

**BATS EDGX EXCHANGE, INC.
OFFICE OF HEARING OFFICERS**

Department of Market Regulation, on behalf of
Bats EDGX Exchange, Inc.

Complainant,

v.

Lightspeed Trading, LLC (CRD No. 35519),

Respondent.

Disciplinary Proceeding
No. 20130354682-07

**DECISION ACCEPTING OFFER
OF SETTLEMENT**

Hearing Officer – MC

INTRODUCTION

Disciplinary Proceeding No. 20130354682-07 was filed on February 28, 2017, by the Department of Market Regulation, on behalf of Bats EDGX Exchange, Inc. (“EDGX”) (“Complainant”). Respondent Lightspeed Trading, LLC (CRD No. 35519) (“Respondent”, “Lightspeed”, or the “Firm”) submitted an Offer of Settlement (“Offer”) to Complainant dated October 11, 2017. Pursuant to EDGX Rule 8.8(a), the Complainant and EDGX’s Chief Regulatory Officer (“CRO”) has accepted the Offer. Accordingly, this Decision now is issued pursuant to EDGX Rule 8.8(a). The findings, conclusions and sanctions set forth in this Decision are those stated in the Offer as accepted by the Complainant and approved by CRO.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Statement of Charges (as amended by the Offer), 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, to the entry of findings and violations consistent with the allegations of the Statement of Charges (as amended by the Offer), and to the imposition of the sanctions set

forth below, and fully understands that this Decision will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by EDGX.

Further, under the terms of the Offer, Respondent specifically and voluntarily waived the following rights granted under EDGX Rules:

1. 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;
2. 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;
3. Any right to claim bias or prejudgment of the CRO in connection with his or her participation in discussions regarding the terms and conditions of this Offer, or other consideration of this Offer, including acceptance or rejection of this Offer; and
4. 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 Offer, or other consideration of this Offer, including its acceptance or rejection.

By accepting the Offer, EDGX agrees that it shall not institute or entertain, at any time, any further proceeding as to Respondent based upon the allegations of the Statement of Charges.

BACKGROUND

Lightspeed has been registered with FINRA since June 23, 1994, and has been a member of EDGX since May 19, 2010. Its principal place of business is in New York, New York; the Firm also has a branch office in Chicago, Illinois. EDGX has jurisdiction over Lightspeed

because it is currently registered as an EDGX member firm, and it committed the misconduct at issue while an EDGX member firm.

Lightspeed has the following relevant disciplinary history involving supervisory violations:

- On February 13, 2015, FINRA accepted an AWC in which the Firm was censured and fined \$250,000 for, during the period between June 2008 and June 2012: (i) aiding and abetting and causing unregistered entities to violate the Securities Exchange Act of 1934, as amended (the “Exchange Act”) Rule 15(a)(1); (ii) violating NASD Rule 3011(a) and FINRA Rule 3310(a) by failing to fulfill its anti-money laundering obligations; (iii) violating NASD Rules 3010(a) and (b) for supervisory deficiencies; and (iv) NASD Rule 2110 and FINRA Rule 2010. (Matter No. 20100239350-05) (Feb. 13, 2015).
- In a related proceeding, on April 4, 2014, the Securities and Exchange Commission (“SEC”) entered an Order Instituting Administrative and Cease-and-Desist Proceedings, in which the Firm was censured and ordered to pay disgorgement of \$330,000 plus interest, and a fine of \$100,000 plus interest, for: (i) willfully aiding and abetting, and causing violations of Exchange Act Rule 15(a)(1); and (ii) failing to reasonably supervise within the meaning of Exchange Act Rule 15(b)(4)(E). [Exchange Act Rel. No. 34-71871, 2014 SEC LEXIS 1246 (April 4, 2014)].

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

1. From December 2010 through the present (the “relevant period”), Lightspeed Trading, LLC (“Lightspeed” or the “Firm”) failed to reasonably establish, document and

maintain an adequate system of risk management controls and supervisory procedures, including certain post-trade risk controls, to ensure compliance with applicable federal securities laws and regulations and rules of FINRA and exchanges, including EDGX. As a result, the Firm also failed to properly supervise the activities of its market access customers.

2. As a market access provider, Lightspeed was responsible for monitoring and reviewing its market access customers' orders to detect and report suspicious and potentially manipulative trades, and to ensure that orders entered via its registered market participant identifiers fully complied with applicable federal securities laws and regulations and the rules of EDGX.

