



DISCIPLINARY DECISION

Cboe BYX Exchange, Inc

Star No. 20170546411/File No. USRI-4714

Dash Financial Technologies LLC

Pursuant to Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rule(s)

- BYX Rules 11.9 – Orders and Modifiers, 5.1 – Written Procedures, 3.1 – Business Conduct of Members, and 3.2 – Violations Prohibited.
- Securities and Exchange Commission Rule 611 of Regulation NMS – Order Protection Rule.

Sanction

- A censure and a monetary fine in the amount of \$22,500.

Effective Date

December 10, 2019

/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

Cboe BYX Exchange, Inc.
LETTER OF CONSENT
Star No. 20170546411
File No. USRI-4714

In the Matter of:

Dash Financial Technologies LLC
311 S. Wacker Drive
Suite 1000
Chicago, IL 60606,

Respondent

Pursuant to the provisions of Cboe BYX Exchange, Inc. ("BYX" or the "Exchange") Rule 8.3, Dash Financial Technologies LLC ("Dash" or the "Firm") submits this Letter of Consent for the purposes of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies the findings for Star No. 20170546411/File No. USRI-4714 and the stipulation of facts and findings described herein do not constitute such an admission.

BACKGROUND

1. During all relevant periods herein, Dash was acting as a registered Broker-Dealer and was a Member of the Exchange. The Firm's registration remains in effect.
2. This matter originated from surveillances by Exchange Regulatory Staff and FINRA's Department of Market Regulation, Market Analysis team, on behalf of BYX.

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: SEC Rule 611 of Regulation NMS – Order Protection Rule, and BYX Rules 11.9 – Orders and Modifiers, 5.1 – Written Procedures, 3.2 – Violations Prohibited, and 3.1 – Business Conduct of Members.
4. During all relevant periods herein, SEC Rule 611(c) of Regulation NMS required the trading center, broker, or dealer responsible for the routing of an ISO to take reasonable steps to establish that such order meets the requirements set forth in Rule

600(b)(30).¹ SEC Rule 600(b)(30) required that simultaneously with the routing of a limit order identified as an ISO, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an ISO. In structuring their ISO routing arrangements, trading centers and broker-dealers should reasonably address the potential for systemic problems.

5. During all relevant periods herein, BYX Rule 11.9(d) stated, in part: “In order to be eligible for treatment as an Intermarket Sweep Order, the limit order must be marked ‘ISO’ and the User entering the order must simultaneously route one or more additional limit orders marked ‘ISO,’ as necessary, to away markets to execute against the full displayed size of any Protected Quotation for the security with a price that is superior to the limit price of the Intermarket Sweep Order entered in the System. Such orders, if they meet the requirements of the foregoing sentence, may be executed at one or multiple price levels in the system without regard to Protected Quotations at away markets consistent with Regulation NMS (i.e., may trade through such quotations). The Exchange relies on the marking of an order as an ISO when handling such order, and thus, it is the entering Member’s responsibility, not the Exchange’s responsibility, to comply with the requirements of Regulation NMS relating to Intermarket Sweep Orders.”
6. During all relevant periods herein, Exchange Rule 5.1 provided that each Member shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.
7. During all relevant periods herein, Exchange Rule 3.2 stated, in relevant part, that “[n]o Member shall engage in conduct in violation of the [Securities Exchange Act of 1934, as amended, or] the rules or regulations thereunder ... Every Member shall so supervise persons associated with the Member as to assure compliance with those requirements.”
8. During all relevant periods herein, Exchange Rule 3.1 required Members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

Dash’s Violations Relating to ISOs

9. During the period from October 27, 2016 to February 23, 2018 (the “Review Period”), Dash failed to simultaneously send ISOs to execute against the full displayed size of certain protected quotations, which led to trade throughs and route

¹ Effective January 18, 2019, this Rule was renumbered to SEC Rule 600(b)(31).

throughs of such protected quotations. Dash attributed this to flaws and deficiencies in its systems.

10. During the Review Period, Dash's system had a faulty logic with respect to one order type used by a single client whereby mixed lot orders were parceled into round lots and odd lots, and routed the odd lot portion to a market center in a quantity that may have been less than the full size of the protected quotation. This faulty logic resulted in Dash's failure to route ISOs to all markets that had quotations superior to the limit price of the firm's ISOs in connection with up to 1,052 ISOs during the Review Period.
11. In addition, during the Review Period, due to a faulty application of Dash's ISO sweep functionality in certain limited circumstances, in connection with 993 ISOs, Dash failed to route ISOs to all markets with quotations superior to the limit price of Dash's ISOs.
12. As a consequence of the conduct described in paragraphs 9 to 11, during the Review Period, Dash failed to take reasonable steps to establish that the ISOs it routed met the definitional requirements set forth in SEC Rule 600(b)(30) of Regulation NMS. Such conduct constitutes violations of Rule 611(c) of Regulation NMS and BYX Rules 11.9(d), 3.1, 3.2, and 5.1.
13. During the Review Period, Dash failed to establish procedures reasonably designed to assure compliance with Regulation NMS Rule 611(c) and BYX Rule 11.9(d) to ensure that, when handling ISOs in equity securities, it simultaneously routed ISOs to trade against the full displayed size of all protected quotes. From October 2016 to December 2017, the firm's written supervisory procedures ("WSPs") contained an inaccurate footnote stating that Dash does not currently route ISOs in equities, and did not identify any reviews to establish that the ISOs it routed met the definitional requirements set forth in Rule 600(b)(30) of Regulation NMS. The Firm's December 4, 2017 WSPs removed the inaccurate footnote about the Firm not routing ISOs in equities, and added a section discussing ISOs and a monthly review of an ISO surveillance report; however, these procedures only addressed ISOs in options and the report only generated exceptions for options orders. Even if the ISO options procedures were to apply to ISOs in equity securities, they lacked any explanation of any review steps to be taken after exceptions were escalated, including how to evaluate any potential violations and corrective steps to take if violations were identified. The conduct described in this paragraph constitutes violations of BYX Rules 3.1 and 5.1.

SANCTIONS

14. The Firm does not have any prior relevant disciplinary history specifically related to BYX rules and Regulation NMS regarding ISOs.
15. In light of the alleged rule violations described above, the Firm consents to the imposition of the following sanctions:
 - a. A censure; and
 - b. A monetary fine in the amount of \$22,500.

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 8.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The Firm 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 Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent. The Firm further waives any claim that a person violated the ex parte prohibitions of Exchange Rule 8.16, in connection with such person's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including its acceptance or rejection.

The Firm agrees to pay the monetary sanctions upon notice that this Letter of Consent has been accepted and that such payments are due and payable. The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 8.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by BYX or any other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange in accordance with Exchange Rule 8.18.

The Firm understands that it may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange 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 Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.

Date: 12/4/19

Dash Financial Technologies LLC

By: 

Name: Peter Maragos

Title: CEO