



## **2016 Disciplinary Actions as of December 14, 2016**

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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:**

- None

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

- J.P. Morgan Securities LLC (JP Morgan) was censured and fined \$450,000, of which \$112,000 was payable to BOX. During the review period between January 2012 and continuing through 2014, JP Morgan did not maintain accurate books and records of thousands of options orders handled by the Firm; in violation of Exchange Act Rule 17a-3(a) and BOX Rules 7120 and 10000. Specifically, for thousands of options orders, the Firm failed to record one or more of the following: accurate order receipt time; accurate time of entry; modifications, cancellations, and/or conditions. Additionally, during the review period, JP Morgan failed to accurately make, keep current, and preserve in an easily accessible place for at least two years, thousands of records of options orders in violation of Exchange Act Rule 17a-4(b). Lastly, JP Morgan violated BOX Rule 3010 during the Review Period because its supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations and Exchange rules pertaining to recordkeeping requirements for manual options orders.
- ABN AMRO Clearing Chicago LLC (ABN AMRO) was censured and fined \$120,000, of which \$4,000 was payable to BOX. During the review period between November 2012 and continuing through January 2013, ABN AMRO failed to have supervisory procedures and systems in place to reject excessive messages over a short period of time or messages that had other indicia of duplicative orders. Specifically, on December 4, 2012, in five instances from 09:44:35 through 09:44:39, the firm's direct market access customer sent between 789-1,271 duplicative messages per second to BOX in an

options series. Additionally, on December 21, 2012, in 11 instances from 9:33:10 through 9:33:20, the firm's direct market access customer sent between 1,052- 1,846 messages per second entering and canceling orders in an options series. As a result of the foregoing, the firm violated BOX Rules 7000 and 3000.

- Automated Trading Desk Financial Services, LLC (ATD) was censured and fined \$12,500. During the review period between February and April 2014, ATD entered orders on BOX that locked or crossed the protected national best bid and offer ("NBBO") in 324 instances. The orders were entered with order types "NBBO Control" and "No Ola Routing," which prevented the orders from being routed to other markets for execution. This conduct constituted separate and distinct violations of BOX Rules 7000(b) and 15020(a). Additionally, during the review period through January 2015, ATD lacked a surveillance system to detect instances in which it had crossed or locked markets and lacked written supervisory procedures that mandated any reviews to ensure compliance with BOX Rule 15020. This conduct constituted a violation of BOX Rule 7000(b)(3).
- Lime Brokerage LLC (Lime) was censured and fined \$90,000, of which \$15,000 was payable to BOX. During the review period between March 2013 and April 2013, one of the firm's customers engaged in a pattern of trading equities and options that appeared to be potential instances of mini-manipulation. In addition, during the relevant period, the same customer engaged in potential spoofing activity in equity options. Additionally, during the above period and through December 2014, the firm failed to establish, maintain and enforce written supervisory procedures that addressed manipulation of cross-product trading or options spoofing activity. Additionally, the firm did not have adequate electronic surveillance to detect such cross-product trading or options spoofing activity. This conduct constituted violations of Rule 15c-3 under the Exchange Act, and BOX Rules 3000(a), 3010, 3070, 4030(a) and 7000(c)(4).
- UBS Securities LLC (UBS) was censured and fined \$650,000, of which \$6,500 was payable to BOX. During the review period between July 2009 and August 2013, UBS violated certain Exchange rules and federal securities laws when entering and executing orders on behalf of the firm's clients. Specifically, the firm mismarked approximately 1,237 executions, totaling approximately 23,494 options contracts as "Customer", although the orders were sent to UBS with the "Firm" origin code. Of the mismarked contracts, 8,710 occurred on BOX. Additionally, between January 2011 and September 2011, UBS failed to identify one of its customers as a "Professional Customer" which resulted in the mismarking of 55,013 executions, totaling 1,878,716 contracts. Of the mismarked contracts, 12,712 occurred on BOX. By marking orders with the wrong origin code and failing to have adequate supervisory systems and controls in place, UBS violated Section 17(a)(1) of the Securities Exchange Act of 1934 and SEC Rule 17a-3(a)(6)(i), BOX Rules 10000, 7120, 3000, 7200, and 3070.
- Automated Trading Desk Financial Services, LLC (ATD) was censured and fined \$625,000, of which \$370,000 was payable to BOX. During the review period between April 2007

and December 2014, ATD improperly marked certain options orders. Specifically, during the review period, ATD improperly marked numerous options orders with the incorrect order code of "Customer" instead of as either "Professional Customer" or "Broker Dealer," and sent those orders to BOX through various order entry systems employed by ATD. Additionally, during the review period, ATD improperly marked numerous options orders with the incorrect origin code "Market Maker" instead of "Non-Member Market Maker" and sent through orders to BOX. Lastly, ATD had supervisory deficiencies related to the marking of options orders with the correct origin codes. By marking orders with the wrong origin code and failing to have adequate supervisory systems and controls in place, ATD violated BOX Rules 3000, 3010, 3070, 7000(c)(4), 7120, 7200 and 10000, and Section 17(a)(1) of the Securities Exchange Act of 1934 and Rule 17a-3(a)(6)(i) thereunder.