

BATS BZX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140419133-01

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

RE: Susquehanna Securities, Respondent
Broker-Dealer
CRD No. 35874

Pursuant to Rule 8.3 of the Rules of Bats BZX Exchange, Inc. ("BZX"), Susquehanna Securities (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 has been a member of BZX since October 15, 2014 and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In Review Nos. 20140419133, 20150474966 and 20160506269, 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 with respect to supervision and adherence to good business practice/just and equitable conduct in connection with the firm's risk management controls and supervisory system, including supervisory procedures, as it pertained to market access for preventing and detecting potentially excessive order message activity, including its quoting, for various timeframes from January 1, 2014 through October 1, 2015. The reviews variously were conducted on behalf of BZX, NYSE MKT LLC ("NYSE MKT"), The NASDAQ Options Market LLC ("NOM") and NASDAQ PHLX LLC ("PHLX") (collectively, the "Exchanges") and included, among other things, review of certain messaging activity of

the firm on BZX on September 24, 2015 in Review No. 20160506269 (the “BZX Review Period”).¹

The reviews were prompted by various regulatory alerts of potentially excessive messaging activity by the firm on the above markets within the above timeframes. As detailed below, the firm had inadequate risk management controls and supervisory procedures pertaining to market access with respect to detecting and preventing certain potentially excessive messaging activity on BZX and elsewhere, contrary to the requirements of Rule 15c3-5(b) and (c), BZX Rules 5.1 and 3.1 and related requirements of the above other Exchanges concerning supervision and just and equitable conduct.

FACTS AND VIOLATIVE CONDUCT

1. Rule 15c3-5 is designed to reduce the risks faced by broker-dealers, as well as the markets and the financial system as a whole, as a result of various market access arrangements, by requiring effective financial and regulatory risk management controls reasonably designed to limit financial exposure and ensure compliance with applicable regulatory requirements to be implemented on a market-wide basis.
2. Rule 15c3-5(b) requires, among other things, a broker-dealer with market access, as defined by that rule, 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 its market access activity and to preserve a copy of such supervisory procedures and a written description of its risk management controls as part of its books and records.
3. Rule 15c3-5(c) further provides that the risk management controls and supervisory procedures required by Rule 15c3-5(b) must be reasonably designed to prevent “the entry of erroneous orders” and to “ensure compliance with all regulatory requirements....”
4. During the BZX Review Period, the firm’s risk management controls and supervisory procedures were not reasonably designed to manage the financial, regulatory and other risks associated with its business activity involving market access, as required by Rule 15c3-5. In particular, the firm had inadequate controls and supervisory procedures to timely detect and prevent certain potentially excessive quote message activity.
5. On BZX, regulatory surveillance alerts showed that the firm submitted more than 9,500 order messages in the ETF symbol EZU (iShares Eurozone) on BZX during six one-second periods between 15:09:08 and 15:50:08 during the BZX Review Period. The firm’s message count during the above one-second bursts of activity ranged from more than 1,000 to more than 3,400 messages.
6. The firm’s controls as required by Rule 15c3-5(b) and (c) were inadequate in that its quote controls designed to prevent potentially excessive/erroneous/duplicative messaging on a pre-order entry basis on its equities trading platform: (a) were insufficient to address

¹ Related disciplinary actions on behalf of NYSE, NOM and PHLX concurrently are being taken in conjunction with this matter.

the above bursts of elevated messaging activity, including certain looping activity resulting from the recurring cancellation or rejection and re-entry of quote messages, (b) did not take into account the particular characteristics of the order, and (c) included, among other things, a cap on the number of orders entered over a certain timeframe that applied only to Immediate or Cancel Orders and not other order types such as the post-only "day" orders in EZU noted above during the BZX Review Period.

7. Additionally, the firm failed to sufficiently document certain risk management controls about its mechanisms for deterring potentially excessive/ erroneous/duplicative order entry in its written description of its risk management controls, and its related written supervisory procedures about such mechanisms lacked sufficient detail about the supervisory aspects associated with their operations in connection with the firm's identification of the person(s) responsible for supervision, statement of the supervisory steps to be taken by the identified person(s), statement as to how often such person(s) should take such steps, and statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
 8. For the foregoing reasons, the firm's risk management controls and supervisory procedures during the BZX Review Period were not reasonably designed to comply with Rule 15c3-5. Accordingly, the firm violated Rule 15c3-5(b) and 15c3-5(c).
 9. In addition, the firm violated BZX Rules 5.1 and 3.1.
- B. The firm also consents to the imposition of the following sanctions:

A censure, a total fine of \$42,500 (to be paid jointly to the Exchanges, of which \$10,625 shall be paid to BZX), and an undertaking to update the firm's system of risk management controls and supervisory procedures, including but not limited to, its written description of risk management controls and written supervisory procedures, to address the deficiencies described in connection with paragraphs I.A.4 through I.A.9 above to achieve compliance with Rule 15c3-5 and BZX Rules 5.1 and 3.1. Within 60 business days of the date of the Notice of Acceptance of this AWC, a registered principal of the firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its risk management controls and supervisory procedures to address the deficiencies described in connection with paragraphs I.A.4 through I.A.9; and (3) the date(s) the revised controls and supervisory procedures were implemented. Upon written request showing good cause, FINRA staff, on behalf of BZX, may extend any of the procedural dates set forth herein.

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:

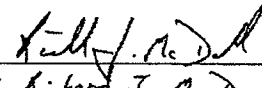
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to BZX Rule 8.3;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and

- 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.

5/19/17
Date

Susquehanna Securities
Respondent

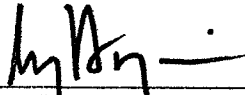
By: 
Name: Richard J. McDonald

Title: Chief Regulatory Counsel

Reviewed by:

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

6/21/2017
Date


Greg Hdogasian
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,

5/19/17

Date

Respondent

Susquehanna Securities

By: Richard J. McDonald

Name: Richard J. McDonald

Title: Chief Regulatory Counsel