

CBOE BZX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20170535226-01

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

RE: HRT Financial LLC, Respondent
Broker-Dealer
152144

Pursuant to Rule 8.3 of the Rules of Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”), HRT Financial 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, 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 February 1, 2010 and its registration remains in effect. The Firm does not have relevant disciplinary history.

SUMMARY

In Matter No. 20170535226, the Order Audit Trail Surveillance (“OATS”) Compliance Team (“staff”) of FINRA’s Department of Market Regulation (“Market Regulation”) conducted a review, on behalf of BZX, of the firm’s compliance with the market maker reporting requirements of the Regulation NMS Tick Size Pilot (“TSP”) program¹ as required by Cboe BZX Rule 11.27 and related supervision rules, during the period from April 4, 2016 through December 8, 2016 (the “first review period”).

¹ The TSP program was developed under the TSP Plan, which was approved by the Securities Exchange Commission (“SEC”) and implemented by the National Securities Exchanges and FINRA, to evaluate whether or not the tick size for securities of smaller capitalization companies would impact trading, liquidity and market quality of those securities.

In Matter No. 20180586086, the Exchange Regulatory Department, on behalf of BZX, conducted a review of trade dates February 8, 2018 and March 26, 2018 (the “second review period”, together the “review period”) for the firm’s compliance with the market maker reporting requirements of the TSP program as required by Cboe BZX Rule 11.27 and related supervision rules.

Based on these reviews, the firm violated Cboe BZX Rules 11.27(b)(1), 11.27(b)(3), 11.27(b)(4) and 5.1.

FACTS AND VIOLATIVE CONDUCT

1. Cboe BZX Rule 11.27(b)(1) states, in relevant part, that a member that operates a trading center, or is a market maker, shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data collection and transmission requirements specified in the TSP program.
2. Cboe BZX Rule 11.27(b)(3) states, in relevant part, that a member shall collect and timely transmit, to their Designated Examining Authority (“DEA”)², specified data with respect to activity conducted on any trading center in TSP securities in furtherance of its status as a market maker, in a format required by their DEA.
3. Cboe BZX Rule 11.27(b)(4) states, in relevant part, that a member shall collect and timely transmit, to their DEA, specified data with respect to executions conducted on any Trading Center in TSP securities that settled or reached settlement date, in a format required by their DEA by 12:00 p.m. EST on T+4 basis in accordance with the Rule.
4. Cboe BZX Rule 5.1 states that each member shall 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 Exchange Rules.
5. During the first review period, the firm failed to timely submit 11,145,982 Market Maker Transaction Reporting System (“MMTRS”)³ records to FINRA, pursuant to the Market Maker Reporting requirements of the Regulation NMS TSP program. Specifically, due to a coding error in the script of the firm’s automated process, the firm failed to submit market maker data for TSP eligible securities listed on the Nasdaq TSP symbol list. Once notified, the firm immediately made the necessary adjustment to the software code to include all

² During the review period, the firm’s DEA was the Chicago Board Options Exchange, Inc., which was not a TSP Plan participant. Pursuant to Cboe BZX Rule 11.27(b)(3)(B), members whose DEA is not a participant to the TSP Plan must timely transmit the specified data to FINRA.

³ In order to comply with the data collection requirements under the TSP program, FINRA implemented the TSP MMTRS as the format by which Market Makers should submit the required data to FINRA.

eligible TSP securities. The conduct described in this paragraph constitutes separate and distinct violations of BZX Rule 11.27(b)(3) and (4).

6. During the second review period, the firm failed to timely submit MMTRS data, which it was required to submit, to FINRA. Specifically, an internal data processing issue resulted in the firm submitting a TSP file that contained zero records through its automated process for both trade dates. Once notified, the firm submitted the missing data and instituted procedures to ensure that its TSP submission files are populated. The conduct described in this paragraph constitutes separate and distinct violations of BZX Rule 11.27(b)(3) and (4).
7. During review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable security laws and regulations, and BZX rules concerning the TSP program. Specifically, during the first review period, the firm's exception report, designed to monitor the collection and submission of TSP data, failed to identify the non-reporting. The firm failed to compare its books and records to accepted transactions to ensure that data for all TSP eligible securities was reported. During the second review period, the firm did not verify that the TSP file submissions were populated. The firm has since added additional checks and enhancements to monitor its submission files. The conduct in this paragraph constitutes separate and distinct violations of BZX Rules 11.27(b)(1) and 5.1.

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

A censure and a fine in the amount of \$30,000.

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 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 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 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 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 BZX 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.

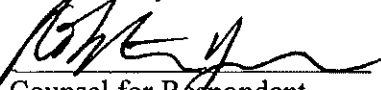
7/20/18
Date

HRT Financial LLC
Respondent

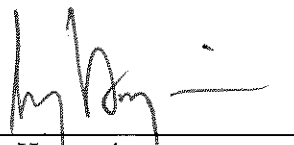
By: 
Name: Adam Nunes

Title: CEO

Reviewed by:


Counsel for Respondent
Firm Name Hudson River Trading LLC
Address 4 World Trade Center, 57th floor
City/State/Zip New York, NY 10007
Phone Number 212-293-1444

7/20/18
Date


Greg Hoogasian
Senior Vice President & Chief Regulatory Officer
Cboe BZX Exchange, Inc. 7/27/2018

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,

Date 7/25/2015

Respondent

HRT Financial LLC

By: 

Name: Adam Nunez

Title: CEO