

**CBOE EDGX EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 2016051337106**

TO: Cboe EDGX Exchange, Inc.  
c/o Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

RE: Sanford C. Bernstein & Co., LLC, Respondent  
Broker-Dealer  
BD No. 104474

Pursuant to Rule 8.3 of the Rules of Cboe EDGX Exchange, Inc. ("EDGX"), Sanford C. Bernstein & Co., LLC (the "firm") 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**

The firm became a member of EDGX on May 27, 2010, and its registration remains in effect.

**RELEVANT DISCIPLINARY HISTORY**

On August 10, 2015, the firm entered into a settlement with the Chicago Board Options Exchange, Inc. ("CBOE") pursuant to which the firm was censured and fined \$10,000 for violations of CBOE's qualification and registration rule, Rule 3.6A. The firm failed to qualify and register two associated persons as proprietary trader principals with CBOE from August 2013 through September 2014 and January 2015, respectively. The firm also failed to register its Co-Chief Compliance Officer as a proprietary trader compliance officer in WebCRD from August 2013 through September 2014.

## SUMMARY

This matter arose out of a 2015 cycle exam of the firm conducted by FINRA's Department of Member Regulation staff on behalf of FINRA and various exchanges, including EDGX.

As further described below, during the period May 1, 2013 through December 2, 2015 (the "Relevant Period"), the firm violated EDGX Rules 2.3(c) for the period of May 1, 2013 through February 16, 2015, and 2.5, Interpretation .01(d) for the period of February 17, 2015 through December 2, 2015.

## FACTS AND VIOLATIVE CONDUCT

From the beginning of the Relevant Period through February 16, 2015, EDGX Rule 2.3(c) stated, in part "[a]ll Authorized Traders who are to function as Principals on the Exchange shall be registered as Principals with the Exchange. Before their registration can become effective, they shall pass the General Securities Principal Examination ('Series 24')." <sup>1</sup> From the beginning of the Relevant Period through February 16, 2015, Principal was defined in Rule 1.5(t) as, "[p]ersons associated with a member who are actively engaged in the management of the member's securities business, including supervision . . . ."

On February 17, 2015, EDGX Rule 2.3(c) was superseded by EDGX Rule 2.5, Interpretation .01(d), which states, in relevant part, "[e]ach Principal is required to successfully complete the General Securities Principal Examination ('Series 24')." For the purpose of Interpretation .01(d), the definition of Principal includes, "[a]ny individual responsible for supervising the activities of a Member's Authorized Traders."<sup>2</sup>

In May 2013 an Authorized Trader of the firm was promoted to supervisor of the Algorithmic Sales Trading Desk (the "Supervisor"). The Supervisor had not taken the Series 24 exam and was not qualified as a General Securities Principal throughout the Relevant Period. The Algorithmic Sales Trading Desk monitors and maintains the firm's algorithmic trading system. During the Relevant Period, the firm's algorithmic trading system routed 8.2 million client orders to several exchanges, including EDGX. Additionally, up to five people who had the ability to route orders directly to EDGX for execution sat on the Algorithmic Sales Trading Desk during the Relevant Period. The people who sat on the Algorithmic Sales Trading Desk were Authorized Traders. The Supervisor oversaw all of the activity of that desk. Thus, the firm allowed the Supervisor, who was not qualified as a General Securities Principal, to supervise the firm's securities business and to supervise Authorized Traders.

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<sup>1</sup> Throughout the Relevant Period, Authorized Trader was defined as, "a person who may submit orders (or who supervises a routing engine that may automatically submit orders) to the Exchange's trading facilities on behalf of his or her Member or Sponsored Participant."

<sup>2</sup> The definition of Authorized Trader did not change when Rule 2.5 was adopted.

By reason of the foregoing, the firm violated EDGX Rules 2.3(c) for the period of May 1, 2013 through February 16, 2015, and EDGX Rule 2.5, Interpretation .01(d) for the period February 17, 2015 through December 2, 2015.

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

A censure and a \$5,000 fine.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 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 the 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

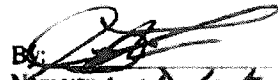
The firm understands that:

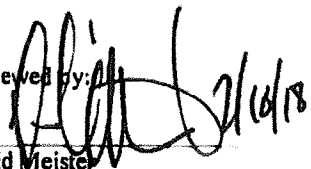
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to EDGX Rule 8.3;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. 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. 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 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.

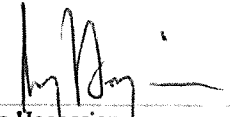
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, 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.

3/16/2018  
Date

Respondent  
Sanford C. Bernstein & Co.

By:   
Name: Thomas D. Lando  
Title: SVP

Reviewed by:   
David Meister  
Counsel for Respondent  
Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square, NY 10036  
212-735-2100  
3/9/2018  
Date

  
Greg Hoogasian  
Senior Vice President & Chief Regulatory Officer  
Cboe 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; or
- Wire transfer.

Respectfully submitted,

Respondent

Sanford C. Bernstein & Co.

2/16/2018

Date

By: 

Name: JAMES D. LANK

Title: SVP