

THE NASDAQ OPTIONS MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2020.08.0234

TO: The Nasdaq Options Market LLC
Nasdaq Enforcement Department

RE: IMC Financial Markets
Member Firm
CRD No.104143

Pursuant to Rule 9216 of The Nasdaq Stock Market LLC (“Nasdaq”)¹ Code of Procedure, IMC Financial Markets (“IMC,” the “Firm” or “Respondent”) 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 AND RELEVANT DISCIPLINARY HISTORY

The Firm became a member of The Nasdaq Options Market LLC (“NOM”) on October 9, 2009 and its registration remains in effect. The Firm is headquartered in Chicago, Illinois; the Chicago office operates as a proprietary trading firm and registered broker-dealer, engaging primarily in the U.S. financial markets as a market maker.

The Firm has no recent relevant disciplinary history.

SUMMARY

During the period of June 1, 2020 through June 30, 2020 (the “Review Period”), the Firm violated Nasdaq Options 2, Section 5(d)(2) by failing to meet NOM’s quote spread requirements on 22 trade dates. During the Review Period, the Firm also violated Nasdaq General 9, Sections 20(a) and 1(a) by failing to establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with NOM Options 2, Section 5(d)(2).

¹ All Nasdaq Options Market LLC disciplinary matters are governed by the Nasdaq Code of Procedure.

FACTS AND VIOLATIVE CONDUCT

1. Nasdaq Options 2, Section 5(d)(2) provides that “[o]ptions on equities (including Exchange-Traded Fund Shares), and on index options must be quoted with a difference not to exceed \$5 between the bid and offer regardless of the price of the bid. However, respecting in-the-money series where the market for the underlying security is wider than \$5, the bid/ask differential may be as wide as the spread between the national best bid and offer in the underlying security. The Exchange may establish differences other than the above for one or more series or classes of options.”
2. Nasdaq General 9, Section 20(a) provides that “[e]ach member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules.”
3. Nasdaq General Rule 9, Section 1(a) requires that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”
4. During the Review Period, Nasdaq increased the maximum quote width allowable from \$5 to \$10.
5. During the Review period, IMC failed to quote within the required range approximately 56,965 times over 22 trade dates. The subject violations occurred due to a misconfiguration of a subset of the Firm’s quoting software to a quote width of \$20.
6. The conduct in paragraph 5 constitutes a violation of Nasdaq Options 2, Section 5(b)(2).
7. During the Review Period, the Firm’s supervisory system was not reasonably designed to achieve compliance with the NOM’s quote spread rules. Specifically, the Firm’s supervisory system failed to identify the misconfiguration issue that resulted in the Firm exceeding the quote width requirements because it was not designed to monitor for, and alert on, quote width configuration changes within the Firm’s trading systems.
8. The conduct described in paragraph 7 constitutes violations of Nasdaq General 9, Sections 20(a) and 1(a).
9. Subsequent to the Review Period, the Firm deployed a configuration change to its production quoting software to remediate the misconfiguration issue described in paragraph 5. It also enhanced its supervisory system to remediate the deficiencies identified in paragraph 6 by building new surveillance modules and implementing new processes and procedures related to quote width configuration changes in its software.

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

1. Censure;
2. A total fine of \$35,000.

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

Respondent 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 Nasdaq Enforcement Department 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;
- 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 prejudgment 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 the Nasdaq Enforcement Department and the Nasdaq Review Council, FINRA's 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.

3/30/2022
Date

IMC Financial Markets
Respondent

By: Jason Downey

Name: Jason Downey

Title: CCO

Reviewed by:

Jason Downey
Chief Compliance Officer
IMC Financial Markets
233 South Wacker Drive
#4300
Chicago, IL 60606
Jason.Downey@imc.com

Accepted by The Nasdaq Options Market LLC:

4/18/2022
Date

Ann Brickley
Ann Brickley
Senior Enforcement Counsel
Department of Enforcement

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