



## **2018 Disciplinary Actions as of September 7, 2018**

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The following is a list of disciplinary actions that have resulted in the imposition of penalties for violations of specified provisions of the federal securities laws and/or the Constitution and Rules of the Exchange. New actions are added to the list as and when they are finalized.

### **A. Disciplinary Sanctions Imposed Pursuant to BOX Rule 12140, Imposition of Fines for Minor Rule Violations:**

- J.P. Morgan Securities LLC (“JPMS”) was fined \$2,000 (\$1,000 for each violation) for failing to submit a memorandum that it had accepted instructions in connection with an Expiring Exercise Declaration (“EED”) after the applicable cutoff time articulated in BOX Rule 9000(g). Additionally, the Firm violated BOX Rules 3010, 3070 and 7000(c)(4) by failing to maintain reasonable written supervisory procedures to ensure that EEDs were submitted in accordance with BOX rules.

### **B. Disciplinary Sanctions Imposed Pursuant to BOX Rule 10230, Letters of Consent:**

- Credit Suisse Securities (“Credit Suisse” or the “Firm”) was censured and fined \$200,000, of which \$125,000 was payable to BOX. FINRA, on behalf of BOX, conducted a review of the Firm’s compliance with the rules related to the reporting of options positions to the Options Clearing Corporation’s (“OCC”) Large Option Position Reporting (“LOPR”) system for the period of May 14, 2012 through May 6, 2016 (the “Review Period”). As a result of its reviews, FINRA determined that Credit Suisse failed to report and/or inaccurately reported positions to the OCC LOPR in millions of instances. Additionally, the Firm failed to establish and maintain adequate supervisory procedures reasonably designed to ensure compliance with the proper reporting of positions on the LOPR. This conduct constituted violations of BOX Rules 3010, 3070 and 7000(c)(4).
- Instinet LLC (“Instinet” or the “Firm”) was censured and fined \$1,575,000, of which \$20,400 was payable to BOX. FINRA, on behalf of BOX, reviewed potential options layering and spoofing activity entered by the Firm on BOX from May 1, 2013 through October 31, 2013. As a result of its reviews, it was determined that Instinet failed to have reasonably designed risk management controls to prevent the entry of erroneous or duplicative orders and messaging resulting from malfunctioning software or trading

systems in violation of BOX Rules 4030 and 3000. Also, as a result of the review, it was determined that Instinet failed to ensure compliance with regulatory requirements, including supervising client trading to detect and prevent violative intra-day layering and spoofing in violation of BOX Rules 4030 and 3000.

- RBC Capital Markets, LLC (“RBC”) was censured and fined \$150,000 for violations of BOX Rules 3010 and 7000(b)(3). FINRA, on behalf of BOX, conducted a review of OCC adjustments to determine if RBC had inappropriately used such adjustments for the periods between August 15, 2014 and August 18, 2014 (the “First Review Period”) and March 11, 2015 and January 29, 2016 (the “Second Review Period”). As a result of its reviews, it was determined that RBC inappropriately used OCC adjustments to create a position without trading on an exchange and subsequently used OCC adjustments to close out a position without trading on an exchange. Also, as a result of the reviews, it was determined that RMC failed to follow written supervisory procedures related to the proper use of OCC adjustments, and failed to establish and maintain a supervisory system that was reasonable designed to achieve compliance with the application securities laws and regulations and BOX Rules concerning OCC adjustments in violation of BOX Rules 3010 and 7000(b)(3).
- Wolverine Trading, LLC (“Wolverine”) was censured and fined \$450,000 of which \$60,000 was payable to BOX for violations of BOX Rules 3000 and 7000(c)(3) and (c)(4). FINRA, on behalf of BOX, conducted Excessive Message Traffic reviews of Wolverine’s compliance with SEC Rule 15c3-5 (the “Market Access Rule”). Based on its review, FINRA found that Wolverine failed to establish and maintain an adequate system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks of its market access business in violation of BOX Rules 3000 and 7000(c)(3) and (c)(4).
- Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLCO”) was censured and fined \$125,000 of which \$15,625 was payable to BOX for violations of BOX Rules 3000(a), 3010, 3070, and 7000(c)(4). FINRA, on behalf of BOX, conducted a review of potentially manipulative trading by MLCO in equities and overlying options during the period between January and March 2014; and the reasonableness of MLCO’s supervisory systems and written supervisory procedures (“WSPs”) to detect and prevent potential cross-product manipulation or mini-manipulation during the period between January 2014 and June 2017. Based on its review, FINRA found that MLCO had no supervisory systems or surveillances reasonably designed to ensure compliance with Exchange rules prohibiting manipulative cross-product trading or mini-manipulative activity. In addition, MLCO did not have reasonable WSPs with respect to detecting and preventing potential mini-manipulation. The aforementioned conduct violated BOX Rules 3000(a), 3010, 3070, and 7000(c)(4).