIES OPTIONS CLASSES, WHICH CONSTITUTED A VIOLATION OF EXCHANGE RULE 1001.
<b>Initiated By:</b>	NASDAQ OMX PHLX, INC.
<b>Date Initiated:</b>	12/01/2010
<b>Docket/Case Number:</b>	2010-15
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Decision



<b>Resolution Date:</b>	12/08/2010
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$10,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR VIOLATIONS, THE APPLICANT CONSENTED TO A \$10,000 FINE AND A CENSURE.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS OR VIOLATIONS, THE APPLICANT CONSENTED TO A \$10,000 FINE AND A CENSURE.

### Disclosure 38 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("MERRILL PRO"), REGISTERED TO TRANSACT BUSINESS ON THE EXCHANGE AS A FLOOR BROKER AND CLEARING MEMBER, WAS CENSURED AND FINED \$20,000 FOR THE FOLLOWING CONDUCT. MERRILL FAILED TO REPORT CERTAIN MARKET-MAKER EQUITY TRADING ACTIVITY AND POSITIONS FOR SEVERAL CBSX TRADING PERMIT HOLDERS. (CBOE RULE 8.9(B) - REPORTS OF EXECUTED ORDERS.)
<b>Initiated By:</b>	CHICAGO BOARD OPTIONS EXCHANGE
<b>Date Initiated:</b>	02/09/2011
<b>Docket/Case Number:</b>	10-0040
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Decision
<b>Resolution Date:</b>	02/28/2011
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$20,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	A \$20,000 FINE AND A CENSURE.




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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	IN OR ABOUT AUGUST 2007 THROUGH IN OR ABOUT DECEMBER 2010, THE APPLICANT FAILED TO REPORT CERTAIN MAREKT-MAKER EQUITY TRADING ACTIVITY AND POSITIONS FOR SEVERAL CBSX TRADING PERMIT HOLDERS WHICH CONSTITUTES A VIOLATION OF EXCHANGE RULE 8.9(B)
<b>Initiated By:</b>	CHICAGO BOARD OPTIONS EXCHANGE (CBOE)
<b>Date Initiated:</b>	02/09/2011
<b>Docket/Case Number:</b>	10-0040
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Decision
<b>Resolution Date:</b>	02/28/2011
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$20,000.00
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE APPLICANT CONSENTED TO A \$20,000 FINE AND A CENSURE.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE APPLICANT CONSENTED TO A \$20,000 FINE AND A CENSURE.

#### Disclosure 39 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	ON SEPTEMBER 18, 2009, EXPIRATION FRIDAY, MERRILL LYNCH CAUSED TO BE EXERCISED A POTASH CORPORATION OF SASKATCHEWAN INC. ("POTASH") PUT CONTRACT VIA THE ENTRY OF A CONTRARY EXERCISE ADVICE("CEA"). MERRILL FAILED TO DELIVER THE CONTRARY EXERCISE



ADVICE BY 5:30 EST ON THAT DATE AS PRESCRIBED BY ISE RULES. PRIOR TO THE DELIVERY OF THE CEA, POTASH HAD ISSUED A NEWS RELEASE.

**Initiated By:** INTERNATIONAL SECURITIES EXCHANGE

**Date Initiated:** 12/21/2009

**Docket/Case Number:** 2009-198

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/20/2010

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

**Sanctions Ordered:** Monetary/Fine \$20,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:**

**Sanction Details:** A \$20,000 FINE AND RESTITUTION IN THE AMOUNT OF \$2,858.40

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** ON SEPTEMBER 18, 2009, EXPIRATION FRIDAY, APPLICANT CAUSED TO BE EXERCISED A POTASH CORPORATION OF SASKATCHEWAN INC.("POTASH") PUT CONTRACT VIA THE ENTRY OF A CONTRARY EXERCISE ADVICE ("CEA"). APPLICANT FAILED TO DELIVER THE CONTRARY EXERCISE ADVICE BY 5:30 EST ON THAT DATE AS PRESCRIBED BY ISE RULES. PRIOR TO THE DELIVERY OF THE CEA, POTASH HAD ISSUED A NEWS RELEASE.

**Initiated By:** INTERNATIONAL SECURITIES EXCHANGE

**Date Initiated:** 12/21/2009



<b>Docket/Case Number:</b>	2009-198
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	05/20/2010
<b>Sanctions Ordered:</b>	Monetary/Fine \$20,000.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	N/A
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE APPLICANT CONSENTED TO A \$20,000 FINE AND RESTITUTION IN THE AMOUNT OF \$2,858.40
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE APPLICANT CONSENTED TO A \$20,000 FINE AND RESTITUTION IN THE AMOUNT OF \$2,858.40

#### Disclosure 40 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	**5/12/10**MINOR RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D). FAILURE TO PROVIDE TIMELY AND COMPLETE RESPONSES TO EXCHANGE REQUEST LETTERS DURING THE COURSE OF ITS INVESTIGATIONS 1608 AND 1784.PENALTY: \$3,500 FINE (MINOR RULE PLAN VIOLATION AND PENALTY IS FINAL)
<b>Initiated By:</b>	NYSE ARCA, INC.
<b>Date Initiated:</b>	04/28/2010
<b>Docket/Case Number:</b>	NYSE/ ARCA
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	




**Other Sanction(s)/Relief Sought:**
**Resolution:** Decision

**Resolution Date:** 05/12/2010

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

**Sanctions Ordered:** Monetary/Fine \$3,500.00

**Other Sanctions Ordered:**
**Sanction Details:** \*\*05/12/2010\*\* MINOR RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D). FAILURE TO PROVIDE TIMELY AND COMPLETE RESPONSES TO EXCHANGE REQUEST LETTERS DURING THE COURSE OF ITS INVESTIGATIONS 1608 AND 1784.PENALTY: \$3,500 FINE (MINOR RULE PLAN VIOLATION AND PENALTY IS FINAL)