3. Yet despite applicable rules and guidance, Lightspeed failed to adequately surveil for, and prevent, various forms of potentially manipulative trading activity by its market access customers on multiple markets, including EDGX.

4. By failing to establish adequate controls and procedures, and failing to properly monitor and supervise the activities of its market access customers, the Firm violated Rule 15c3-5 of the Exchange Act (the "Market Access Rule" or "Rule 15c3-5") (for the period on and after July 14, 2011), and EDGX Rules 3.1, 3.2, 5.1, and 5.4.

RESPONDENT AND JURISDICTION

5. Lightspeed has been registered with FINRA since June 23, 1994, and has been a member of EDGX since May 19, 2010. Its principal place of business is in New York, New York; the Firm also has a branch office in Chicago, Illinois. EDGX has jurisdiction over Lightspeed because it is currently registered as an EDGX member firm, and it committed the misconduct at issue while an EDGX member firm.

STATEMENT OF FACTS

6. During the relevant period, Lightspeed provided certain customers with direct access to numerous exchanges, including EDGX. As such, the Firm's customers were able to electronically route orders directly to the exchanges.

7. As a provider of market access, Lightspeed was responsible for establishing, implementing and maintaining adequate risk management controls and supervisory procedures, including written supervisory procedures ("WSPs"), and a system of follow-up and review reasonably designed to: (a) investigate red flags and monitor the trading activity of its market access customers; (b) detect and prevent suspicious and potentially manipulative trades; and (c) ensure that all trades entered under the Firm's market participant identifiers complied with applicable federal securities laws and regulations and the rules of EDGX, other exchanges, and FINRA.

8. Through multiple industry-wide notices published during the relevant period, Lightspeed was on notice of its obligations and responsibilities to implement risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of its market access business.

9. For example, in FINRA's 2011 Priorities Letter, dated February 8, 2011, FINRA explained that just as firms have a primary responsibility to supervise their associated persons and ensure that they are not involved in fraudulent schemes, firms must also be vigilant regarding their customers. The letter also advised firms that customer-initiated schemes can expose firms to regulatory, operational and reputational risk, and that FINRA expects firms to maintain robust supervisory systems that reasonably are designed to detect and report suspicious transactions.

10. In FINRA's 2012 Priorities Letter dated January 31, 2012, FINRA emphasized the need for firms to comply with SEC Rule 15c3-5, and made clear that market access providers must have post-trade surveillance procedures reasonably designed to identify various potential trading violations such as wash sales, spoofing, layering, quote stuffing and manipulation related to the open and close of trading.

11. FINRA's 2013 Priorities Letter, dated January 11, 2013, highlighted FINRA's focus on trading abuses intended to bait other market participants into trading at artificially higher or lower prices.

12. Although throughout the relevant period Lightspeed added additional surveillance and improved its supervisory systems, Lightspeed failed reasonably to heed the concerns raised in FINRA's Priorities Letters by disregarding its obligations regarding surveilling for potentially manipulative and suspicious transactions, even though FINRA staff had raised concerns about potentially manipulative momentum ignition trading activity by its market access customers in March 2015, and had sent requests for information to Lightspeed that should have put the Firm on notice that it did not have adequate surveillance procedures reasonably designed to identify various potential trading violations.

Lightspeed Failed to Monitor for Potentially Manipulative Trading

Lightspeed Failed to Monitor for Potential Manipulative Activity, Including Momentum Ignition Strategies

13. Lightspeed failed to have reasonable controls and procedures, including supervisory procedures to detect indicia of potential manipulative activity, including momentum ignition strategies. More specifically, the Firm failed to implement adequate surveillance to detect and review customer trading activity that accounted for a significant percentage of either

the trading volume of a security within a short period of time, or, until September 2015, the daily trading volume of a security.

14. “Momentum ignition” strategies generally involve trading patterns where a market participant attempts to induce others to trade at artificially high or low prices. The essential purpose of momentum ignition strategies is to bait others to trade at higher or lower prices — a trader effects buy (or sell) transactions within a short period of time, which has the effect of raising (or lowering) the price of the stock, followed by transactions on the opposite side of the market, which have become more favorably priced as a result of the initial transactions.

