

**THE NASDAQ OPTIONS MARKET LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested  
And Electronic Mail [andrea.shafer@citi.com](mailto:andrea.shafer@citi.com)**

**TO: Citi Order Routing and Execution, LLC  
(f/k/a Automated Trading Desk Financial Services, LLC)  
Ms. Andrea Shafer  
Chief Compliance Officer  
11 eWall Street  
Mt. Pleasant, SC 29464**

**FROM: The NASDAQ Options Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Market Regulation  
9509 Key West Avenue  
Rockville, MD 20850**

**DATE: December 21, 2016**

**RE: Automated Trading Desk Financial Services, LLC  
Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20140418701-05**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **December 21, 2016** by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed herewith.

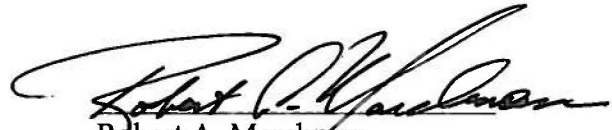
You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or Nasdaq if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, a registered principal of the firm is required to notify the Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions, and Nasdaq's Finance Department will send you an invoice regarding the payment of any fine.

Citi Order Routing and Execution, LLC  
(f/k/a Automated Trading Desk Financial Services, LLC)  
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If you have any questions concerning this matter, please contact Kenneth R. Bozza, Chief Counsel, at (646) 430-7034 or Jacqueline Gorham, Senior Counsel, at (646) 430-7044.



Robert A. Marchman  
Executive Vice President, Legal Section  
Department of Market Regulation

Signed on behalf of NASDAQ

Enclosure

FINRA District 7 – Atlanta  
Daniel M. Sibears  
Exec Vice President and Acting Regional Director  
(Via email)

Robert A. Buhlman, Partner  
Sidley Austin LLC  
Counsel for Respondent  
(Via email [rbuhlman@sidley.com](mailto:rbuhlman@sidley.com))

**THE NASDAQ OPTIONS MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20140418701-05**

**TO:** The NASDAQ Options Market LLC  
c/o Department of Market Regulation  
Financial Industry Regulatory Authority ("FINRA")

**RE:** Automated Trading Desk Financial Services, LLC ("ATDF"), Respondent  
(n/k/a Citi Order Routing and Execution, LLC)  
Broker-Dealer  
CRD No. 103768

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq")<sup>1</sup> Code of Procedure, Automated Trading Desk Financial Services, LLC ("ATDF" or the "firm"),<sup>2</sup> submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, Nasdaq will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by Nasdaq:

**BACKGROUND**

The firm became a member of The NASDAQ Options Market LLC ("NOM") on August 1, 2008, and a member of FINRA on June 22, 2000, and its registrations remain in effect. The firm does not have a relevant disciplinary history.

**SUMMARY**

1. In connection with this matter, the Options Regulation staff of FINRA's Department of Market Regulation, on behalf of NOM, conducted a review of ATDF's order entry activities during the periods of April 2007 through December 2014 (the "First Review Period") and February 2012 through May 2014 (the "Second Review Period") for compliance with NOM rules and policies governing the use of origin codes.

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<sup>1</sup> All NASDAQ Options Market LLC disciplinary matters are governed by the Nasdaq Code of Procedure.

<sup>2</sup> As of October 17, 2016, the name of this Firm changed to Citi Order Routing and Execution, LLC.

2. Applicable NOM rules and policies require that when accepting an order, a member must obtain and record an appropriate account type or origin code in each order record and as an order detail when entering orders into the Exchange's systems to indicate the kind of account for which the order will be executed and cleared. Each options market has its own origin codes, but at a minimum, all have codes to indicate that an order is being executed for a customer, a firm, or a market maker. Origin codes are important because, among other things, they affect the accuracy of the Options Member's order records and the Exchange's audit trail. In addition, origin codes must be accurate as part of ensuring that trades are reported to The Options Clearing Corporation ("OCC") with accurate trade details.
3. As a result of the Options Regulation staff's investigation, and as a result of violations self-reported to the staff by ATDF, it was concluded that during both Review Periods, as set forth below, ATDF improperly marked certain options orders in violation of Chapter III, Section 1, Chapter III, Sections 2, 2(a) and 2(a)(i), Chapter V, Sections 1(b)(iii), i(b)(iv), and 7(b), and Chapter IX, Section 1 of NOM Rules; NASDAQ Rules 2110 (prior to 11/21/12) and 2010A (on and after 11/21/12); and Section 17(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 17a-3(a)(6)(i) thereunder. During the First and Second Review Periods, the firm improperly marked numerous options orders with the incorrect origin code of "Customer" instead of the accurate code of "Professional Customer"<sup>3</sup> or "Broker-Dealer ("BD") Customer," and sent those orders to NOM through various order entry systems employed by the firm, resulting in the following: (i) an inaccurate audit trail and inaccurate order records; (ii) trades being reported to OCC with inaccurate trade details; and (iii) a potential impact on the Exchange's ability to surveil for and detect potential violations of its rules and of federal securities laws. Additionally, ATDF had supervisory deficiencies related to the marking of options orders with the correct origin codes.

