

BATS EDGA EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130365748-02

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

RE: Barclays Capital Inc., Respondent
Broker-Dealer
CRD No. 19714

Pursuant to Rule 8.3 of the Rules of Bats EDGA Exchange, Inc. ("EDGA"), Barclays Capital Inc. (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, EDGA 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 EDGA, or to which EDGA 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 EDGA:

BACKGROUND

The firm became a member of FINRA on October 19, 1987 and EDGA on May 14, 2010. The firm's registrations remain in effect. The firm does not have any relevant disciplinary history.

SUMMARY

In Review No. 20130365748, FINRA's Department of Market Regulation ("Market Regulation") reviewed the firm's compliance with Rule 15c3-5 of the Securities Exchange Act of 1934 ("Rule 15c3-5") and related requirements pertaining to EDGA supervision rules with respect to conduct on EDGA between October 1, 2012 and December 31, 2014 (the "review period"). Based upon the review, Market Regulation found that the firm's controls and procedures were not reasonably designed to detect potentially manipulative activity by the firm's clients.

FACTS AND VIOLATIVE CONDUCT

1. On November 3, 2010, the Securities and Exchange Commission (the "Commission") adopted Rule 15c3-5 to address concerns relating to the growing practice of broker-STAR No. 20130365748 (incl. merged STAR Nos. 20140407384 and 20150481365) (JPH)

dealers affording direct market access to customers.¹ Rule 15c3-5 requires, among other things, a broker-dealer with market access to establish risk management controls and supervisory procedures that are reasonably designed to ensure compliance with all regulatory requirements applicable to market access.

2. Rule 15c3-5(b) requires brokers and dealers with market access to “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.”
 3. Rule 15c3-5(c)(2) requires, among other things, that the risk management controls and supervisory procedures be reasonably designed to ensure compliance with all regulatory requirements.
 4. During the review period, the firm failed to have a system of follow up and review, reasonably designed to ensure compliance with all regulatory requirements. Specifically, the firm failed to have sufficient exception reports in place to detect and monitor for potentially improper wash sale activity. To detect such activity, the firm relied upon exception report parameters that did not account for factors such as the liquidity of an equity, the price of an equity or the percentage of a client’s trading volume allocated to wash sales. Additionally, the firm did not sufficiently investigate suspicious wash sale alerts to determine whether a change in beneficial ownership had occurred within a client’s account and did not escalate alerts for supervisory review for most of the review period.
 5. Accordingly, the firm violated Rule 15c3-5(c)(2), and EDGA Rules 3.1 and 5.1 during the review period.
- B. The firm also consents to the imposition of the following sanctions:
1. A censure;
 2. A total fine of \$105,000 (of which \$75,000 shall be paid to EDGA for the violations of Rule 15c3-5 and EDGA Rules 3.1 and 5.1);² and
 3. Acceptance of this AWC is conditioned upon acceptance of a similar agreement in related matters between the firm and The NASDAQ Stock Market LLC and Bats BZX Exchange, Inc. The aggregate settlement amount across all markets is \$105,000.

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,

¹ Rule 15c3-5 became effective on January 14, 2011 and had a compliance date of July 14, 2011.

² The balance of the sanction will be paid to The NASDAQ Stock Market LLC and Bats BZX Exchange, Inc.

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 EDGA.

II.

WAIVER OF PROCEDURAL RIGHTS

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

3/17/17
Date

Respondent
Barclays Capital Inc.

By: Penny Rosenberg

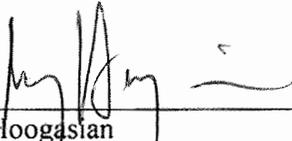
Name: Penny Rosenberg

Title: Director

Reviewed by:

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

3/30/2017
Date



Greg Hoogasian
Senior Vice President & Chief Regulatory Officer
Bats EDGA 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
Barclays Capital Inc.

3/17/17
Date

By: Penny Rosenberg
Name: Penny Rosenberg
Title: Director