Nasdaq

Notice of Disciplinary Action against Nomura Securities International, Inc., Member Organization

To: Members, Member Organizations, Participants and Participant Organizations

From: John C. Pickford, Assistant General Counsel, NASDAQ PHLX℠

DATE: September 27, 2016

Enforcement No. 2016-12
FINRA No. 20130394985

On September 23, 2016, the Business Conduct Committee (the "Committee") of the NASDAQ PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against Nomura Securities International, Inc. ("Nomura" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, Nomura submitted an Offer of Settlement. Solely to settle this proceeding, and without admitting or denying the charges, Nomura consented to findings that during December 2013 (the "Relevant Period"), it violated Exchange Rules 1064(d), 707, and 748(h). Specifically, Nomura consented to findings that on December 6, 2013, it received a three-legged customer spread order to sell 2,500 PVH Dec 140 calls, buy 2,500 PVH Dec 130 puts, and sell 2,500 PVH Dec 120 puts. After receiving and exposing only a portion of the call leg of customer's order to the marketplace, Nomura sold 130,246 shares of PVH stock for its proprietary account to hedge its anticipated facilitation of the remainder of the customer's order. As a result of its failure to expose the full terms and conditions of the customer's order to the marketplace prior to hedging its anticipated facilitation of the customer order, Nomura violated Exchange Rules 1064(d) and 707.

Additionally, Nomura consented to findings that during the Relevant Period, its supervisory system for reviewing securities transactions was not reasonably designed to ensure compliance with applicable anticipatory hedging and front-running rules, and the Firm failed to enforce compliance with its written supervisory procedures ("WSPs") applicable to anticipatory hedging and front-running transactions. Specifically: (i) the Firm failed to enforce, and supervise enforcement of, its WSPs regarding the escalation of anticipatory hedging and front-running issues to the appropriate supervisory and/or compliance personnel; and (ii) the Firm's WSPs did not address, or provide for the supervision of, transactions designed to hedge the partial exposure of customer orders to ensure compliance with applicable anticipatory hedging and front-running rules. This conduct violated Exchange Rules 748(h) and 707.

The Offer submitted by Nomura was accepted by the Committee and was the basis of its Decision. The Committee found that Nomura had violated Exchange Rules 1064(d), 707, and 748(h), and ordered the imposition of the following sanctions against Nomura: (i) a censure; and (ii) a fine in the amount of $40,000.

For more information, contact:

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