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** \*\*5/12/10\*\*MINOR RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D). FAILURE TO PROVIDE TIMELY AND COMPLETE RESPONSES TO EXCHANGE REQUEST LETTERS DURING THE COURSE OF ITS INVESTIGATIONS 1608 AND 1784.PENALTY: \$3,500 FINE (MINOR RULE PLAN VIOLATION AND PENALTY IS PAID)

**Initiated By:** NYSE ARCA, INC.

**Date Initiated:** 04/28/2010

**Docket/Case Number:** NYSE/ARCA

**Principal Product Type:** No Product

**Other Product Type(s):**
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**
**Resolution:** Decision



**Resolution Date:** 05/12/2010

**Sanctions Ordered:** Monetary/Fine \$3,500.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** \*\*05/12/2010\*\* MINOR RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D). FAILURE TO PROVIDE TIMELY AND COMPLETE RESPONSES TO EXCHANGE REQUEST LETTERS DURING THE COURSE OF ITS INVESTIGATIONS 1608 AND 1784.PENALTY: \$3,500 FINE (MINOR RULE PLAN VIOLATION AND PENALTY IS PAID)

**Firm Statement** \*\*05/12/2010\*\* MINOR RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D). FAILURE TO PROVIDE TIMELY AND COMPLETE RESPONSES TO EXCHANGE REQUEST LETTERS DURING THE COURSE OF ITS INVESTIGATIONS 1608 AND 1784.PENALTY: \$3,500 FINE (MINOR RULE PLAN VIOLATION AND PENALTY IS PAID).

THE APPLICANT DISPUTES THE NEED TO REPORT THIS MATTER ON FORM BD AS THIS IS A MINOR RULE VIOLATION. UPON INFORMATION AND BELIEF, MINOR RULE VIOLATION PLANS APPROVED UNDER SEA RULE 19D(1) ARE NOT TO BE REPORTED ON FORM BD, THEREFORE, QUESTION 11E(2) IS INAPPLICABLE.

#### Disclosure 41 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3360, 6955(A), NYSE RULE 421.10 - MERRILL LYNCH PROFESSIONAL CLEARING CORP. SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS IN NASDAQ SECURITIES TO NASD AND SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS IN SECURITIES LISTED ON THE NEW YORK STOCK EXCHANGE (NYSE) TO THE NYSE. THE FIRM TRANSMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM FAILED TO TIMELY REPORT NUMEROUS REPORTABLE ORDER EVENTS (ROES) TO OATS AND TRANSMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS TO OATS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA SO THAT THE OATS SYSTEM WAS UNABLE TO LINK THE EXECUTION REPORTS TO THE RELATED TRADE REPORTS IN AN NASD TRADE REPORTING SYSTEM. THE FIRM TRANSMITTED ROES TO OATS THAT WERE REJECTED BY OATS FOR CONTEXT OR SYNTAX



ERRORS AND WERE REPAIRABLE BUT THE FIRM FAILED TO REPAIR MOST OF THEM SO THEY WERE NOT TRANSMITTED TO OATS.

**Initiated By:** FINRA

**Date Initiated:** 05/27/2010

**Docket/Case Number:** [2006005866101](#)

**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:** 05/27/2010

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

**Sanctions Ordered:** Censure  
Monetary/Fine \$47,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$47,500.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3360, 6955(A), NYSE RULE 421.10 - MERRILL LYNCH PROFESSIONAL CLEARING CORP. SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS IN NASDAQ SECURITIES TO NASD AND SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS IN SECURITIES LISTED ON THE NEW YORK STOCK EXCHANGE (NYSE) TO THE NYSE. THE FIRM TRANSMITTED ROUTE OR COMBINED ORDER/ROUTE REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER



TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM FAILED TO TIMELY REPORT NUMEROUS REPORTABLE ORDER EVENTS (ROES) TO OATS AND TRANSMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS TO OATS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA SO THAT THE OATS SYSTEM WAS UNABLE TO LINK THE EXECUTION REPORTS TO THE RELATED TRADE REPORTS IN AN NASD TRADE REPORTING SYSTEM. THE FIRM TRANSMITTED ROES TO OATS THAT WERE REJECTED BY OATS FOR CONTEXT OR SYNTAX ERRORS AND WERE REPAIRABLE BUT THE FIRM FAILED TO REPAIR MOST OF THEM SO THEY WERE NOT TRANSMITTED TO OATS.

**Initiated By:** FINRA

**Date Initiated:** 05/27/2010

**Docket/Case Number:** [2006005866101](#)

**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:** 05/27/2010

**Sanctions Ordered:** Censure  
Monetary/Fine \$47,500.00

**Other Sanctions Ordered:** N/A

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$47,500.