#### FACTS AND VIOLATIVE CONDUCT

4. Pursuant to Chapter V, Section 7 of NOM Rules, an Options Participant must submit specific information prescribed by Nasdaq when submitting orders on NOM and must record information prescribed by NOM on an order record for each customer.

#### First Review Period

5. During the First Review Period, ATDF executed numerous transactions with incorrect origin codes across multiple markets, including NOM. ATDF's execution of orders with incorrect origin codes resulted from the firm's failure to incorporate

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<sup>3</sup> The term "Professional Customer" means a person or entity that is not a broker or dealer in securities, but places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). To comply with exchange requirements, exchange members are required to review their customers' activity on at least a quarterly basis to determine whether orders that are not for the account of a broker or dealer should be represented as Professional Orders. Orders for any customer that had an average of more than 390 orders per day during any month of a calendar quarter must be represented as Professional Orders for the next calendar quarter.

the "BD Customer" origin code in its internal origin code routing table when NOM originally adopted this code, which caused orders coded by its customers with the "BD Customer" origin code to default to the "Customer" origin code.

6. As a result of the above error, during the First Review Period, ATDF erroneously marked approximately 257,337 "BD Customer" options contracts with the inaccurate origin code of "Customer" across four options exchanges, of which 63,965 were executed on NOM.

#### Second Review Period

7. During the Second Review Period, ATDF executed numerous transactions with incorrect origin codes across multiple markets, including NOM. ATDF's execution of orders with incorrect origin codes resulted from a number of different issues as follows: (i) the firm's failure to populate the "Professional Customer" origin code for two exchanges in its internal origin code routing table that caused orders to be routed with the "Customer" origin code; (ii) a failure to conduct proper testing and put into place appropriate production settings for three routing customers of the firm that caused orders to be sent to ATDF with a non-standard format and therefore the "Professional Customer" origin codes were not applied on child orders, which were routed as a "Customer" orders; and (iii) the firm failed to properly activate a configuration inserted in the origin code table for one exchange when the exchange went live with the "Professional Customer" code, and thus "Professional Customer" orders routed to the exchange were defaulted to a "Customer" origin code.
8. As a result of the above errors, during the Second Review Period, ATDF erroneously marked approximately 31,483 "Professional Customer" options contracts with the inaccurate origin code of "Customer" across multiple options exchanges, of which 97 were executed on NOM.

#### First and Second Review Periods

9. Each instance in which ATDF executed a "BD Customer" order or a "Professional Customer" order with the incorrect origin code of "Customer" could have had adverse consequences, such as creating inaccurate order records, creating an inaccurate audit trail, reporting trades to OCC with inaccurate trade details, and potentially impacting the Exchange's ability to surveil for and detect potential violations of its rules and of federal securities laws.
10. By marking orders with the wrong origin code, ATDF violated the following rules:
  - a. Section 17(a)(1) of the Exchange Act and Rule 17a-3(a)(6)(i) thereunder requiring Options Participants to make and maintain a memorandum of each order that contains the complete terms and conditions of the order;

- b. Chapter III, Section 1, which prohibits an Options Participant from violating the Exchange Act or rules thereunder, NOM rules, or OCC rules as they relate to reporting or clearing any NOM transaction;
- c. Chapter III, Section 2, which requires an Options Participant to ensure transactions comply with the Participant's obligations under NOM and OCC rules and any other relevant laws or rules;
- d. Chapter V, Section 7(b), which requires an Options Participant to record each options order received from a Customer for execution on NOM. The order record must contain certain specific information and other information as NOM requires;
- e. Chapter IX, Section 1, which requires each Options Participant to make, keep current and preserve such books and records as Nasdaq prescribes pursuant to Nasdaq rules and as prescribed by the Exchange Act and rules and regulations thereunder; and
- f. NASDAQ Rules 2110 (for the period before November 21, 2012) and 2010A (for the period after November 21, 2012) requiring an Options Participant to observe high standards of commercial honor and just and equitable principles of trade.