15. Accordingly, momentum ignition strategies will often involve trading activity that accounts for either a high percentage of the security’s intra-day trading over a short period of time, or a significant intra-day price change.

16. A tool used by the Firm for monitoring whether trading by its customers directly impacted the price of the security to a potentially manipulative degree was its Participation Report. That report was limited to surveilling for instances in which the Firm’s customers in the aggregate had effected at least five percent of the daily volume of any security, *and* where there was more than a ten percent price change from the prior day’s close.

17. Because the Participation Report required that the Firm’s customers’ trading meet both a daily volume and price change threshold, it failed to detect potential intra-day manipulative activity which occurred within a short period of time.

18. The Firm also utilized two Low Volume Reports; which report was utilized depended on the trading platform used by the customer. The Firm first began using a Low Volume Report generated by a third-party vendor that was supposed to detect trading activity

where a customer accounted for at least 25 percent of the volume in a security whenever the total daily trading volume was below 100,000 shares. The Firm subsequently began using an internally-generated Low Volume Percentage Report that was designed to detect instances in which a Firm customer had effected at least 15 percent of the daily volume in any security (as of November 2012, this threshold was raised to 25 percent, and the Firm's current parameter is a daily volume fewer than 1,000,000 shares). However, the surveillances were not used across all of the trading platforms used by the Firm's customers during all of the relevant period.

19. Moreover, the Firm did not maintain a layering or spoofing surveillance across all trading platforms until September 2015. "Spoofing" is a form of market manipulation that generally involves, but is not limited to, the manipulator entering certain non-bona fide orders, with the intention of cancelling those orders once they trigger some type of market movement and/or response from other market participants, from which the market manipulator might benefit by trading certain other orders. "Layering" generally involves, but is not limited to, a pattern in which multiple, non-bona fide limit orders are entered on one side of the market in a stock at various price levels, which creates the appearance of a change in the supply and demand of the security, thereby moving the price. At or around the same time, the trader enters one or more orders for execution on the opposite side of the market; upon execution of some or all of those orders (in full or in part), any open non-bona fide orders are immediately cancelled.

20. Additionally, the Firm did not at all times maintain an adequate system to detect pre-arranged trades, where one or more participants effect a trade that is agreed upon in advance.

21. The Firm's market access customers engaged in suspicious and potentially manipulative trading activity during the relevant period. However, Lightspeed's procedures and controls were not reasonably designed to detect and prevent such activity.

Trading by Firm Customers KR and DA

22. During the relevant period, suspicious trading occurred in the accounts of two market access customers of the Firm, KR and DA, both of which were based in Estonia.

23. The owner of KR was a friend of DA and had referred DA to the Firm.

24. On December 27, 2010, during an 18-second window, from approximately 9:38:57 to 9:39:15, KR sold short a total of 6,500 shares of Fresh Del Monte Produce Inc. (“FDP”). Immediately thereafter, at approximately 9:39:15, KR started purchasing FDP, while DA started selling 5,200 shares of FDP short. As a result, KR purchased 1,900 shares of FDP from DA.

25. Within 55 seconds from 9:38:57 to 9:39:52, the trading activity of KR and DA accounted for 38.9 percent of the volume of FDP during that period, and the price of the security declined from \$24.60 to as low as \$24.23.

26. The Firm, however, did not have an adequate surveillance to detect situations in which its customers’ transactions constituted a significant percentage of intra-day trading activity during short periods of time.

27. Lightspeed failed to detect that, during the 55-second window, KR’s and DA’s short sales had accounted for approximately 38.9 percent of the trading volume in FDP or that there was a potential pre-arranged trade between KR and DA.

28. Moreover, it was not until March 2012 that the Firm implemented a surveillance that would detect potential pre-arranged trades between different accounts.

Trading by Firm Customer AS

29. On March 23, 2011, AS, another market access customer of the Firm, effected transactions in shares of BSD Medical Corp. (“BSDM”), in which over the course of

approximately 11 seconds, AS purchased 14,400 shares at an average price of approximately \$4.1018. During this time, a total of 17,850 BSDM shares, including the shares purchased by AS, traded, and the price moved from \$4.07 to \$4.12.

30. Over the next 14 seconds, AS liquidated his position, resulting in a profit of approximately \$698 in a less than 30-second trading window.