**Firm Statement** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$47,500.

#### Disclosure 42 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** MERRILL LYNCH PROFESSIONAL CLEARING CORPORATION ("MERRILL



PRO"), AN EXCHANGE TPH ORGANIZATION ASSOCIATED WITH A FLOOR BROKER AND A CLEARING TRADING PERMIT HOLD, WAS CENSURED AND FINED \$50,000 FOR THE FOLLOWING CONDUCT. MERRILL PRO: 1) HELD CONTRACTS FOR ITS CLIENT THAT EXCEEDED THE POSITION LIMITS IN CITIGROUP AND MEDIVATION ON NUMEROUS DATES BETWEEN SEPTEMBER 2009 AND DECEMBER 2009; 2) FAILED TO PROMPTLY REPORT THE OPTION POSITION MAINTAINED BY ITS CUSTOMER IN EXCESS OF THE POSITION LIMIT; AND 3) FAILED TO SUPERVISE TO ENSURE COMPLIANCE WITH EXCHANGE RULES 4.11 AND 4.13 FOR THE CONDUCT ABOVE. IN ACCEPTING THE OFFER OF SETTLEMENT, THE BCC CONSIDERED CERTAIN FACTS, INCLUDING THE FACT THAT DURING A PORTION OF THE VIOLATION PERIOD DESCRIBED ABOVE, MERRILL PRO BELIEVED THAT THE DELTA-HEDGE EXEMPTION WAS AVAILABLE FOR ITS CUSTOMER, WHEN IN FACT IT WAS NOT AVAILABLE FOR ITS CUSTOMER. (CBOE RULES 4.2 - ADHERENCE TO LAW, 4.11 - POSITION LIMITS AND 4.13 - REPORTS RELATED TO POSITION LIMITS.)

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE

**Date Initiated:** 04/15/2010

**Docket/Case Number:** 10-0018

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 08/17/2010

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

**Other Sanctions Ordered:**

**Sanction Details:** MERRILL LYNCH PROFESSIONAL CLEARING CORP. SHALL BE AND HEREBY IS CENSURED AND FINED IN THE AMOUNT OF FIFTY THOUSAND DOLLARS (\$50,000). IN ACCEPTING THE OFFER OF SETTLEMENT, THE COMMITTEE CONSIDERS CERTAIN FACTS, INCLUDING THE FACT THAT DURING A PORTION OF THE VIOLATION PERIOD DESCRIBED BELOW, MERRILL PRO BELIEVED THAT THE DELTA-HEDGE EXEMPTION WAS AVAILABLE FOR ITS CUSTOMER, WHEN IN FACT IT WAS NOT AVAILABLE FOR ITS CUSTOMER.



**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** MERRILL LYNCH PROFESSIONAL CLEARING CORPORATION ("MERRILL PRO"), AN EXCHANGE TPH ORGANIZATION ASSOCIATED WITH A FLOOR BROKER AND A CLEARING TRADING PERMIT HOLD, WAS CENSURED AND FINED \$50,000 FOR THE FOLLOWING CONDUCT: 1) HELD CONTRACTS FOR ITS CLIENT THAT EXCEEDED THE POSITION LIMITS IN CITIGROUP ON SEPTEMBER 10, 11, 14-18, AND 21-24, 2009; AND IN MEDIVATION ON NOVEMBER 18, 2009 AND DECEMBER 3, 2009; 2) FAILED TO PROMPTLY REPORT THE OPTION POSITION MAINTAINED BY ITS CUSTOMER IN EXCESS OF THE POSITION LIMIT; AND 3) FAILED TO SUPERVISE TO ENSURE COMPLIANCE WITH EXCHANGE RULES 4.11 AND 4.13 FOR THE CONDUCT ABOVE. IN ACCEPTING THE OFFER OF SETTLEMENT, THE BCC CONSIDERED CERTAIN FACTS, INCLUDING THE FACT THAT DURING A PORTION OF THE VIOLATION PERIOD DESCRIBED ABOVE, MERRILL PRO ACTED UNDER A GOOD-FAITH BELIEF, THAT THE DELTA-HEDGE EXEMPTION WAS AVAILABLE FOR ITS CUSTOMER, WHEN IN FACT CBOE NOTIFIED MEMBERS IN REGULATORY CIRCULAR RG09-103 ON SEPTEMBER 23, 2009 THAT THE DELTA HEDGE EXEMPTION WAS NOT AVAILABLE FOR CUSTOMERS. (CBOE RULES 4.2 - ADHERENCE TO LAW, 4.11 - POSITION LIMITS AND 4.13 - REPORTS RELATED TO POSITION LIMITS.)

**Initiated By:** CHICAGO BOARD OPTIONS EXCHANGE BUSINESS CONDUCT COMMITTEE ("BUSINESS CONDUCT COMMITTEE")

**Date Initiated:** 04/15/2010

**Docket/Case Number:** FILE NO. 10-0018

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 08/17/2010

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



<b>Other Sanctions Ordered:</b>	NONE
<b>Sanction Details:</b>	MERRILL LYNCH PROFESSIONAL CLEARING CORP. SHALL BE AND HEREBY IS CENSURED AND FINED IN THE AMOUNT OF FIFTY THOUSAND DOLLARS (\$50,000). IN ACCEPTING THE OFFER OF SETTLEMENT, THE COMMITTEE CONSIDERS CERTAIN FACTS, INCLUDING THE FACT THAT DURING A PORTION OF THE VIOLATION PERIOD DESCRIBED BELOW, MERRILL PRO BELIEVED THAT THE DELTA-HEDGE EXEMPTION WAS AVAILABLE FOR ITS CUSTOMER, WHEN IN FACT IT WAS NOT AVAILABLE FOR ITS CUSTOMER.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, MERRILL LYNCH PROFESSIONAL CLEARING CORP. STIPULATED TO THE FACTS AND FINDINGS; THEREFORE, MERRILL LYNCH PROFESSIONAL CLEARING CORP. IS CENSURED AND FINED \$50,000.