#### Supervision

- 11. During the First and Second Review Periods, ATDF 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 particular, ATDF failed to have in place adequate controls to ensure that the origin code it routed was the same one as it received or should have received from its clients, and failed to have adequate systems for identifying incorrect origin codes on orders and conducting reviews to ensure correct origin codes were placed on orders. The conduct set forth in this paragraph constitutes a violation of Chapter III, Sections 1, 2(a), and 2(a)(I), and Chapter V, Sections 1(b)(iii) and i(b)(iv).

#### OTHER CONSIDERATIONS

- 12. In determining to resolve this matter in the manner set forth herein, and in determining the appropriate monetary sanction, Market Regulation considered that the firm promptly and completely remediated the issue regarding the submission of inaccurate origin codes as soon as it became aware of the problem. The firm also provided substantial assistance to Market Regulation staff, including self-reporting violations and providing the staff with data quantifying its violations, and implemented additional surveillances and controls prior to the completion of this matter.

B. The firm also consents to the imposition of the following sanctions:

1. A censure;
2. A total fine in the amount of \$625,000, of which \$60,000 is payable to NOM;<sup>4</sup> and
3. An undertaking requiring the firm to address the origin code deficiencies described above to ensure that the firm has implemented procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein.
  - a. The firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, no later than 90 days after the AWC becomes final, a signed dated letter, or an e-mail from a work-related account of a registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its supervisory systems and procedures to address the deficiencies described above; and (3) the dates that this was completed.
4. Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between the firm and each of the following self-regulatory organizations: Bats BZX Exchange, Inc.; BOX Options Exchange LLC; Chicago Board Options Exchange, Inc.; Miami International Securities Exchange, LLC; NASDAQ PHLX LLC; and NYSE MKT LLC.

The firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under Nasdaq's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;

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<sup>4</sup> The balance of the sanction will be paid to the self-regulatory organizations listed in Paragraph B.4.

- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the Nasdaq Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudice of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### III.

#### OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by FINRA's Department of Market Regulation and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
  - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the firm;
  - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
  - 3. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a



party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.

- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by Nasdaq, nor does it reflect the views of Nasdaq or its staff.

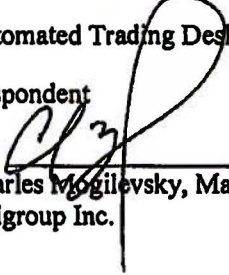
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

11/30/16

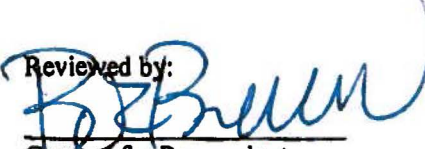
Date

Automated Trading Desk Financial Services, LLC

Respondent

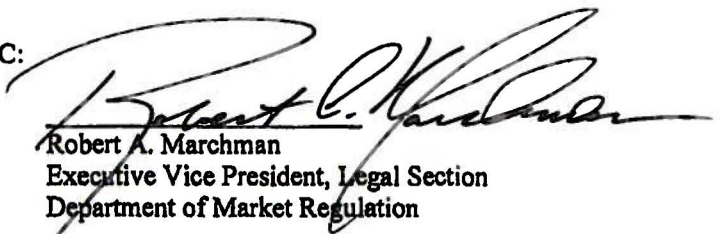
By:   
Charles Mogilevsky, Managing Director  
Citigroup Inc.

Reviewed by:

  
Counsel for Respondent  
Robert A. Buhlman, Partner  
Sidley Austin LLC  
60 State Street, 36<sup>th</sup> Floor  
Boston, Massachusetts 02109  
(617) 223.0333

Accepted by The NASDAQ Options Market LLC:

12/21/16  
Date

  
Robert A. Marchman  
Executive Vice President, Legal Section  
Department of Market Regulation

Signed on behalf of The NASDAQ Options Market LLC, by delegated authority from the Director of ODA

**ELECTION OF PAYMENT FORM**

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer;

Respectfully submitted,

Respondent  
Automated Trading Desk Financial Services, LLC

11/30/16  
Date

By: [Signature]  
Name: Charles Mojilevsky  
Title: Managing Director

**Billing and Payment Contact**

Please enter the billing contact information below. Nasdaq MarketWatch will contact you with billing options and payment instructions. *Please DO NOT submit payment until Nasdaq has sent you an invoice.*

Billing Contact Name: Lorez Gill  
Billing Contact Address: 388 Greenwich Street NY, NY 10013  
Billing Contact Email: lorez.m.gill@citi.com  
Billing Contact Phone Number: 212-816-4424