



Notice of Disciplinary Action against ICAP Corporates LLC, Member Organization

To: Members, Member Organizations, Participants and Participant Organizations

From: Joseph Cusick, Chief Regulatory Officer, NASDAQ PHLXSM

DATE: June 7, 2017

Enforcement No. 2017-07 FINRA Nos. 20140401189 et al

On June 7, 2017, the Business Conduct Committee (the "Committee") of the NASDAQ PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against ICAP Corporates LLC ("ICAP" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, ICAP submitted an Offer of Settlement. Solely to settle this proceeding, and without admitting or denying the charges, ICAP consented to findings that during the period between April 1, 2013 and September 30, 2016 (the "Review Period"), it violated Rule 611(a) of Regulation NMS and Rule 17a-3(a)(6)(i) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Exchange Rules 707, 748(h), 760, 1063(e)(i), and 1064(e). Specifically, ICAP consented to findings that during the Review Period, it had: (i) executed 82 contingent transactions that did not qualify as Qualified Contingent Trades ("QCTs") because in 75 instances the options and equity components of the transactions were not executed at or near the same time, and in seven instances the options and equity components were not properly hedged in relation to each other; and (ii) executed nine contingent transactions that did not qualify as Qualified Contingent Crosses ("QCCs") because in seven instances the options and equity components were not properly hedged in relation to each other, and two instances involved multiple originating parties.

ICAP also consented to findings that it had failed to maintain accurate books and records and an accurate audit trail. Specifically, it consented to findings that in 51 instances it had failed to keep an accurate record of the time it transmitted the equity component of a QCT transaction to an equity broker for execution; and in five instances it had failed to keep an accurate audit trail by entering inaccurate information regarding the delta and initiating side of QCC transactions into the Exchange's Floor Broker Management System.

Finally, ICAP consented to findings that during the Review Period, it had failed to establish and maintain adequate written supervisory procedures and an adequate supervisory system to ensure that the equity and options components of QCTs and QCCs were properly hedged in relation to each other and were evaluated, handled and executed in accordance with applicable rules and regulations.

The Committee found that ICAP had violated Rule 611(a) of Regulation NMS and Rule 17a-3(a)(6)(i) promulgated under the Exchange Act, and Exchange Rules 707, 748(h),

760, 1060(e)(i) and 1064(e), and ordered the imposition of the following sanctions against ICAP: (i) a censure; and (ii) a fine in the amount of \$75,000.

For more information, contact:

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