#### Disclosure 43 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NYSE RULES 342, 421(2) AND 421.40: DURING AN APPROXIMATE EIGHT-YEAR PERIOD, RESPONDENT MERRILL LYNCH PROFESSIONAL CLEARING CORP. SUBMITTED INACCURATE FORM R-1 REPORTS CONCERNING THE TOTAL OF ALL DEBIT BALANCES IN SECURITIES MARGIN ACCOUNTS DUE TO ERRONEOUSLY INCLUDING IN ITS REPORTS DEBITS THAT DID NOT TRULY REFLECT MARGIN FINANCING, BUT WERE INSTEAD ATTRIBUTABLE TO THE BROAD SYSTEM OF ACCOUNTING USED BY THE FIRM FOR CERTAIN CLIENTS. THE FIRM ALSO FAILED TO PROVIDE FOR APPROPRIATE PROCEDURES OF SUPERVISION AND CONTROL AND FAILED TO ESTABLISH A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW CONCERNING ITS FORM R-1 REGULATORY REPORTING REQUIREMENT.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	04/13/2010
<b>Docket/Case Number:</b>	<a href="#">2008014161501</a>
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)



**Resolution Date:** 04/13/2010

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

**Sanctions Ordered:** Censure  
Monetary/Fine \$400,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$400,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NYSE RULES 342, 421(2) AND 421.40: DURING AN APPROXIMATE EIGHT-YEAR PERIOD, RESPONDENT MERRILL LYNCH PROFESSIONAL CLEARING CORP. SUBMITTED INACCURATE FORM R-1 REPORTS CONCERNING THE TOTAL OF ALL DEBIT BALANCES IN SECURITIES MARGIN ACCOUNTS DUE TO ERRONEOUSLY INCLUDING IN ITS REPORTS DEBITS THAT DID NOT TRULY REFLECT MARGIN FINANCING, BUT WERE INSTEAD ATTRIBUTABLE TO THE BROAD SYSTEM OF ACCOUNTING USED BY THE FIRM FOR CERTAIN CLIENTS. THE FIRM ALSO FAILED TO PROVIDE FOR APPROPRIATE PROCEDURES OF SUPERVISION AND CONTROL AND FAILED TO ESTABLISH A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW CONCERNING ITS FORM R-1 REGULATORY REPORTING REQUIREMENT.

**Initiated By:** FINRA

**Date Initiated:** 04/13/2010

**Docket/Case Number:** [2008014161501](#)

**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





<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	04/13/2010
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$400,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$400,000.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$400,000.

#### Disclosure 44 of 55

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>VIOLATED RULE 4.11 POSITION LIMITS IN REGARD TO THE DENDREON CORPORATION ("DNDN") OPTION CLASS. ON TRADE DATES AUGUST 6, 7, 8, 11 AND 22, AND OCTOBER 13, 2008, BAM OPPORTUNITY FUND, A CUSTOMER OF MERRILL LYNCH PROFESSIONAL CLEARING CORPORATION ("MERRILL"), HELD POSITIONS AT THE CLOSE OF TRADING OVER THE APPLICABLE POSITION LIMIT IN DNDN OPTIONS OF 250,000 CONTRACTS ON THE SHORT (SHORT CALL/LONG PUT) SIDE OF THE MARKET.</p> <p>AUGUST 6-11, 2008 IS CONSIDERED ONE (1) INSTANCE AND IS THE FIRM'S FIFTH VIOLATION. AUGUST 22 AND OCTOBER 13, 2008 ARE THE FIRM'S SIXTH AND SEVENTH VIOLATIONS WITHIN A TWENTY-FOUR MONTH PERIOD.</p> <p>SUMMARY FINE AMOUNT: FIFTH \$5,000; SIXTH \$5,000; SEVENTH \$5,000. TOTAL FINE AMOUNT: \$15,000.00</p>
<b>Initiated By:</b>	CHICAGO BOARD OPTIONS EXCHANGE
<b>Date Initiated:</b>	12/10/2008
<b>Docket/Case Number:</b>	
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)


**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent  
**Resolution Date:** 12/22/2008  
**Sanctions Ordered:** Monetary/Fine \$15,000.00  
**Other Sanctions Ordered:**  
**Sanction Details:** SUMMARY FINE AMOUNT: FIFTH \$5,000; SIXTH \$5,000; SEVENTH \$5,000.  
 TOTAL FINE AMOUNT: \$15,000.00  
**Firm Statement** FINE OF \$15,000 PAID ON DECEMBER 31, 2008.

**Disclosure 45 of 55**

**Reporting Source:** Regulator  
**Current Status:** Final  
**Allegations:** SECTION 17A OF THE EXCHANGE ACT, SEC RULES 17A-3, 17A-4, 17A-5 THEREUNDER, SECTION 15(C) OF THE SECURITIES AND EXCHANGE ACT OF 1934, SEC RULE 15C3-3(E) THEREUNDER, NASD RULES 2110, 3010, 3110 - MERRILL LYNCH PROFESSIONAL CLEARING CORP. FAILED TO PROPERLY COMPUTE AND MAINTAIN ITS PROPRIETARY ACCOUNT OF AN INTRODUCING BROKER (PAIB) CUSTOMER RESERVE FORMULA REQUIREMENTS, CAUSING ITS SPECIAL RESERVE BANK ACCOUNT FOR THE EXCLUSIVE BENEFIT FOR ITS CUSTOMERS TO BE UNDERFUNDED. THE FIRM FILED INACCURATE FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE (FOCUS) REPORTS WITH THE NEW YORK STOCK EXCHANGE. THE FIRM FAILED TO MAKE AND MAINTAIN ACCURATE RECORDS IDENTIFYING PROPRIETARY ACCOUNTS NECESSARY FOR COMPUTATION OF ITS PAIB RESERVE FORMULA REQUIREMENT. THE FIRM FAILED TO PROVIDE FOR REASONABLE SUPERVISION OF CERTAIN BUSINESS ACTIVITIES TO DETECT AND PREVENT THESE VIOLATIONS.

