

BATS BZX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130377365-02

TO: Bats BZX Exchange, Inc.
c/o Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: DART Executions, LLC Respondent
Broker-Dealer
CRD No. 140802

Pursuant to Rule 8.3 of the Rules of Bats BZX Exchange, Inc. ("BZX"), DART Executions, LLC (the "firm" or "DART") 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, BZX will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A.** The firm 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 BZX, or to which BZX 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 BZX:

BACKGROUND

The firm has been registered with the United States Securities and Exchange Commission (the "Commission") since June 2006 and a BZX member since August 2008. The firm has no relevant prior disciplinary history.

SUMMARY

In Matter No. 20160491580, BZX referred to the Department of Market Regulation's Options Regulation Section, an incident on January 12, 2015, in which the firm potentially violated Rule 15c3-5 of the Securities Exchange Act of 1934 ("Rule 15c3-5"). As part of the referral, BZX reviewed the firm's compliance with Rule 15c3-5 and BZX supervisory rules. Market Regulation determined that the firm failed to have an adequate system of risk management controls reasonably designed to prevent the entry of erroneous orders in violation of Rule 15c3-5(c)(1)(ii) and BZX Rules 3.1 and 5.1.

FACTS AND VIOLATIVE CONDUCT

Rule 15c3-5 of the Exchange Act

1. Pursuant to Rule 15c3-5(b) of the Exchange Act, “[a] broker or dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading system . . . shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks of this business activity.”
2. Rule 15c3-5(c)(1)(ii) states, in relevant part, that such risk management controls and supervisory procedures shall be reasonably designed to “prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders.”

Erroneous and Duplicative Orders

3. The firm does not trade proprietarily, does not internalize order flow, and does not ever act as a riskless principal.
4. At all times relevant to this matter, the firm’s exclusive function was to provide market access to its parent organization. Accordingly, traders from the firm’s parent organization would initiate options orders using various trading applications, including the firm’s proprietary trading application, and transmit those orders to trading centers, including BZX, via the firm’s order management system (“OMS”).
5. During the review period, the firm’s erroneous order controls were inadequate, as evidenced by the example below, in that (a) a soft block price control in the firm’s proprietary trading application could be overridden without additional safeguards; and (b) the firm lacked price controls within its OMS to prevent the entry of erroneous orders.
6. For example, on January 12, 2015, a trader from the firm’s parent organization entered an order to buy five contracts in ABCD¹ \$305 January 27 ‘15 Call on BZX. The order was erroneous as the trader intended to buy puts, rather than calls. As a result, the order, which was priced at \$13.50, was 1,363% higher than the National Best Offer (“NBO”). The trader received a price check alert that the price was more than 10% away from the NBBO, but overrode it and transmitted the order to BZX via the firm’s OMS. The order was ultimately executed on BZX

¹ A generic modifier has been used in place of the name of this security.

at the NBO (\$0.99).

7. The conduct in paragraph 5 constitutes a violation of Rules 15c3-5(b) and (c)(1)(ii) of the Exchange Act and BZX Rules 3.1 and 5.1.

B. The firm also consents to the imposition of the following sanctions:

Censure, a fine in the amount of \$20,000, and an undertaking to revise its controls and procedures to address the deficiencies described herein.

The firm 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 an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm 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 BZX.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under BZX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 Appeals Committee of the BZX's Board of Directors and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer ("CRO"), in connection with the CRO'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 BZX Rule 8.16, 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

The firm 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 the CRO, pursuant to BZX Rule 8.3;**
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and**
- C. If accepted:**
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by BZX or any other regulator against the firm;**
 - 2. this AWC will be published on a website maintained by BZX in accordance with BZX Rule 8.18. In addition, this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record; and**
 - 3. The firm 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. The firm may not take any position in any proceeding brought by or on behalf of BZX, or to which BZX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which BZX is not a party.**
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 BZX, nor does it reflect the views of BZX or its staff.**

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 it 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.

May 23, 2017
Date

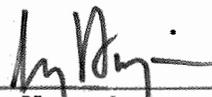
DART Executions, LLC
Respondent

By: 
Name: Kathleen Rowan

Digitally signed by Kathleen Rowan
DN: cn=Kathleen Rowan, o, ou,
email=krowan@croncap.com, c=US
Date: 2017.05.23 10:14:05 -05'00'

Title: Chief Compliance Officer

5/30/2017
Date


Greg Hoogasian
Senior Vice President & Chief Regulatory Officer
Bats BZX Exchange, Inc.

ELECTION OF PAYMENT FORM

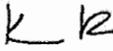
The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount; or
- Wire transfer.

Respectfully submitted,

May 23, 2017
Date

Respondent
DART Executions, LLC

By: 
Digitally signed by Kathleen Rowan
DN: cn=Kathleen Rowan, o, ou,
email=krowan@roncap.com, c=US
Date: 2017.05.23 10:15:09 -0500

Name: Kathleen Rowan

Title: Chief Compliance Officer