



DISCIPLINARY DECISION

Cboe BZX Exchange, Inc.

Star No. 20190610675-08/File No. USE-2286-05/URE-42-05

Electronic Transaction Clearing, Inc.

Pursuant to Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rule

- BZX Rule 5.1 – Written Procedures.

Sanction

A censure and a monetary fine in the amount of \$7,000.

Effective Date

May 17, 2022

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

Cboe BZX Exchange, Inc.
LETTER OF CONSENT
Star No. 2019061067508/File No. USE-2286-05/URE-42-05

In the Matter of:

Electronic Transaction Clearing, Inc.
660 South Figueroa Street, Suite 1450
Los Angeles, CA 90017

Subject

Pursuant to the provisions of Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) Rule 8.3 – Expedited Proceeding, Electronic Transaction Clearing, Inc. (“ETC” or the “Firm”) submits this Letter of Consent for the purpose of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies that violations of Exchange Rules have been committed, and the stipulation of facts and findings described herein do not constitute such an admission.

BACKGROUND

1. During all relevant periods herein, ETC was acting as a registered Broker-Dealer and was an Exchange Member. The Firm’s registrations remain in effect.
2. This matter originated from a 2019 cycle examination of the Firm conducted by FINRA’s Department of Market Regulation on behalf of BZX and other exchanges.

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: BZX Rule 5.1 – Written Procedures and BZX Rule 11.19(a) – Short Sales.
4. During all relevant periods herein, BZX Rule 5.1 required 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 Exchange Rules.”
5. During all relevant periods herein, BZX Rule 11.19(a) provided, in part, that “[a]ll short sale orders shall be identified as ‘short’ or ‘short exempt’ when entered into

the [BZX] System.” Pursuant to Rule 200(g) of Regulation SHO, promulgated under the Securities Exchange Act of 1934, as amended, broker-dealers are required to “mark all sell orders of any equity security as ‘long,’ ‘short,’ or ‘short exempt.’” The broker-dealer selling an equity security may only mark an order as “long” in the event that it is deemed to own the security being sold and either (i) the security to be delivered is in the physical possession or control of the broker or dealer; or (ii) it is reasonably expected that the security will be in the physical possession or control of the broker or dealer no later than the settlement of the transaction.

Supervision

6. From in or about August 2017 through in or about June 2019, the Firm had no supervisory system reasonably designed to check that it was correctly marking sell orders in compliance with Rule 200(g) of Regulation SHO and BZX Rule 11.19(a), and the Firm’s written supervisory procedures (“WSPs”) were unreasonable because they did not describe any procedures for reviewing or testing orders to assure compliance with order marking requirements. In July 2019, the Firm implemented a supervisory system whereby it sampled orders for the correct marking of sell orders. However, its WSPs did not contain a detailed description of the steps to conduct the review until July 2020.
7. Furthermore, from in or about August 2017 through in or about June 2020, the Firm failed to reasonably monitor the orders of customers that used more than one market participant identifier (“MPID”) to verify that the customers’ positions were aggregated for purposes of marking those orders accurately as required by Rule 200(g) and BZX Rule 11.19(a). The Firm’s WSPs did not address how it would supervise for compliance with order marking requirements for customers that use more than one MPID until July 2020.
8. The acts, practices and conduct described in Paragraphs 6 and 7 constitute a violation of BZX Rule 5.1 by the Firm, in that the Firm failed to establish, maintain, and enforce a supervisory system reasonably designed to assure compliance with applicable order marking rules.

SANCTIONS

9. The Firm has prior relevant disciplinary history. On July 24, 2017, FINRA fined the Firm \$250,000 for, among other violative conduct, failing to properly net all positions for accounts that were related or under common control in order to determine whether sales were long or short. On December 29, 2016, Cboe Exchange, Inc. accepted an Offer of Settlement in which the Firm was fined \$150,000 for, among other violative conduct, failing to adequately supervise order marking by the Firm’s non-broker-dealer customers and failing to monitor and enforce any policies and procedures designed to prevent incorrect identification of orders as “sell short exempt.”

10. In light of the alleged rule violations described above, and prior relevant disciplinary history, the Firm consents to the imposition of the following sanctions:
 - a. A censure; and
 - b. A monetary fine in the amount of \$7,000.¹

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations, and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 8.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The Firm 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 Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent. The Firm further waives any claim that a person violated the ex parte prohibitions of Exchange Rule 8.16, in connection with such person’s participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including its acceptance or rejection.

The Firm agrees to pay the monetary sanction upon notice that this Letter of Consent has been accepted and that such payment is due and payable. 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 imposed in this matter.

The Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 8.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by the Exchange or any other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange in accordance with Exchange Rule 8.18.

The Firm understands that it may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange or its staff.

¹ This settlement relates to other settlements the Firm reached with The Nasdaq Stock Market LLC, New York Stock Exchange LLC, NYSE Arca, Inc., NYSE National, Inc., Cboe BYX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Investors Exchange LLC, and FINRA.

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 Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.

Date: May 10, 2022

Electronic Transaction Clearing, Inc.

By: 

Name: William Brennan

Title: Chief Executive Officer