

**BATS EDGX EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20150442333-02**

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

RE: Chimera Securities, LLC, Respondent  
Broker-Dealer  
CRD No. 147566

Pursuant to Rule 8.3 of the Rules of Bats EDGX Exchange, Inc. (“EDGX”), Chimera Securities, LLC (the “firm” or “WMRA”) 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, EDGX 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 EDGX, or to which EDGX 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 EDGX:

**BACKGROUND**

WMRA has been registered with the Securities and Exchange Commission since July 2, 2008. WMRA is not a member of the Financial Industry Regulatory Authority (“FINRA”), but has been an EDGX member since June 25, 2014. WMRA is a proprietary trading firm that has no customers. WMRA has no relevant disciplinary history.

**SUMMARY**

In Matter No. 20150442333, the staff of FINRA’s Department of Market Regulation (the “staff”) initially conducted a 2015 Trading and Financial Compliance Examination (“TFCE”) on behalf of several equities exchanges, and reviewed, among other things, trade activity and firm records for trade dates July 28 and 29, 2015. As a result of this examination, and initial findings, the period of review was ultimately expanded to include the period between June 2014 and February 2016 (the “review period”). Capacity codes are important because, among other things, their inaccuracy could impact certain cross-market surveillances (i.e., wash trading and intra-day manipulation). Based on its review, Staff found that the firm failed to comply with order marking requirements as set forth in EDGX Rule 11.5 and related supervision rules during the review period.

## **FACTS AND VIOLATIVE CONDUCT**

1. During the review period, as a result of its failure to reset a default once it had gained the capability to directly access the equities markets, the firm submitted inaccurate information to multiple equity exchanges by entering “Principal” orders as “Agency” orders in a total of more than 17 million instances, of which approximately 1,153,103 were submitted to EDGX; this represented 100% of the firm’s orders entered into EDGX by the firm during the review period.<sup>1</sup> The foregoing conduct constituted separate and distinct violations of EDGX Rule 11.5.
  
2. During the review period, the firm’s supervisory system and written supervisory procedures (“WSPs”) did not provide for supervision reasonably designed to ensure compliance with certain applicable securities laws and regulations, EDGX rules, and federal rules and regulations, including with respect to submission of accurate capacity codes on orders submitted to EDGX. Specifically, the firm’s supervisory system did not include WSPs that provided for: (i) the identification of the person(s) responsible for supervision with respect to the applicable rules; (ii) a statement of the supervisory step(s) to be taken by the identified person(s); (iii) a statement as to how often such person(s) should take such step(s); and (iv) a statement as to how the completion of the step(s) included in the procedures should be documented. Accordingly, the firm’s WSPs were inadequate because they failed to ensure compliance with the requirements for trade reporting of capacity codes for orders entered into EDGX. The foregoing conduct violated EDGX Rule 5.1.

## **OTHER FACTORS**

In determining to resolve this matter on the basis set forth herein, EDGX took into consideration that that the firm was in the process of detecting and reviewing the subject activity when the staff began reviewing the specific activity, and thereafter the firm promptly enhanced its systems and supervisory procedures to ensure correct marking of its proprietary orders sent to the EDGX.

- B. The firm also consents to the imposition of the following sanctions:
1. a censure; and
  2. a fine in the amount of \$45,000, of which \$5,000 shall be paid to EDGX.

Acceptance of this Offer of Settlement is conditioned upon acceptance of similar settlement agreements in related matters between the Firm and each of the following self-regulatory organizations: NYSE Arca, Inc. and The NASDAQ Stock Market LLC.

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<sup>1</sup> These inaccuracies impacted certain cross-market surveillances, but there was no identified market impact or harm to market participants.

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 EDGX.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

The firm specifically and voluntarily waives the following rights granted under EDGX 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 EDGX'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 EDGX 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 EDGX 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 EDGX or any other regulator against the firm;
  2. this AWC will be published on a website maintained by EDGX in accordance with EDGX Rule 8.18; 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 EDGX, or to which EDGX 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 EDGX 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 EDGX, nor does it reflect the views of EDGX 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.

9/19/17  
Date

Respondent  
Chimera Securities, LLC

By: J. Malkin

Name: Jason Malkin

Title: CCO

Reviewed by:

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

9/25/2017  
Date

Greg Hoogasian  
Greg Hoogasian  
Senior Vice President & Chief Regulatory Officer  
Bats EDGX 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;
- Wire transfer.

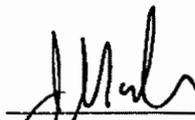
Respectfully submitted,

Respondent

Chimera Securities, LLC

9/19/17

Date

By:   
Name: Jason Malkin  
Title: CCO