

**NASDAQ ISE LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2019061058201**

TO: Nasdaq ISE LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: CTC, LLC, Respondent
Member Firm
CRD No. 44597

Pursuant to Rule 9216 of Nasdaq ISE LLC (“ISE”) Code of Procedure,¹ CTC, LLC (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, ISE will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 ISE, or to which ISE 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 ISE:

BACKGROUND

CTC became an ISE member in June 2001. CTC is headquartered in Chicago, Illinois. The firm engages in, among other things, options market making and related hedging activity in equity securities. CTC has no relevant disciplinary history.

SUMMARY

This matter arises from CTC’s self-identification and disclosure of order marking deficiencies during the period of October 13, 2017 through August 1, 2019 (the “review period”). The Financial Industry Regulatory Authority, Inc.’s (“FINRA”) Market Regulation Department conducted a further review of the firm’s compliance with Rule 200(g) of Regulation SHO of the Securities Exchange Act of 1934 as part of its Trading and Financial Compliance Examinations (“TFCE”) 2019 Options Cycle Examination on behalf of ISE and other options exchanges. Based on the foregoing examination, CTC

¹ Series 9000 of The Nasdaq Stock Market, LLC (“Nasdaq”) Rules are incorporated by reference into the Nasdaq ISE Rules General 5, Section 3, and are thus Nasdaq ISE Rules and thereby applicable to Nasdaq ISE Members, Associated Persons, and other persons subject to Nasdaq ISE’s jurisdiction.

violated Rule 200(g) of Regulation SHO of the Securities Exchange Act of 1934 (“Reg SHO”) by incorrectly marking 119,787 sell orders as long or short.²

FACTS AND VIOLATIVE CONDUCT

1. Rule 200(g) requires a broker or dealer to mark all sell orders of any equity security as “long,” “short,” or “short exempt.” The Rule provides that an order to sell shall be marked “long” only if the seller is deemed to own the security being sold as detailed in the Rule and either: (i) the security to be delivered is in the physical possession or control of the broker or dealer; or (ii) it is reasonably expected that the security will be in the physical possession or control of the broker or dealer no later than the settlement of the transaction.
2. From October 13, 2017 through May 20, 2018, the firm mismarked 1,737 long sale orders as short due to four intermittent system issues, which the firm self-identified and addressed. From May 16, 2018 through August 1, 2019, the firm also mismarked 118,050 short sale orders as long due to two programming errors in its proprietary equity hedging system. The firm self-identified these programming issues in late July 2019 and implemented corrective programming to its equity hedging system as of August 2, 2019.
3. In total, during the Relevant Period, CTC incorrectly marked 119,787 sell orders as long or short. This conduct constitutes separate and distinct violations of Rule 200(g).

OTHER FACTORS

4. In determining to resolve this matter on the basis set forth herein, ISE took into consideration the following: (i) the firm self-reported the violations prior to detection or initiation of an investigation by FINRA or other regulators; (ii) after self-reporting, the firm promptly conducted follow-up investigation and provided FINRA staff with information quantifying the number of violations and specifying root causes of order marking violations, which was of substantial assistance to Market Regulation staff; and (iii) the prompt remedial measures implemented by the firm.
- B. Respondent also consents to the imposition of the following sanctions:

A censure and a total fine of \$95,000 to be paid jointly to ISE, Cboe, C2, BZX, Phlx, and NYSE American, of which \$17,500 is allocated to ISE.

Acceptance of this AWC is conditional upon acceptance of parallel settlement agreements in related matters between the firm and Cboe, C2, BZX, Phlx, and NYSE American.

² Related disciplinary actions on behalf of Cboe Exchange, Inc. (“Cboe”), C2 Exchange Inc. (“C2”), Cboe BZX Exchange Inc. (“BZX”), Nasdaq Phlx, LLC (“Phlx”), and NYSE American LLC (“NYSE American”) are being taken concurrently in conjunction with this matter.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted a Payment Information form showing the method by which it proposes to pay the fine imposed..

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 FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under ISE's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Respondent;
- 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 Exchange Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange 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

Respondent 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 Enforcement and the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to ISE 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 Respondent; and
- C. If accepted:
 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by ISE or any other regulator against the Respondent;
 2. ISE may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with ISE Rule 8310 and IM-8310-3;³ and
 3. Respondent 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. Respondent may not take any position in any proceeding brought by or on behalf of ISE, or to which ISE is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which ISE is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 ISE, nor does it reflect the views of the Exchange or its staff.

³ Series 8000 of Nasdaq Rules are incorporated by reference into the Nasdaq ISE Rules General 5, Section 2, and are thus Nasdaq ISE Rules and thereby applicable to Nasdaq ISE Members, Associated Persons, and other persons subject to Nasdaq ISE's jurisdiction.

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 the firm 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.

July 20, 2021

Date

Mel Williams

CTC, LLC
Resp

July 20, 2021

Date

Mel Williams
By: _____
Print Name: Melvin Williams, Jr
Title: Chief Legal Officer

Accepted by ISE:

July 21, 2021

Date

David Prieto

David J. Prieto
Senior Counsel
Department of Enforcement

Signed on behalf of ISE, by delegated authority from the Director of ODA