

BATS BZX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140407387-02

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

RE: Bluefin Trading, LLC, Respondent
Broker-Dealer
CRD No. 113892

Pursuant to Rule 8.3 of the Rules of Bats BZX Exchange, Inc. ("BZX"), Bluefin Trading, 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, 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 August 3, 2009, and its registration remains in effect. The firm does not have any relevant disciplinary history.

SUMMARY

1. FINRA's Department of Market Regulation (the "Staff"), on behalf of BZX and various other securities exchanges, conducted a review of the firm's compliance with Securities and Exchange Commission ("SEC") Rule 15c3-5, in addition to BZX Rules 3.1 and 5.1 during the period between September 23, 2011 and December 31, 2015 (the "Review Period").
2. As a result of its review, the Staff determined that the firm: (i) failed to implement and maintain an adequate system of risk management controls and supervisory procedures, including pre-order controls and a system of follow-up and review reasonably designed to prevent the transmission of excessive orders or quotations; and (ii) failed to adopt and

implement a supervisory system reasonably designed to address compliance with SEC Rule 15c3-5.

Applicable Rules

3. On November 3, 2010, the SEC adopted SEC Rule 15c3-5. SEC Rule 15c3-5 requires, among other things, that a broker-dealer with market access establish risk management controls and supervisory procedures that are reasonably designed to limit the financial exposure of the broker-dealer and ensure compliance with all regulatory requirements applicable to market access. Among other requirements, the controls and supervisory procedures must be reasonably designed to: (i) prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, or that indicate duplicative orders; and (ii) prevent the entry of orders that do not comply with all regulatory requirements that must be satisfied on a pre-order entry basis. The controls and supervisory procedures mandated by SEC Rule 15c3-5 must be under the direct and exclusive control of the broker-dealer. The compliance date for the relevant provisions of SEC Rule 15c3-5 was July 14, 2011.
4. SEC 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.”
5. SEC Rule 15c3-5(c) requires, among other things, that the risk management controls and supervisory procedures be reasonably designed to prevent the entry of erroneous or duplicative orders and ensure compliance with all pre-trade regulatory requirements.
6. BZX Rule 3.1 requires that a member, in the conduct of its business, observe high standards of commercial honor and just and equitable principles of trade.
7. BZX Rule 5.1 requires, in pertinent part, that a member establish maintain, and enforce written procedures which will enable it to supervise properly the activities of the firm and to assure its compliance with applicable securities laws, rules and regulations.

FACTS AND VIOLATIVE CONDUCT

8. Between September 23, 2011 and February 25, 2013, on approximately 300 occasions during the Review Period, the firm sent an excessive number of messages over a short period of time by entering and amending orders on BZX.
9. Within the above occasions, the firm submitted between 12 and 48 new orders in one-second periods, but amended those orders between 983 and 1,710 times in the one-second periods.
10. On at least one of the occasions, the excessive messaging was the unintended consequence of a software malfunction.

11. During the Review Period, the firm failed to have a tool in place to monitor its message traffic on a per symbol basis. Additionally, the firm failed to implement a control to detect and limit the number of order amendments it could make per second until September 1, 2015.
12. The conduct described in paragraphs 8 through 11 constitutes a violation of SEC Rule 15c3-5 and BZX Rules 3.1 and 5.1

OTHER FACTORS

- B. The firm also consents to the imposition of the following sanctions:
1. A censure; and
 2. An aggregate fine of \$40,000, of which \$20,000 shall be paid to BZX.¹
 3. Acceptance of this AWC is conditioned upon acceptance of a similar settlement agreement in a related matter between the firm and NYSE Arca, Inc. The aggregate settlement amount across all markets is \$40,000.

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, 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.

¹ The balance of the sanction shall be paid to NYSE Arca Equities, Inc.

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*; 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 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.

11/17/16
Date


Bluefin Trading, LLC
Respondent

By: 
Name: GEMMA ZAVILEVICH
Title: PARTNER

Reviewed by:

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

11/29/2016
Date


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,

11/17/16
Date

Respondent
Bluefin Trading, LLC

By: 

Name: GENNADY ZAVILEVICH

Title: PARTNER