

**CBOE EDGX EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20140399429-07**

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

RE: TradeStation Securities, Inc., Respondent  
Broker-Dealer  
CRD No. 39473

Pursuant to Rule 8.3 of the Rules of Cboe EDGX Exchange, Inc. ("EDGX"), TradeStation Securities, Inc. ("FILL" or 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**

FILL has been a member of EDGX since May 25, 2010, and FINRA since January 31, 1996, and the firm's registrations remain in effect. The firm does not have a relevant disciplinary history.

**SUMMARY**

1. In connection with Matter No. 20140399429, the staff of the Trading and Financial Compliance Examinations ("TFCE") group of the Department of Market Regulation, on behalf of FINRA and several equity exchanges, reviewed various trading activity and the supervisory procedures of FILL during August 2014 (the "review period"). As a result of this review, TFCE found the trading violations and violations related to FILL's written supervisory procedures set forth below.

## FACTS AND VIOLATIVE CONDUCT

### Trading Activity

2. In one instance during the review period, the firm incorrectly entered an order into the EDGX Exchange with the Retail Order Flag populated. Because the order was entered by computerized methodology, it did not meet the definition of a "retail order" as set forth in EDGX Trading Notices 12-53 and 12-57. Accordingly, FILL failed in its supervisory obligations to comply with the rules of EDGX regarding retail orders. The conduct described in this paragraph constitutes a violation of EDGX Rule 5.1.<sup>1</sup>

### Supervision

3. During the review period, EDGX Rule 5.1 required, among other things, that each member firm establish, maintain and enforce written procedures to enable it to properly supervise the activities of associated persons to ensure compliance with applicable securities laws and regulations and EDGX Rules.
4. During the review period, EDGX Rule 5.5 (Prevention of the Misuse of Material, Non-Public Information) required that each EDGX Member establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of such Member's business, to prevent the misuse of material, non-public information by the Member or persons associated with the Member.
5. During the review period, EDGX Rule 3.1 provided that member firms, in the conduct of their business, shall observe high standards of commercial honor and just and equitable principles of trade
6. During the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of EDGX and the Securities and Exchange Commission. At a minimum, written supervisory procedures ("WSPs") addressing trading and market making topics should describe the following: (a) specific identification of the individual(s) responsible for supervision; (b) the supervisory steps and reviews to be taken by the appropriate supervisor; (c) the frequency of such reviews; and (d) how such reviews are documented.

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<sup>1</sup> On October 29, 2014, EDGX enacted Rule 11.21 setting forth the requirements pertaining to retail orders.

The firm's WSPs failed to provide for one or more of the four above-cited minimal requirements for adequate WSPs in the following subject areas:

- Supervisory System, Procedures & Qualifications: List of Authorized Traders [(a)];
- EDGX Trading Practice Rules: Prohibited trading practices [(a), (b), (c), (d)];
- Trade Reporting: Entering the correct capacity into EDGX [(b), (c), (d)];
- Other Trading Rules: Clearly Erroneous -Technological Controls [(a) ];
- Other Trading Rules: Long/Short Sell Order Entry into EDGX [(c), (d)]; and
- Retail Order Programs: EDGX retail order program [(a), (d)].

The conduct described in this paragraph constitutes a violation of EDGX Rules 3.1 and 5.1.

7. During the review period, the firm failed to provide sufficient documentary evidence that it performed the supervisory reviews set forth in its WSPs in the following subject areas:

- Supervisory System, Procedures & Qualifications: List of Authorized Traders;
- Trade Reporting: Entering the correct capacity into EDGX; and
- Other Trading Rules: Long/Short Sell Order Entry into EDGX.

The conduct described in this paragraph constitutes a violation of EDGX Rules 3.1 and 5.1.

8. During the review period, the firm's WSPs were deficient for compliance with EDGX Rule 5.5 in the following subject areas:

- Other Rules: Improper sharing of material, non-public information [(d)], Advisement of associated persons regarding misuse of material, non-public information [(d)], Attestation by associated persons [(d)], Disclosure of Associated persons that have direct or indirect financial interest in a publicly traded company [(a), (b), (c), (d)].

The conduct described in this paragraph constitutes a violation of EDGX Rule 5.5.

9. During the review period, the firm failed to provide sufficient documentary evidence that it performed the supervisory reviews set forth in its WSPs in the following subject areas:

- Other Rules: Improper sharing of material, non-public information, Advisement of associated persons regarding misuse of material, non-public information, Attestation by associated persons, Quarterly Review of Trade confirmations and statements of associated persons.

The conduct described in this paragraph constitutes a violation of EDGX Rule 5.5.

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

1. A censure; and
2. A fine in the amount of \$125,000, of which \$8,000 is payable to EDGX for the violations of EDGX Rules 3.1, 5.1 and 5.5.<sup>2</sup>
3. Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between FILL and each of the following self-regulatory organizations: Cboe BYX Exchange, Inc., Cboe BZX Exchange Inc., Cboe EDGA Exchange Inc., FINRA, The NASDAQ Stock Market LLC, the New York Stock Exchange LLC, NYSE American LLC, and NYSE Arca, Inc.

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 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 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.

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<sup>2</sup> The balance of the sanction will be paid to the self-regulatory organizations listed in Paragraph B.3.

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

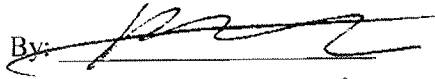
The firm understands that:

- 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. 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 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.

November 6, 2017  
Date

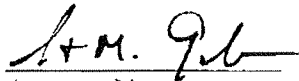
Respondent  
TradeStation Securities, Inc.

By: 

Name: Peter Korotkiy

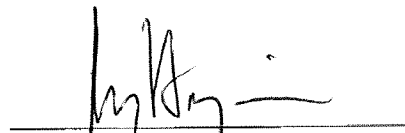
Title: President & COO

Reviewed by:



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

11/20/2017  
Date



Greg Hoogasian  
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;
- Wire transfer.

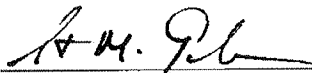
Respectfully submitted,

Respondent

TradeStation Securities, Inc.

November 6, 2017

Date

By: 

Name: Steven M. Greenbaum

Title: General Counsel