

**BATS BZX EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20140412354-05**

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

RE: Interactive Brokers LLC, Respondent  
Broker-Dealer  
CRD No. 36418

Pursuant to Rule 8.3 of the Rules of Bats BZX Exchange, Inc. ("BZX"), Interactive Brokers LLC (the "Firm" or "Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent 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**

1. The Firm is a Connecticut limited liability company, with its principal place of business located in Greenwich, Connecticut. The Firm has been registered with BZX since August 18, 2008, and with FINRA since January 6, 1995, and its registrations remain in effect.

**RELEVANT PRIOR DISCIPLINARY HISTORY**

2. On June 6, 2014, an AWC was accepted by FINRA in which the Firm was censured and fined \$25,000 for violations of Securities Exchange Act of 1934 Rule 611(c) of Regulation NMS ("Reg NMS Rule 611(c)") during the periods of January 1, 2009 through September 30, 2011, and April 1, 2012 through June 30, 2012.

**SUMMARY**

3. In Matter No. 20140412354, FINRA's Market Analysis Section of the Department of Market Regulation ("Market Analysis") reviewed the Firm's compliance with BZX

Rule 11.20 related to locked/crossed markets during the period of November 1, 2011 through March 31, 2012 (the "First Review Period").

4. In Matter Nos. 20140437871 and 20150444718, Market Analysis reviewed the Firm's compliance with Reg NMS Rule 611(c) and BZX Rule 11.9(d) related to the routing of Intermarket Sweep Orders ("ISOs") during the period of July 1, 2014 through September 30, 2014 (the "Second Review Period").
5. In Matter Nos. 20150468005 and 20160492977, Market Analysis reviewed the Firm's compliance with Reg NMS Rule 611(c) and BZX Rule 11.9(d) during the period of January 1, 2015 through December 31, 2015 (the "Third Review Period").
6. The above matters were part of investigations conducted by Market Analysis, on behalf of BZX and other self-regulatory organizations, including Bats BYX Exchange, Inc., Bats EDGA Exchange, Inc., Bats EDGX Exchange, Inc., FINRA, The New York Stock Exchange LLC, NYSE Arca, Inc., and NYSE American LLC (collectively, the "SROs") that reviewed the Firm's compliance with Reg NMS Rule 611(c) and related rules of the SROs, including BZX Rules 3.1, 5.1, 11.9(d), and 11.20, during the Review Periods. Based on its investigation, Market Analysis found the violations cited below.

#### **OVERVIEW**

7. On numerous occasions during the Review Periods, due to various issues, the Firm routed ISOs through protected quotations, and failed to avoid displaying and engaged in a pattern of displaying quotations that locked or crossed a protection quotation.

#### **FACTS AND VIOLATIVE CONDUCT**

##### **Matter No. 20140412354**

8. During the First Review Period, the Firm failed to reasonably avoid displaying, and engaged in a pattern or practice of displaying, numerous quotations that locked or crossed a protected quotation on BZX. The conduct described in this paragraph constitutes separate and distinct violations of BZX Rule 11.20.
9. During the First Review Period, the Firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with BZX Rule 11.20. In addition, the Firm's supervisory system did not include sufficient written supervisory procedures to ensure compliance with BZX Rule 11.20, by failing to specify: (i) who is responsible for ensuring compliance with the rules governing locked/crossed markets; (ii) the steps taken when conducting reviews to ensure compliance; (iii) the frequency of such reviews; or (iv) the required documentation of such reviews. The conduct described in this paragraph constitutes a violation of BZX Rules 3.1 and 5.1.

10. On certain occasions during the Second and Third Review Periods, due to various systems issues and data latencies, IBKR's Smart Routing system failed to capture protected quotations for all relevant market centers, or certain direct feed quotations were stale, for purposes of complying with its obligation to take reasonable steps to establish that ISOs it routed met the definitional requirements set forth in Reg NMS Rule 600(b)(30). As a consequence, on these occasions the Firm failed to simultaneously send ISOs to execute against the full displayed size of certain protected quotations when routing ISOs to other market centers, including to the Exchange, which led to trade throughs of such protected quotations. The conduct described in this paragraph constitutes separate and distinct violations of Reg NMS Rule 611(c) and BZX Rule 11.9(d).
11. During the Second and Third Review Periods, the Firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with Reg NMS Rule 611(c), BZX Rule 11.9(d), and applicable securities laws and regulations, regarding the use of ISOs. Specifically, given the recurring nature of the violations from July 2014 through December 2015, the Firm's supervisory system was inadequate. The conduct described in this paragraph constitutes a violation of BZX Rules 3.1 and 5.1.

B. Respondent also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine in the amount of \$70,000, of which \$18,000 is payable to BZX (consisting of a fine of \$9,000 for the violations of BZX Rule 11.20 and the related violations of BZX Rules 3.1 and 5.1; and \$9,000 for the violation of Reg NMS Rule 611(c), BZX Rule 11.9(d) and the related violations of BZX Rules 3.1 and 5.1).<sup>1</sup>
3. Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between the Firm and each of the following self-regulatory organizations: Bats BYX Exchange, Inc., Bats EDGA Exchange, Inc., Bats EDGX Exchange, Inc., FINRA, the New York Stock Exchange LLC, NYSE Arca, Inc., and NYSE American LLC.

Respondent 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.

Respondent 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.

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<sup>1</sup> The balance of the sanction will be paid to the self-regulatory organizations listed in Paragraph B.3.

The sanctions imposed herein shall be effective on a date set by BZX.

**II.**

**WAIVER OF PROCEDURAL RIGHTS**

Respondent specifically and voluntarily waives the following rights granted under BZX Rules:

- A. To have a Statement of Charges issued specifying the allegations against it;
- 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, Respondent 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.

Respondent 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**

Respondent 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 Respondent; and
- C. If accepted:
  - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by BZX or any other regulator against Respondent;


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 Respondent's disciplinary record; and
3. Respondent 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. Respondent 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 Respondent'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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

10/04/2017  
Date

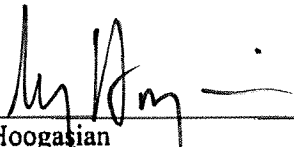
Interactive Brokers LLC, Respondent

By:   
Name: SCOTT M LITVINOFF  
Title: CHIEF REGULATORY COUNSEL

Reviewed by:

  
Counsel for Respondent

10/12/2017  
Date

  
Greg Hoogasian  
Senior Vice President & Chief Regulatory Officer  
Bats BZX Exchange, Inc.

**ELECTION OF PAYMENT FORM**

Respondent 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.

10/04/2017  
Date

Respectfully submitted,  
Respondent Interactive Brokers LLC

By: 

Name: SCOTT M. LITVINOFF

Title: CHIEF REGULATORY COUNSEL