

**CBOE EDGX EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20150468012-04**

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

RE: IMC Financial Markets, Respondent  
Broker-Dealer  
CRD No. 104143

Pursuant to Rule 8.3 of the Rules of Cboe EDGX Exchange, Inc. ("EDGX"), IMC Financial Markets (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, EDGX 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 EDGX, or to which EDGX 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 EDGX:

**BACKGROUND**

The firm became a member of EDGX on May 27, 2010, and its registration remains in effect. The firm has no relevant disciplinary history.

**SUMMARY**

In connection with Matter No. 20170566531, the Market Analysis Section of the Department of Market Regulation of FINRA (the "staff"), on behalf of EDGX, conducted a review of the firm's compliance with EDGX locked and crossed rules as well as the firm's use of intermarket sweep orders ("ISOs") during the period between July 24, 2017 and September 18, 2017 (the "review period").

Based on this review, staff determined that the firm violated the rules set forth below.

**FACTS AND VIOLATIVE CONDUCT**

1. EDGX Rule 11.10(f)(1) requires Members to reasonably avoid displaying, and to refrain from engaging in a pattern or practice of displaying, any quotations that lock or cross a protected quotation, unless an exception applies.

2. EDGX Rule 11.10(f)(3) allows an exception to Rule 11.10(f)(1) where “[t]he Locking Quotation or Crossing Quotation was an automated quotation, and the User displaying such automated quotation simultaneously routed an ISO to execute against the full displayed size of any Protected Quotation that is a Locking Quotation or Crossing Quotation.”
3. EDGX Rule 3.1 requires Members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.
4. EDGX Rule 5.1 requires Members to establish, maintain, and enforce written procedures, which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance with applicable securities laws, rules, regulations, and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with EDGX Rules.

Matter No. 20170566531

5. During the review period, when routing ISOs to EDGX, the firm failed to send additional ISOs to protected quotes on one exchange. These instances occurred when the firm failed to incorporate market data from one exchange when the firm launched a new ISO strategy. As a result, the firm locked or crossed protected quotes and failed to route additional ISOs to the venue with protected quotes. Accordingly, the firm failed to reasonably avoid displaying, and engaged in a pattern or practice of displaying, quotations that locked or crossed a protected quotation during the 3Q17 review period.
6. The conduct described in paragraph 5 constitutes a violation of EDGX Rule 11.10(f)(1).

Supervision in Matter No. 20170566531

7. During the review period, 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 Exchange Rules concerning locked/crossed markets. Specifically, the firm failed to adequately monitor whether the data it used to compile the National Best Bid or Offer (“NBBO”) was complete and reliable. The firm has since remediated its supervisory system to incorporate monitoring of the reliability of its NBBO data.
8. The conduct described in paragraph 7 constitutes violations of EDGX Rules 3.1 and 5.1.

**OTHER FACTORS**

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

1. A censure;

2. An aggregate fine of \$26,000, of which \$2,000 shall be paid to EDGX;<sup>1</sup> and
3. An undertaking requiring the firm to amend its written supervisory procedures.
  - a. The firm shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, no later than 30 days after the Offer of Settlement and Consent becomes final, 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 above; and (3) the dates that this was completed.
4. Acceptance of this Offer of Settlement and Consent is conditioned upon acceptance of similar settlement agreements in related matters between the firm and NYSE Arca, Inc., Cboe BZX Exchange, Inc. and The NASDAQ Stock Market LLC.

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 EDGX.

## II.

### WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under EDGX 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 EDGX'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

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<sup>1</sup> The balance of the sanction will be paid as follows: \$8,000 shall be paid to Cboe BZX Exchange, Inc.; \$8,000 shall be paid to NYSE Arca, Inc.; and \$8,000 shall be paid to The NASDAQ Stock Market LLC.

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 EDGX 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

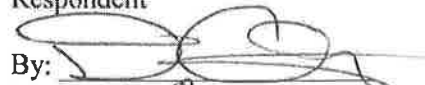
The firm understands that:

- 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 EDGX 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 EDGX or any other regulator against the firm;
  - 2. This AWC will be published on a website maintained by EDGX in accordance with EDGX 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 EDGX, or to which EDGX 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 EDGX 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 EDGX, nor does it reflect the views of EDGX 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.

10/3/2018  
Date


IMC Financial Markets  
Respondent

By:   
Name: Paul Overman  
Title: CLO

Reviewed by:

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

10/9/2018  
Date

  
\_\_\_\_\_  
Greg Hoogastan  
Senior Vice President & Chief Regulatory Officer  
Cboe EDGX Exchange, Inc.

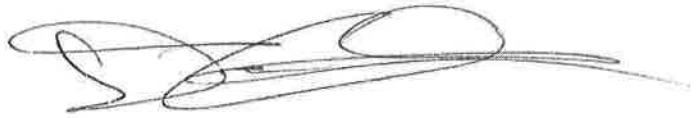
**ELECTION OF PAYMENT FORM**

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.

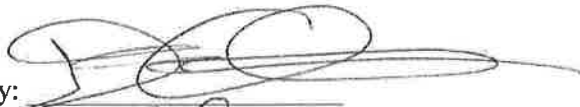
Respectfully submitted,

08/3/2018  
Date



Respondent

IMC Financial Markets

By: 

Name: Eric O. [unclear]

Title: CCO