

Bats BZX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140402395-02

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

RE: Susquehanna Capital Group, Respondent
Broker-Dealer
CRD No. 29337

Pursuant to Rule 8.3 of the Rules of Bats BZX Exchange, Inc. ("BZX"), Susquehanna Capital Group (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, 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 became a member of BZX on September 3, 2008, and its registration remains in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

SUMMARY

In Review Nos. 20140402395 and 20140416352, the staff of the Market Analysis Section of FINRA's Department of Market Regulation ("Market Regulation"), on behalf of BZX and Bats EDGA Exchange, Inc. ("EDGA"), respectively, reviewed the firm's handling of Intermarket Sweep Orders ("ISOs") for compliance with Regulation NMS and related exchange requirements during the respective periods of October 2013 (the "BZX review

period") and Jan. 11, 2012 through March 31, 2014 (the "EDGA review period"). More specifically, in connection with BZX Review No. 20140402395, Market Regulation reviewed the firm's compliance with Rule 611(c) of Regulation NMS and related BZX requirements pertaining to the handling of ISOs and supervision. Market Regulation found that the firm violated Rule 611(c) of Regulation NMS and BZX Rules 3.1, 5.1 and 11.9(d)(1) during the BZX review period for the reasons noted below.¹

FACTS AND VIOLATIVE CONDUCT

1. During the BZX review period, the firm failed to take reasonable steps to establish that the ISOs it routed met the definitional requirements set forth in Rule 600(b)(30) of Regulation NMS, by not capturing relevant marketplace quote data, including in certain instances market(s) that reflected a superior price to the limit price of the firm's ISO, when the firm disengaged and then re-engaged an automated trading strategy in certain situations. Market Regulation verified that the firm entered at least 5,066 ISOs on BZX on two dates during the BZX review period concerning two stock symbols that did not comply with the abovementioned ISO requirements. The conduct described in the above paragraph constitutes violations of Rule 611(c) of Regulation NMS and BZX Rule 11.9(d)(1).
2. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of BZX. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to sufficiently provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas: Rule 611(c) of Regulation NMS and BZX Rule 11.9(d)(1) [(a) and (b)]. In particular, the firm failed to sufficiently identify the designated principal responsible for supervisory reviews in the above areas, and the firm's supervisory processes and exception reports did not identify and promptly redress a gap in the firm's capture of

¹ A parallel action concurrently is being taken for the findings from EDGA matter no. 20140416352.

relevant marketplace quote data when automated trading strategies were offline. The conduct described in this paragraph constitutes violations of BZX Rules 5.1 and 3.1.

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

A censure, a total fine of \$16,500 for the combined violations of SEC Rule 611(c) and BZX Rules 11.9(d)(1), 5.1 and 3.1, and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.2 above. Within 30 business days after this AWC becomes final, a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in this paragraph; and, (3) the date the revised procedures were implemented.

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 her 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 8.11, *Interpretations and Policies .01*. 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 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.

8/5/16
Date

Susquehanna Capital Group
Respondent

By: Richard J. McDowell
Name: Richard J. McDowell

Title: Chief Regulatory Counsel

Reviewed by:

N/A
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

8/10/16
Date

Tamara Schademann
Tamara Schademann
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,

8/5/16
Date

Respondent
Susquehanna Capital Group

By: Richard J. McDonald

Name: Richard J. McDonald

Title: Chief Regulatory Counsel