31. Customer AS repeated this short-term trading pattern in BSDM several times throughout the day, such that his trading represented approximately 23 percent of the total volume in the stock that day. This trading, however, was not detected by the Firm's Low Volume Percentage Report, which should have identified any account that traded 15 percent or more of a symbol's daily volume.

32. Moreover, on March 23, 2011, AS effected a wash transaction in BSDM in that he purchased and sold 1,000 shares at the same price and at the same time.

33. Although this wash transaction, as well as other wash transactions by AS on March 21, March 24, and March 25, 2011, had been reviewed by the Firm, the Firm did not contact AS to inquire about this potential wash trading.

Trading by Firm Customer RQ

34. On January 10, 2012, within an 11-minute window, market access customer RQ's trading activity in AeroCentury Corp. ("ACY") accounted for approximately 53 percent of the total daily volume in ACY, and the closing price of ACY was greater than ten percent from the prior day's close.

35. Even though RQ's trading was within the purported parameters of the Firm's Participation Report, the report did not capture RQ's trading in ACY.

36. RQ's trading activity was also not detected by the Firm's Low Volume Percentage Report, which was supposed to identify any account that traded 15 percent or more of a symbol's daily volume.

37. Other instances where the Firm's Low Volume Percentage Report failed to detect RQ's activity are: (a) on March 8, 2012, RQ's trading in AMREP Corporation ("AXR") totaled approximately 5,200 shares (approximately 27 percent of the total daily volume); and (b) on September 13, 2012, RQ's trading in American Spectrum Realty Inc. ("AQQ") totaled approximately 3,400 shares (approximately 25 percent of the total daily volume).

38. RQ's potentially manipulative trading activity in ACY, AXR, and AQQ was neither detected nor reviewed by the Firm.

Trading by Firm Customer JT

39. On January 17, 2012, JT, a market access customer of Lightspeed, entered both large purchase and sell orders in shares of Apollo Global Management, LLC ("APO"), which caused a move in the price of the stock; he thereafter liquidated his position at beneficial prices.

40. Among the orders entered by JT, at 14:07:16 he entered a buy order for 80,000 shares at \$14.00, and 73,686 shares executed against an existing order entered by another firm's customer to sell 98,846 shares at \$14.00.

41. In response to JT's purchase, and at the same second as JT's purchase, shares of APO traded as high as \$14.10, the price at which JT sold 3,100 shares of a previously entered 33,000 share sell order.

42. JT then cancelled the 29,900 share balance of the 33,000 sell order and began to liquidate his long position at higher prices; within a minute, JT sold shares at prices as high as \$14.30, an increase of 2.1 percent.

43. Thereafter, JT continued buying and selling shares of APO throughout the day.

44. JT's trading in APO represented approximately 34 percent of the security's total volume for the day. The percentage of daily volume of JT's trades alone should have been a red flag to the Firm that further review of JT's trading was required. But, because the closing price of APO was not ten percent or more from the prior day's close, JT's trading activity did not appear on the Firm's Participation Report.

45. Additionally, JT's trading activity was not detected by the Firm's Low Volume Percentage Report, which should have identified any account that traded 15 percent or more of a symbol's daily volume. JT's trading activity was neither detected nor reviewed by the Firm.

Lightspeed Failed to Establish Adequate Supervisory Procedures, Including Written Supervisory Procedures

46. EDGX members are required to establish, maintain, and enforce supervisory systems and procedures, as evidenced by its WSPs, which are reasonably designed to achieve compliance with applicable securities laws, regulations, and exchange rules.

47. At a minimum, adequate supervisory procedures should include: (i) the identification of the individual(s) responsible for supervision; (ii) the supervisory steps and reviews to be taken by the appropriate supervisory personnel; (iii) the frequency of such reviews; and (iv) how such reviews are documented.

48. During the relevant period, although the Firm added surveillance and improved its processes, the Firm's supervisory procedures failed to adequately provide for the surveillance of potentially manipulative trading activity, including momentum ignition strategies by its market access customers.

49. Furthermore, the Firm's WSPs did not reference any pre-trade risk controls or post-trade surveillance designed to prevent or detect duplicative, erroneous, or an excessive

number of orders or quotations. Moreover, until the summer of 2014, the Firm failed to adopt and maintain, on a pre-order basis or otherwise, an adequate system of risk management controls and supervisory procedures, including a system of follow-up and review, reasonably designed to prevent the transmission, and to supervise the use, of algorithms by customers to ensure that they did not transmit duplicative, erroneous, or an excessive number of orders or quotations.

