

BATS BZX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140406468-02

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

RE: Wolverine Execution Services, LLC, Respondent
Broker-Dealer
CRD No. 120719

Pursuant to Rule 8.3 of the Rules of Bats BZX Exchange, Inc. (“BZX”), Wolverine Execution Services, LLC (“WEXX or 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 18, 2008 and its registration remains in effect. WEXX also became a FINRA member on November 14, 2002, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On January 9, 2014, NASDAQ OMX BX, Inc. accepted an AWC from the firm in which the firm consented to a censure and a \$50,000 fine for effecting “trade-throughs” in options series that were executed prices lower than Protected Bids or higher than Protected Offers during the period between August 1, 2010 and May 11, 2012, in violation of Chapter XII, Section 2(a) of the BOX Trading rules.

SUMMARY

In connection with Matter No. 20140406468, the Market Analysis Section of the Department of Market Regulation of FINRA ("staff") reviewed the firm's compliance with Securities Exchange Act of 1934 Rule 611(c) of Regulation NMS ("Reg NMS Rule 611(c)") and the rules related to the routing of intermarket sweep orders during the period between May 21, 2012 and September 12, 2012; on December 18, 2012; and on March 1, 2013.

In connection with Matter No. 20140423623, staff reviewed the firm's compliance with Reg NMS Rule 611(c) on July 9, 2013.

In connection with Matter No. 20140437596, staff reviewed the firm's compliance with Reg NMS Rule 611(c) on six different dates between September 29, 2014 and October 31, 2014.

In connection with Matter No. 20160504174, staff reviewed the firm's compliance with Reg NMS Rule 611(c) between September 16, 2015 and December 29, 2015.

OVERVIEW

During the four review periods referenced above (collectively the "Combined Review Periods"), due to various technology system issues, the firm on numerous occasions routed intermarket sweep orders through protected quotations.

FACTS AND VIOLATIVE CONDUCT

1. During the Combined Review Periods, the firm failed to take reasonable steps to establish that intermarket sweep orders it routed met the definitional requirements set forth in Reg NMS Rule 600(b)(30). The conduct described in this paragraph constitutes separate and distinct violations of Reg NMS Rule 611(c), and BZX Rule 11.9(d).
 2. During the Combined Review Periods, the firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and BZX Rules, concerning compliance with Reg NMS Rule 611(c). In addition, the firm's supervisory system did not include sufficient written supervisory procedures to ensure compliance with Reg NMS Rule 611(c) with regard to a statement of the supervisory step(s) to be taken by the person(s) identified in the written supervisory procedures as being responsible for the supervision, and a statement as to how often such person(s) should take such step(s). The conduct set forth herein constitutes violations of BZX Rules 5.1 and 3.1.
- B. The firm also consents to the imposition of the following sanctions:

Censure and a fine of \$90,000, of which \$37,500 is payable to BZX.¹

Acceptance of this AWC is conditioned upon acceptance of similar settlement agreement in a related matter between the firm and Bats BYX Exchange, Inc., Bats EDGA Exchange, Inc. and BATS EDGX Exchange, Inc.

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 prejudice 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

¹ The balance of the sanction will be paid to the self-regulatory organization listed in Paragraph B.

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 Rules 8.11, *Interpretations and Policies .01*. 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 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.

10/6/2016
Date

Wolverine Execution Services, LLC
Respondent

By: D J Cavicke
Name: David J. Cavicke
Title: Chief Legal Officer

Reviewed by:

Jim McH...

10-6-2016
Date

Tamara Schademann
Tamara Schademann 10/18/16
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,

10/11/2016
Date

Respondent
Wolverine Execution Services, LLC

By: D. H. Cavicco

Name: David H. Cavicco

Title: Chief Legal Officer