**Initiated By:** FINRA  
**Date Initiated:** 11/14/2008  
**Docket/Case Number:** [2007009473301](#)  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**



**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/14/2008

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

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

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$100,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** SECTION 17A OF THE EXCHANGE ACT, SEC RULES 17A-3, 17A-4, 17A-5 THEREUNDER, SECTION 15(C) OF THE SECURITIES AND EXCHANGE ACT OF 1934, SEC RULE 15C3-3(E)THEREUNDER, NASD RULES 2110, 3010, 3110 - MERRILL LYNCH PROFESSIONAL CLEARING CORP. FAILED TO PROPERLY COMPUTE AND MAINTAIN ITS PROPRIETARY ACCOUNT OF AN INTRODUCING BROKER (PAIB) CUSTOMER RESERVE FORMULA REQUIREMENTS, CAUSING ITS SPECIAL RESERVE BANK ACCOUNT FOR THE EXCLUSIVE BENEFIT FOR ITS CUSTOMERS TO BE UNDERFUNDED. THE FIRM FILED INACCURATE FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE (FOCUS) REPORTS WITH THE NEW YORK STOCK EXCHANGE. THE FIRM FAILED TO MAKE AND MAINTAIN ACCURATE RECORDS IDENTIFYING PROPRIETARY ACCOUNTS NECESSARY FOR COMPUTATION OF ITS PAIB RESERVE FORMULA REQUIREMENT. THE FIRM FAILED TO PROVIDE FOR REASONABLE SUPERVISION OF CERTAIN BUSINESS ACTIVITIES TO DETECT AND PREVENT THESE VIOLATIONS.

**Initiated By:** FINRA

**Date Initiated:** 11/14/2008

**Docket/Case Number:** [2007009473301](#)



<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	11/14/2008
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$100,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$100,000.
<b>Firm Statement</b>	THE FINE OF \$100,000.00 WAS PAID ON NOVEMBER 19, 2008.

#### Disclosure 46 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULES 2110, 3010, 6955(A) - MERRILL LYNCH PROFESSIONAL CLEARING CORP. TRANSMITTED TO OATS NEW ORDER REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA - THE REPORTS MISIDENTIFIED THE MEMBER STATUS OF THE ROUTING FIRM. THE FIRM REPORTED TO OATS ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE RELATED ORDER ROUTED TO SUPERMONTAGE DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM TRANSMITTED TO OATS REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA-REPORTS OMITTED A SPECIAL HANDLING CODE AND/OR CONTAINED AN INACCURATE DISPLAY FLAG. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING THE THREE QUOTE RULE, TRADE AND OATS REPORTING.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	01/28/2008



**Docket/Case Number:** [2006004610001](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNKNOWN TYPES OF SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/28/2008

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

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

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$35,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE THREE QUOTE RULE, TRADE AND OATS REPORTING WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NASD RULES 2110, 3010, 6955(A) - MERRILL LYNCH PROFESSIONAL CLEARING CORP. TRANSMITTED TO OATS NEW ORDER REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA - THE REPORTS MISIDENTIFIED THE MEMBER STATUS OF THE ROUTING FIRM. THE FIRM REPORTED TO OATS ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE RELATED ORDER ROUTED TO SUPERMONTAGE DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM TRANSMITTED TO OATS REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA-REPORTS OMITTED A



SPECIAL HANDLING CODE AND/OR CONTAINED AN INACCURATE DISPLAY FLAG. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES CONCERNING THE THREE QUOTE RULE, TRADE AND OATS REPORTING.

**Initiated By:** FINANCIAL INDUSTRY REGULATORY AUTHORITY

**Date Initiated:** 01/28/2008

**Docket/Case Number:** 20060046100-01

**Principal Product Type:** Other

**Other Product Type(s):** UNKNOWN TYPES OF SECURITIES

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

**Other Sanction(s)/Relief Sought:** CENSURE, UNDERTAKING

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 01/28/2008

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

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$35,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE THREE QUOTE RULE, TRADE AND OATS REPORTING WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE OF \$35,000. WAS PAID ON 02/15/2008.

**Firm Statement** FINE OF \$35,000.00 WAS PAID ON 02/15/2008

#### Disclosure 47 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC RULE 203(B)(3), NASD RULES 2110, 3010 - MERRILL LYNCH PROFESSIONAL CLEARING CORPORATION HAD A FAIL-TO-DELIVER POSITION IN A THRESHOLD SECURITY FOR 13 CONSECUTIVE SETTLEMENT DAYS AND FAILED TO TIMELY ALLOCATE ITS FAIL-TO-



DELIVER POSITION UNDER SEC RULE 203(B)(3)(IV) TO THE REGISTERED BROKER-DEALER THAT MAINTAINED THE POSITION AND FOR WHOM THE FIRM CLEARED; THE OBLIGATION TO CLOSE OUT THE FAIL-TO-DELIVER POSITION REMAINED WITH THE FIRM AND THE FIRM FAILED TO IMMEDIATELY CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO SEC RULE 203(B)(3)(THRESHOLD SECURITIES).

**Initiated By:** NASD

**Date Initiated:** 06/26/2007

**Docket/Case Number:** [2006004138201](#)

**Principal Product Type:** Other

**Other Product Type(s):** THRESHOLD SECURITY

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/26/2007

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

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

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500.

