

**CBOE BYX EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 2015045281605**

**TO:** Cboe BYX Exchange, Inc.  
c/o Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

**RE:** Sanford C. Bernstein & Co., LLC, Respondent  
Broker-Dealer  
CRD No. 104474

Pursuant to Rule 8.3 of the Rules of Cboe BYX Exchange, Inc. ("BYX"), Sanford C. Bernstein & Co., 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, BYX 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 BYX, or to which BYX 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 BYX:

**BACKGROUND**

The Firm became a member of BYX on October 21, 2010, and its registration remains in effect. The Firm is headquartered in New York, New York, maintains approximately 20 branch offices, and employs approximately 909 registered representatives.

**RELEVANT DISCIPLINARY HISTORY**

On January 15, 2014, the Firm consented to an AWC with FINRA in which it was censured and fined \$8,500 for violating Rule 611(c) of Regulation NMS, promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), during the period of January 1, 2012 through March 31, 2012.

**SUMMARY**

In matters 20150452816 and 20160487792, the Market Analysis Section of the Department of Market Regulation (the "Staff") reviewed the Firm's compliance with Exchange Act Rule 611 during the periods of October 1, 2014 through March 31, 2015, and July 1, 2015 through September 30, 2015 (collectively, the "Review Period"). Based upon this review, the Firm violated Exchange Act Rule 611(c), BYX Rules 11.9(d)(1)

(for conduct occurring before October 17, 2014), 11.9(d) (for conduct occurring on or after October 17, 2014), 5.1, and 3.1.

### **FACTS AND VIOLATIVE CONDUCT**

In matters 20150452816 and 20160487792:

1. Exchange Act Rule 611(c) requires a trading center, broker, or dealer responsible for the routing of an intermarket sweep order ("ISO") to take reasonable steps to establish that such order meets the requirements set forth in Exchange Act Rule 600(b)(30).
2. Exchange Act Rule 600(b)(30) defines an ISO as a limit order for an NMS stock that: (i) is identified as an ISO when routed to a trading center; and (ii) simultaneously with the routing of the limit order identified as an ISO, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders also must be marked as ISOs.
3. During the Review Period, the Firm experienced five system problems that caused the Firm to route approximately 2,404 ISOs to market centers without routing additional ISOs to one or more protected quotations. Specifically, the violative ISOs were sent as a result of incomplete snapshots, dropped market data feeds, and erroneously configured systems that affected book-building functions and caused missing tags that identified a security's listing exchange.
4. During the Review Period, the Firm failed to take reasonable steps to establish that the ISOs it routed met the definitional requirements set forth in Exchange Act Rule 600(b)(30). The conduct described in this paragraph constitutes separate and distinct violations of Exchange Act Rule 611(c) and BYX Rules 11.9(d)(1) (for conduct occurring before October 17, 2014), and 11.9(d) (for conduct occurring on or after October 17, 2014).
5. During the Review Period, the Firm failed to establish, maintain, and enforce a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and the exchange's Rules, concerning compliance with Exchange Act Rule 611. Specifically, the Firm failed to review the data it received from its third-party service provider to ensure that the relevant protected quotations were being captured. The conduct described in this paragraph constitutes a violation of BYX Rules 5.1 and 3.1.

B. The Firm also consents to the imposition of the following sanctions:

1. A censure;
2. A total fine of \$55,000, of which \$9,000 is payable to BYX;<sup>1</sup> and
3. An undertaking to revise the Firm's written supervisory procedures ("WSPs") with respect to the areas described in paragraph I.A.5. Within 30 calendar days of acceptance of this AWC by the Chief Regulatory Officer ("CRO") of BYX, a registered principal of the Firm shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 15200 OMEGA DRIVE, SUITE 300, 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 WSPs to address the above-described deficiencies; and (3) the date the revised procedures were implemented.

Additionally, acceptance of this AWC is conditioned upon acceptance of settlement agreements between the Firm and the following self-regulatory organizations: (i) Cboe BZX Exchange, Inc.; (ii) Cboe EDGA Exchange, Inc.; (iii) Cboe EDGX Exchange, Inc.; (iv) the New York Stock Exchange LLC; (v) NYSE Arca, Inc.; and (vi) FINRA.

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 BYX.

## II.

### WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under BYX 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

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<sup>1</sup> The balance of the sanction will be paid to the self-regulatory organizations referenced herein.

- D. To appeal any such decision to the Appeals Committee of the BYX'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 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 BYX 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:

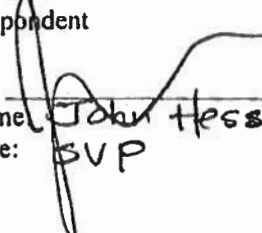
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to BYX Rule 8.3;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
  - 1. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by BYX or any other regulator against the Firm;
  - 2. This AWC will be published on a website maintained by BYX in accordance with BYX 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 BYX, or to which BYX 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 BYX 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 BYX, nor does it reflect the views of BYX 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 15, 2019  
Date

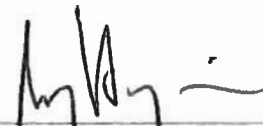
Sanford C. Bernstein & Co., LLC  
Respondent

By:   
Name: John Hession  
Title: SVP

Reviewed by:

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

5/21/2019  
Date

  
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Greg Hoogasian  
Senior Vice President & Chief Regulatory Officer  
Cboe BYX 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 15, 2019  
Date

Respondent

Sanford C. Bernstein & Co., LLC

By: 

Name: John Hession

Title: SVP