50. Additionally, prior to March 2012 the Firm did not maintain any surveillance to detect potentially pre-arranged trades between different accounts. Moreover, during the period between July 2012 and September 2012, the Firm's system, provided by a third-party vendor, to surveil for potentially pre-arranged trades was not functioning properly due to a system malfunction.

51. In addition, prior to March 2012, the Firm did not have any surveillance that related to trading activity by its direct market access customers that involved large orders that are entered and cancelled prior to the opening of the market. The Firm also failed to have any WSPs relating to the cancellation of large orders prior to the opening of the market until January 2013.

52. The Firm's WSPs failed to address any surveillance to detect potential instances of spoofing by customers during the trading day until January 2013. It was not until September 2015 that the Firm implemented an electronic surveillance that was designed to detect potential instances of spoofing across all of the trading platforms used by its market access customers.

53. The Firm also failed to implement any surveillance to detect potential instances of layering by customers until September 2015.

54. By failing to have such surveillances and WSPs, the Firm also failed to ensure, as required by Rule 15c3-5, that it had in place appropriate regulatory risk management controls

and supervisory procedures to assure that appropriate surveillance personnel received immediate post-trade execution reports concerning market access activity.

55. Additionally, for certain surveillances maintained by Lightspeed, the Firm's WSPs did not identify: (i) the identity of the individual(s) responsible for supervision; (ii) the supervisory steps and reviews to be taken; (iii) the frequency of such reviews; and (iv) how such reviews are documented. For example:

- a. Although the Firm utilized the "Tspool Small Size Report" and "Executor Small Size Report," which surveil for market access customer orders of fewer than five shares,¹ the Firm's WSPs did not make any reference to the reports, and did not specify who reviews the reports, or any of the steps for the review and use of these reports.
- b. Although the Firm maintained a surveillance titled "Oversells Report," which reports when a customer sells a security for an amount larger than the customer's position, the WSPs did not specify any steps for the review of this report or how the reviews are documented.
- c. During 2011 and 2012, although the Firm's WSPs stated that a Compliance Analyst is required to review reports on a daily basis, including two reports designed to detect wash orders, a "Wash Sale Order Based Report" and "Wash Sale Execution Based Report," and a "MOC/LOC Report" designed to ensure that Market-on-Close and Limit-on-Close orders are not entered after the applicable cut-off times, it was not until January 2013 that the Firm's WSPs specified the supervisory

¹ "Tspool" and "Executor" surveil activity on different trading platforms.

steps to be taken to review these reports and how the reviews are documented.

56. As a result of these supervisory deficiencies, the orders entered by customers of Lightspeed had the potential to adversely impact the integrity of the market and cause potential harm to other market participants.

**Market Access Rule Violations
(Violations of Section 15(c)(3) of Exchange Act
and Rule 15c3-5 thereunder, and violations of
EDGX Rules 3.1, 3.2, 5.1, and 5.4)**

57. On November 3, 2010, the SEC announced the adoption of Rule 15c3-5 — the Market Access Rule — to require that broker-dealers with market access “appropriately control the risks associated with market access, so as not to jeopardize their own financial condition, that of other market participants, the integrity of trading on the securities markets, and the stability of the financial system.”

58. Rule 15c3-5(b) established specific requirements for broker-dealers with market access, including that such firms “establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, or other risks” of its business.

59. Rule 15c3-5(c)(1)(ii) requires, among other things, that the Firm’s risk management controls and supervisory procedures be reasonably designed to prevent the entry of erroneous or duplicative orders.

60. Despite applicable rules and guidance, Lightspeed failed 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 providing market access, as required by Rule 15c3-5(b), in that:

i. prior to March 2012, the Firm did not have any surveillance that related to trading activity by its direct market access customers that involved large orders that are entered and then cancelled prior to the opening of the market, and it did not have any WSPs for this until January 2013;

ii. the Firm did not maintain an adequate system to detect spoofing or layering during the trading day until September 2015;

iii. prior to March 2012, the Firm did not maintain any surveillance to detect potentially pre-arranged trades between different accounts;

iv. the system utilized by the Firm through a third-party vendor to detect pre-arranged trading did not function as intended during the period between July 2012 and September 2012;

v. the Firm did not maintain an adequate system to detect potential instances of momentum ignition;

vi. the systems that the Firm did have to detect potentially manipulative activity did not detect the activity that they were designed to detect, in that they failed to detect activity that should have appeared on the Low Volume Reports; and

vii. when wash sales were detected by the Firm, it failed to take appropriate follow-up and review.