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**Reporting Source:** Firm

**Current Status:** Final



<b>Allegations:</b>	SEC RULE 203(B)(3), NASD RULES 2110, 3010 - DURING THE TIME PERIOD PRIOR TO MERRILL LYNCH PROFESSIONAL CLEARING CORP'S ACQUISITION OF PAX CLEARING CORP, PAX CLEARING CORP (NOW MERRILL LYNCH PROFESSIONAL CLEARING CORPORATION) HAD A FAIL-TO-DELIVER POSITION IN A THRESHOLD SECURITY FOR 13 CONSECUTIVE SETTLEMENT DAYS AND FAILED TO TIMELY ALLOCATE ITS FAIL-TO-DELIVER POSITION UNDER SEC RULE 203(B)(3)(IV) TO THE REGISTERED BROKER-DEALER THAT MAINTAINED THE POSITION AND FOR WHOM THE FIRM CLEARED; THE OBLIGATION TO CLOSE OUT THE FAIL-TO-DELIVER POSITION REMAINED WITH THE FIRM AND THE FIRM FAILED TO IMMEDIATELY CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO SEC RULE 203 (B)(3)(THRESHOLD SECURITIES).
<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	06/26/2007
<b>Docket/Case Number:</b>	20060041382-01
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/27/2007
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$12,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500.





## Disclosure 48 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD RULE 6955(A) - MERRILL LYNCH PROFESSIONAL CLEARING CORP. FAILED TO TIMELY REPORT TO OATS REPORTABLE ORDER EVENTS (ROES)AND FAILED TO SUBMIT REQUIRED INFORMATION CONCERING ROES TO OATS ON TWO BUSINESS DAYS.
<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	05/03/2007
<b>Docket/Case Number:</b>	<a href="#">2006004227101</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	UNKNOWN TYPE OF SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	05/03/2007
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$15,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$15,000.

**Reporting Source:** Firm

**Current Status:** Final



**Allegations:** NASD RULE 6955(A) - MERRILL LYNCH PROFESSIONAL CLEARING CORP. FAILED TO TIMELY REPORT TO OATS REPORTABLE ORDER EVENTS (ROES) AND FAILED TO SUBMIT REQUIRED INFORMATION CONCERNING ROES TO OATS ON TWO BUSINESS DAYS.

**Initiated By:** NASD

**Date Initiated:** 02/22/2007

**Docket/Case Number:** 20060042271-01

**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:** 03/26/2007

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

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE, THE FIRM IS CENSURED AND FINED \$15,000.00.

**Firm Statement** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THEREFORE, THE FIRM IS CENSURED AND FINED \$15,000.00.

#### Disclosure 49 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULES 2110, 6955(A) - MERRILL LYNCH TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT CONTAINED EITHER INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA IN THAT THE REPORTS CONTAINED INACCURATE ROUTED ORDER IDS.

**Initiated By:** NASD



**Date Initiated:** 05/05/2006  
**Docket/Case Number:** 20050003128-01  
**Principal Product Type:** Other  
**Other Product Type(s):** UNKNOWN TYPE OF SECURITIES  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 05/05/2006  
**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$7,500.00  
**Other Sanctions Ordered:**  
**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** NASD RULES 2110, 6955(A) - MERRILL LYNCH TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT CONTAINED EITHER INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA IN THAT THE REPORTS CONTAINED INACCURATE ROUTED ORDER IDS.  
**Initiated By:** NASD  
**Date Initiated:** 05/05/2006  
**Docket/Case Number:** 20050003128-01  
**Principal Product Type:** Other



<b>Other Product Type(s):</b>	UNKNOWN TYPE OF SECURITES
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	05/05/2006
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$7,500.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS.
<b>Firm Statement</b>	THE FIRM IS CENSURED AND FINED \$7,500.00 TO BE PAID ON JUNE 2, 2006.

#### Disclosure 50 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	NASD MARKETPLACE RULE 6955(A) AND NASD CONDUCT RULES 2110 AND 3010 THE FIRM FAILED TO TIMELY REPORT TO OATS 42,479 REPORTABLE ORDER EVENTS ("ROES"). THE FIRM SUBMITTED TO OATS 13,728 REPORTS WITH RESPECT TO EQUITY SECURITIES TRADED ON THE NASDAQ STOCK MARKET (THE "SUBJECT REPORTS") THAT WERE NOT IN THE ELECTRONIC FORM PRESCRIBED BY NASD AND WERE REPAIRABLE. THE SUBJECT REPORTS WERE REJECTED BY THE OATS SYSTEM AND NOTICE OF SUCH REJECTION WAS MADE AVAILABLE TO THE FIRM ON THE OATS WEBSITE. THE FIRM DID NOT REPLACE 100 PERCENT OF THE REPORTS. MOREOVER, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLE DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND THE RULES ON NASD, CONCERNING COMPLIANCE WITH OATS RULES.
<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	09/23/2005
<b>Docket/Case Number:</b>	2004200005701
<b>Principal Product Type:</b>	Other



<b>Other Product Type(s):</b>	EQUITY SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	09/23/2005
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$23,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, MERRILL LYNCH PROFESSIONAL CLEARING CORP CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED AND FINED \$23,000.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE FIRM SUBMITTED OATS REPORTS THAT WERENOT IN THE ELECTRONIC FORM PRESCRIBED BY NASD AND WERE REPAIRABLE. SUBJECT REPORTS WERE REJECTED BY THE OATS SYSTEM AND NOTICE OF SUCH REJECTION WAS MADE AVAILABLE TO THE FIRM ON THE OATS WEBSITE. THE FIRM DID NOT REPLACE 100% OF THE REPORTS AND THE SUPERVISORY SYTEM DID NOT PROVIDE FOR SUPERVISION DESIGNED TO ACHIEVE COMPLIANCE WITH RESPEICT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING COMPLIANCE WITH OATS RULES.
<b>Initiated By:</b>	NASD
<b>Date Initiated:</b>	09/23/2005
<b>Docket/Case Number:</b>	2004200005701
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	NO PRODUCT INVOLVED.



