

BATS EDGA EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150468543-03

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

RE: Blue Fire Capital, LLC, Respondent
Broker-Dealer
CRD No. 144831

Pursuant to Rule 8.3 of the Rules of Bats EDGA Exchange, Inc. (“EDGA”), Blue Fire Capital, 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, EDGA 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 EDGA, or to which EDGA 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 EDGA:

BACKGROUND

The firm has been a member of EDGA since May 25, 2010. On January 26, 2017, the firm filed Form BDW to withdraw its registration with EDGA, but its registration currently remains in effect. The firm does not have any relevant disciplinary history.

SUMMARY

In Review No. 20150442691, FINRA’s Market Analysis section within the Department of Market Regulation (the “staff”), on behalf of four self-regulatory organizations, including EDGA, reviewed the firm’s compliance with Rule 611(c) of Regulation NMS and EDGA’s rules governing entry of Intermarket Sweep Orders (“ISOs”) into EDGA’s System, as well as related supervision requirements, during the period from May 9, 2011, through November 9, 2015 (the “review period”).¹ As a result of its review, the staff determined that the firm violated Rule 611(c), EDGA Rule 11.8(c), and EDGA Rules 5.1 and 3.1.

¹ The above self-regulatory organizations for which the reviews were undertaken included, in addition to EDGA, Bats BYX Exchange, Inc. (“BYX”), Bats BZX Exchange, Inc. (“BZX”), and Bats EDGX Exchange, Inc. (“EDGX”) (collectively, the “SROs”). Related disciplinary actions on behalf of each of the above SROs in addition to EDGA concurrently are being taken against the firm in conjunction with this matter.

FACTS AND VIOLATIVE CONDUCT

1. Rule 611(c) requires brokers and dealers to take reasonable steps to establish that ISOs meet the requirements set forth in the definition of an ISO in Rule 600(b)(30).
 2. Rule 600(b)(30) requires, among other things, that when a firm routes a limit order identified as an ISO, the firm also route one or more additional limit orders, as necessary, 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. Rule 600(b)(30) further requires that the additional routed orders be marked as ISOs.
 3. During the review period, the firm routed 2,138 ISOs to EDGA while failing to simultaneously send ISOs to execute against the full displayed size of protected quotations. In doing so, the firm erroneously relied upon an exception set forth in Rule 611(b), which is available to trading centers. The firm did not qualify as a trading center, as defined by Rule 600(b)(78) of Regulation NMS, however, because it did not execute the orders internally; it routed the orders to EDGA for execution.
 4. Accordingly, during May 9, 2011, through November 9, 2015, the firm failed to take reasonable steps to establish that the ISOs it routed met the definitional requirements set forth in Rule 600(b)(30). The conduct described in this paragraph constitutes violations of Rule 611(c) and EDGA Rules 11.8(c) and 3.1.
 5. Further, during the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to Rule 611(c), that is, to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, were reasonably designed to assure compliance with the terms of the exception. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes violations of EDGA Rules 5.1 and 3.1.
- B. The firm also consents to the imposition of the following sanctions:

A censure; a unified total fine of \$32,500 for the reviews conducted on behalf of the SROs, of which a unified fine of \$8,125 shall be paid to EDGA; and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.5. Within 30 business days of acceptance of this AWC by the Chief Regulatory Officer ("CRO"), a registered principal of the Respondent 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 written supervisory procedures to address the deficiencies described in paragraph I.A.5; and (3) the date the revised 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 EDGA.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under EDGA 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 EDGA'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 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 ex parte prohibitions of EDGA 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 EDGA 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 EDGA or any other regulator against the firm;
 - 2. this AWC will be published on a website maintained by EDGA in accordance with EDGA Rule 8.18; 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 EDGA, or to which EDGA 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 EDGA 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 EDGA, nor does it reflect the views of EDGA 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.

MARCH 15, 2017
Date

Blue Fire Capital, LLC
Respondent

By: 
Name: ANDREW J. KAROS
Title: CEO & COO

Reviewed by:

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

3/17/2017
Date


Greg Hoogasian
Senior Vice President & Chief Regulatory Officer
Bats EDGA 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,

March 15, 2017

Date

Respondent

Blue Fire Capital, LLC

By: Renata K. Skoda

Name: RENATA K. SKODA

Title: CFO & COO