61. Lightspeed also failed to ensure, as required by Rule 15c3-5(c), that it had in place: (i) a system to detect the transmission of duplicative, erroneous, or an excessive number of orders or quotations; and (ii) appropriate regulatory risk management controls and supervisory

procedures so as to: (a) prevent the entry of orders unless there was compliance with all regulatory requirements; and (b) assure appropriate surveillance personnel receive immediate post-trade execution reports that result from market access activity.

62. By failing to establish, document and maintain a system of risk management controls and supervisory procedures reasonably designed to systematically manage the regulatory and other risks of providing market access, Lightspeed violated Section 15(c)(3) of the Exchange Act and Rule 15c3-5 thereunder (for misconduct beginning July 14, 2011), and violated EDGX Rules 3.1, 3.2, 5.1, and 5.4.

**Supervisory Deficiencies and Failures
(Violations of EDGX Rules 3.1, 3.2, 5.1, and 5.4)**

63. EDGX Rule 5.1 requires members to establish, maintain, and enforce WSPs which will enable it to properly supervise the activities of its associated persons and to assure compliance with applicable securities laws, rules and regulations, and the applicable rules of the respective exchange.

64. EDGX Rule 5.4 requires members to review the activities of each office, which is to include the periodic examination of customer accounts to detect and prevent irregularities or abuses.

65. EDGX Rule 3.1 requires that members, in the conduct of their business, shall observe high standards of commercial honor and just and equitable principles of trade.

66. EDGX Rule 3.2 prohibits members from engaging in conduct in violation of the Exchange Act, the rules and regulations thereunder, the By-Laws, Exchange Rules and any policy or written interpretation of the By-Laws or Exchange Rules. EDGX Rule 3.2 further

requires every member to supervise persons associated with the member to assure compliance with those requirements.

67. The Firm failed to establish supervisory systems, including WSPs, reasonably designed to provide for sufficient reviews of trading activity by its market access customers for potentially manipulative or suspicious trading activity, and to achieve compliance with Rule 15c3-5, as well as other applicable rules and regulations prohibiting manipulative and abusive trading.

68. As a result of the foregoing conduct, Lightspeed violated EDGX Rules 3.1, 3.2, 5.1, and 5.4.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by EDGX, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be censured, fined in the total amount of **\$290,000** (to be paid collectively to EDGX, FINRA, The NASDAQ Stock Market LLC; NYSE Arca Equities, Inc., The New York Stock Exchange LLC, Bats BZX Exchange, Inc., Bats EDGA Exchange, Inc.), of which **\$41,428.57** shall be paid to EDGX. Lightspeed shall also comply with the undertaking in accordance with the terms of the Offer, pursuant to which at intervals of 90, 180, and 360 days after acceptance of the Offer, Lightspeed shall make a written submission to FINRA, concerning the Firm's implementation and effectiveness of the Firm's policies, systems and procedures (written and otherwise) (collectively, the "Controls") relating to the specific

areas described above and/or listed below to ensure:

- a. That the Firm is in compliance with any and all Sponsored Access and/or Direct Market Access Rules of FINRA and all Exchanges to which the Firm grants customers market access;
- b. That the Firm is in compliance with Rule 15c3-5 of the Exchange Act; and
- c. That the Firm adequately supervises trading of its market access customers and associated persons in areas including, but not limited to:
 - i. Trading surveillances and/or exception reports; and
 - ii. Procedures and systems of follow-up and review of potentially violative trading activity.

The written reports shall be certified by the Chief Executive Officer or General Counsel of the Firm, and shall address, at a minimum, the implementation and performance of the Firm's Controls; the steps taken by supervisory personnel to ensure compliance in the aforementioned areas and the results of such supervisory reviews; and modifications or recommendations for improvements to the Controls and the dates of the effectiveness of such modifications or planned implementation of such recommendations. Upon written request showing good cause, FINRA Staff may extend any of the procedural dates set forth herein.