<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	09/23/2005
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$23,000.00
<b>Other Sanctions Ordered:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, MERRILL LYNCH PROFESSIONAL CLEARING CORP CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED AND FINED \$23,000.00 TO BE PAID ON 9/23/2005.
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, MERRILL LYNCH PROFESSIONAL CLEARING CORP CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED AND FINED \$23,000.00 TO BE PAID ON 9/23/2005.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, MERRILL LYNCH PROFESSIONAL CLEARING CORP CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS CENSURED AND FINED \$23,000.00 TO BE PAID ON 9/23/2005.

#### Disclosure 51 of 55

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	IT WAS ALLEGED THAT MERRILL LYNCH PROFESSIONAL CLEARING CORP. ("ML PRO") VIOLATED EXCHANGE RULES 1042A AND 748 IN THAT ML PRO ACCEPTED MEMORANDA TO EXERCISE ("SOX") OPTIONS LATER THAN FIVE (5) MINUTED AFTER THE CLOSING OF TRADING AND EXERCISED THE SOX OPTIONS FOR ITS CUSTOMER; FAILED TO SUBMIT EXERCISE ADVICES ON A FORM PRESCRIBED BY THE EXCHANGE TO THE SURVEILLANCE POST; AND FAILED TO HAVE ANY WRITTEN PROCEDURES REGARDING THE ACCEPTANCE OF EXCHANGE INDEX OPTION CONTRACT MEMORANDA TO EXERCISE, NOR DID IT HAVE PROCEDURES REGARDING THE DELIVERY OF EXERCISE ADVICE FORMS TO THE SURVEILLANCE POST AT THE EXCHANGE.
<b>Initiated By:</b>	PHILADELPHIA STOCK EXCHANGE #170
<b>Date Initiated:</b>	12/05/2001



**Docket/Case Number:** ENFORCEMENT NO. 2001-13

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision & Order of Offer of Settlement

**Resolution Date:** 05/15/2002

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

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING, MERRILL LYNCH PROFESSIONAL CLEARING CORP. ENTERED INTO A SETTLEMENT WITH THE PHILADELPHIA STOCK EXCHANGE AND AGREED TO A FINE OF \$20,000.

**Firm Statement** WITHOUT ADMITTING OR DENYING, MERRILL LYNCH PROFESSIONAL CLEARING CORP. ENTERED INTO A SETTLEMENT WITH THE PHILADELPHIA STOCK EXCHANGE AND AGREED TO A FINE OF \$20,000.

#### Disclosure 52 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** NASD RULE 3360 - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE FINDINGS THAT IT FAILED TO REPORT ITS SHORT INTEREST POSITIONS IN NASDAQ SMALLCAP SECURITIES TO THE NASD PRIOR TO APRIL 1999. THE FINDINGS ALSO STATED THAT THE FIRM SUBMITTED ITS SHORT INTEREST POSITION REPORT TO THE NASD AND FAILED TO REPORT SHORT INTEREST SHARES OF NASDAQ SMALLCAP SECURITIES

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS

**Date Initiated:** 11/20/2001

**Docket/Case Number:** CMS010184

**Principal Product Type:** Other

**Other Product Type(s):** UNKNOWN TYPE OF SECURITIES



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/20/2001

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

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, RESPONDENT MEMBER CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$20,000.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** \$20,000 SETTLEMENT OF AWC FOR VIOLATIONS OF SHORT INTEREST REPORTING REQUIREMENTS.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. #166

**Date Initiated:** 12/17/2001

**Docket/Case Number:** CMS010184

**Principal Product Type:** Other

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/17/2001

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

**Other Sanctions Ordered:**





**Sanction Details:** ON DECEMBER 17, 2001, MERRILL LYNCH PAID \$20,000 TO SETTLE AN AWC RELATED TO LATE REPORTING OF SHORT INTEREST.

**Firm Statement** ON DECEMBER 17, 2001, MERRILL LYNCH PAID \$20,000 TO SETTLE AN AWC RELATED TO LATE REPORTING OF SHORT INTEREST.

#### Disclosure 53 of 55

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** VIOLATION OF ARTICLE V, SECTION 4(J).

**Initiated By:** AMERICAN STOCK EXCHANGE

**Date Initiated:** 01/01/1990

**Docket/Case Number:** UNKNOWN

**Principal Product Type:** Options

**Other Product Type(s):**

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

**Other Sanction(s)/Relief Sought:**

**Resolution:** Settled

**Resolution Date:** 01/01/1990

**Sanctions Ordered:** Monetary/Fine \$1,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE STIPULATION OF FACTS FIRM CONSENTED TO A PENALTY FOR SUBMITTING INACCURATE EXECUTING AND CONTRA BROKERS' BADGE NUMBERS.

