

BATS BZX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140423714-01

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

RE: Citadel Securities LLC, Respondent
Broker-Dealer
CRD No. 116797

Pursuant to Rule 8.3 of the Rules of Bats BZX Exchange, Inc. (“BZX”), Citadel Securities 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 is a U.S. broker-dealer and registered market maker on BZX. The firm became a member of BZX on October 23, 2008, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In connection with Matter No. 20140423714, the staff of the ETP Surveillance and Investigations Group of the Quality of Markets Section of FINRA Market Regulation Department, on behalf of BZX, reviewed quoting activities on BZX during the period between May 2012 and January 2015 (the “review period”).¹

¹ A parallel action is concurrently being brought on behalf of Bats BYX Exchange, Inc.

FACTS AND VIOLATIVE CONDUCT

1. During the review period, on approximately 311 occasions, the firm had substantial and continued failures to maintain its continuous two-sided quotation obligation in securities in which it had been registered as a market maker. The firm's failures resulted from issues with ticker or CUSIP changes, market data problems with a ticker, internal mapping issues, its failure to recognize that the firm had been registered as a market maker for a particular security, and its inadvertent deletion of quotes. The firm failed to maintain its continuous two-sided quotation obligation in multiple symbols on multiple dates during the review period and, on one date (January 4, 2013), failed to maintain its continuous two-sided quotation obligation in all of the symbols in which it was registered as a market maker as a result of an internal process failure. The firm also had continued failures to maintain continuous two-sided quotation obligation in 13 instances during the review period. The foregoing conduct constitutes separate and distinct violations of BZX Rule 11.8.
 2. During the review period, the firm failed to establish, maintain and enforce adequate supervisory systems, including adequate written supervisory procedures, reasonably designed to comply with market maker continuous quoting requirements on BZX. Specifically, the firm lacked adequate procedures: (i) to properly quote a security after a corporate action, such as ticker, CUSIP or listing exchange change; (ii) to characterize securities in the correct quoting tier; and (iii) to manage system issues which, on occasion, resulted in inadvertently dropping symbols from the firm's registration list. The foregoing conduct violated BZX Rules 3.1 and 5.1.
- B. The firm also consents to the imposition of the following sanctions:
- A censure and a fine in the amount of \$17,500; and
 - An undertaking to submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, no later than 30 days after the AWC becomes final, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, acknowledging that the firm revised its supervisory systems and written supervisory procedures to address the deficiencies described in paragraph I.A.2, and the date on which the revised systems and procedures were implemented.

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.

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 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 8.18. 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 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.

May 22, 2017
Date

Citadel Securities LLC
Respondent

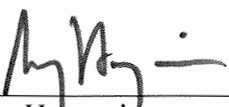
By: 
Name: Shawn F. Fagan

Title: Authorized Signatory

Reviewed by:

Counsel for Respondent

5/30/2017
Date



Greg Hoogasian
Senior Vice President & 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,

May 22, 2017

Date

Respondent
Citadel Securities LLC

By: 

Name: Shawn F. Fagan

Title: Authorized Signatory