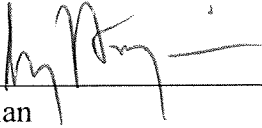
Respondent has executed an Installment Payment Plan Sanctions Addendum to the Offer which will govern the terms of Respondent's payment of the monetary sanction.²

² Respondent's Installment Payment Plan Sanctions Addendum is dated October 11, 2017.

The sanctions imposed herein shall be effective 20 business days from the entry of this Decision pursuant to EDGX Rule 8.8(a). Respondent may not seek review of this Decision after it becomes final pursuant to EDGX Rule 8.8(a).

SO ORDERED.

BATS EDGX EXCHANGE, INC.

By  _____
Greg Hoogasian
Senior Vice President & Chief Regulatory Officer
Bats EDGX Exchange, Inc.

**BATS EDGX EXCHANGE, INC.
OFFICE OF HEARING OFFICERS**

Department of Market Regulation, on behalf of
Bats EDGX Exchange, Inc.

Complainant,

v.

Lightspeed Trading, LLC (CRD No. 35519),

Respondent.

Installment Plan Sanctions
Addendum
No. 20130354682-07

Hearing Officer – MC

Violations:

1. Violated Section 15(c)(3) of the Exchange Act and Rule 15c3-5 thereunder (for misconduct beginning July 14, 2011), and violated EDGX Rules 3.1, 3.2, 5.1, and 5.4 by failing to establish, document and maintain a system of risk management controls and supervisory procedures reasonably designed to systematically manage the regulatory and other risks of providing market access.
2. Violated EDGX Rules 3.1, 3.2, 5.1, and 5.4 by failing to establish supervisory systems, including WSPs, reasonably designed to provide for sufficient reviews of trading activity by its market access customers for potentially manipulative or suspicious trading activity, and to achieve compliance with Rule 15c3-5, as well as other applicable rules and regulations prohibiting manipulative and abusive trading.

Monetary Sanction: A total fine of \$290,000, of which \$41,428.57 shall be paid to Bats EDGX Exchange, Inc.

Election of Payment:


Lightspeed Trading, LLC (“Lightspeed”) agrees to pay Bats EDGX Exchange, Inc. (“EDGX”) (collectively with Lightspeed, the “Parties”) an initial payment of **\$13,809.53** (“Initial Payment”). The Initial Payment is due and payable on the date the Decision accepting the Offer of Settlement in this matter becomes final pursuant to EDGX Rule 8.8(a).

Thereafter, Lightspeed Trading, LLC agrees to make two minimum payments of \$13,809.52 a month, until the balance of \$41,428.57 is paid in full. The monthly payments of \$13,809.52 shall be due on the 31st of the month beginning on the month of the acceptance of the Offer.¹

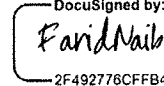
You are entering into an agreement to resolve a pending disciplinary action against Lightspeed Trading, LLC. A failure to pay the sanction which is part of the settlement agreement could result in a separate disciplinary action for such non-payment.

Moreover, Lightspeed Trading, LLC agrees that, should the total amount of \$41,428.57 fail to be paid by December 31, 2017, that any remaining balance shall be paid by Professional Trading Solutions, Inc., by no later than March 31, 2018.

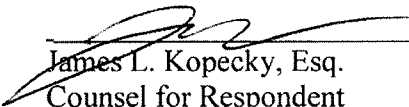
BATS EDGX EXCHANGE, INC.

By: 
Name: GREG HOODBASIAN
Title: SVP, CRO
11/8/2017
Date

LIGHTSPEED TRADING, LLC

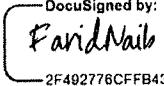
By: 
Name: Farid Naib
Title: CEO
10/6/2017
Date

Reviewed by:


James L. Kopecky, Esq.
Counsel for Respondent
Kopecky Schumacher Rosenberg PC
120 N. LaSalle St., Suite 2000
Chicago, IL 60602
(312) 380-6552

10/11/17
Date

Professional Trading Solutions, Inc.
Guarantor

By: 
Name and Title Farid Naib CEO

¹ The Parties agree that the payment plan agreed to by the Parties herein shall have no precedential value in any future agreements between the Parties herein or in any future regulatory actions involving EDGX.