#### Disclosure 54 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:**

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**Date Initiated:** 07/15/1996



**Docket/Case Number:** CMS950113(A)

**Principal Product Type:**

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/15/1996

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

**Other Sanctions Ordered:**

**Sanction Details:**

**Regulator Statement**

LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. CMS950113(A) AWC

ON JULY 15, 1996, THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) SUBMITTED BY WAGNER STOTT CLEARING CORP./ORDER ROOM (WSOR) WAS ACCEPTED BY THE MARKET SURVEILLANCE AND THE NATIONAL BUSINESS CONDUCT COMMITTEES. UNDER THE AWC, WSOR IS ALLEGEDLY IN VIOLATION OF PART X, SECTION 2(b)(2) AND PART XI, SECTION 2(b)(2) OF SCHEDULE D AND SECTION 2 OF SCHEDULE G TO THE ASSOCIATION'S BY-LAWS FOR REPORTING OR CAUSING TO BE REPORTED NUMEROUS TRANSACTIONS TO THE AUTOMATED CONFIRMATION TRANSACTION SERVICE.

AS SANCTIONS, WSOR IS CENSURED AND FINED \$5,000. WSOR SHALL UNDERTAKE TO IMPLEMENT ITS SUPERVISORY PROCEDURES TO PREVENT SUCH A PATTERN OR PRACTICE OF LATE TRADE REPORTING. SUCH PROCEDURES SHALL BE SUBMITTED TO THE MARKET REGULATION DEPARTMENT WITHIN TEN BUSINESS DAYS OF WSOR'S SUBMISSION OF ITS ACCEPTANCE OF THIS AWC. IN ADDITION, WSOR SHALL UNDERTAKE TO ARRANGE WITH INSTINET A PROCEDURE THAT WILL ENABLE THE INSTINET TERMINALS TO IDENTIFY THE USER, RATHER THAN THE LESSEE. THIS



AWC BECAME FINAL ON JULY 15, 1996.

\*\*\*\$5,000.00 PAID ON 08/08/96, INVOICE #96-MS-593

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** IN VIOLATION OF PART X, SECTION 2(B)(2) AND PART XI, SECTION 2(B)(2) OF SCHEDULE D AND SECTION 2 OF SCHEDULE G TO THE ASSOCIATION'S BY-LAWS FOR REPORTING OR CAUSING TO BE REPORTED NUMEROUS TRANSACTIONS TO THE AUTOMATED CONFIRMATION TRANSACTION SERVICE.

**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. #150

**Date Initiated:** 07/15/1996

**Docket/Case Number:** CMS950113(A)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/15/1996

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

**Other Sanctions Ordered:**

**Sanction Details:** THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) SUBMITTED AND WAS ACCEPTED BY THE MARKET SURVEILLANCE AND NATIONAL BUSINESS CONDUCT COMMITTEES. FIRM SHALL UNDERTAKE TO IMPLEMENT ITS SUPERVISORY PROCEDURES TO PREVENT SUCH A PATTERN OR PRACTICE OF LATE TRADE REPORTING. SUCH PROCEDURES SHALL BE SUBMITTED TO THE MARKET REGULATION DEPARTMENT WITHIN TEN BUSINESS DAYS OF FIRM'S SUBMISSION OF ITS ACCEPTANCE OF THIS AWC. IN ADDITION, FIRM SHALL UNDERTAKE TO ARRANGE WITH INSTINET A PROCEDURE THAT WILL ENABLE THE INSTINET TERMINALS TO IDENTIFY THE USER, RATHER THAN THE LESSEE.



## Disclosure 55 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	
<b>Initiated By:</b>	NEW YORK STOCK EXCHANGE
<b>Date Initiated:</b>	02/17/1989
<b>Docket/Case Number:</b>	
<b>Principal Product Type:</b>	
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Decision
<b>Resolution Date:</b>	02/17/1989
<b>Sanctions Ordered:</b>	Monetary/Fine \$1,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	
<b>Regulator Statement</b>	^7/2/90^ SEC LITIGATION, ACTIONS AND PROCEEDINGS BULLETIN FOR THE QUARTER ENDING 6/30/89 (VOLUME 55, BULLETIN 02, PAGE 256) DISCLOSES: THE NEW YORK STOCK EXCHANGE FINED THE WAGNER STOTT CLEARING CORPORATION \$1,000.00 ON FEBRUARY 17, 1989 BASED ON A VIOLATION OF EXCHANGE RULE 132.30 AND FAILURE TO SUBMIT THE AUDIT TRAIL DATA IN ORDER TO QUALIFIED THE CLEARING AGENCY REGARDING STOCK TRANSACTIONS FOR THE WEEKS OF 9/12 AND 10/17/88.

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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	VIOLATION OF EXCHANGE RULE 132.30 AND FAILURE TO SUBMIT THE AUDIT TRAIL DATA IN ORDER TO QUALIFY THE CLEARING AGENCY



REGARDING STOCK TRANSACTIONS FOR THE WEEKS OF 9/12/88 AND 10/17/88.

**Initiated By:** NEW YORK STOCK EXCHANGE #144  
**Date Initiated:** 02/17/1989  
**Docket/Case Number:** UNKNOWN  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Settled  
**Resolution Date:** 02/17/1989  
**Sanctions Ordered:** Monetary/Fine \$1,000.00  
**Other Sanctions Ordered:**  
**Sanction Details:** THE EXCHANGE FINED THE FIRM.

## Arbitration Award - Award / Judgment

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

The full text of arbitration awards issued by FINRA is available at [www.finra.org/awardsonline](http://www.finra.org/awardsonline).

### Disclosure 1 of 1

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-MARGIN CALLS; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	07/02/2009
<b>Case Number:</b>	<a href="#">09-03094</a>
<b>Disputed Product Type:</b>	OPTIONS
<b>Sum of All Relief Requested:</b>	\$90,000,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	07/05/2011
<b>Sum of All Relief Awarded:</b>	\$63,665,202.02

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

## End of Report



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