



DISCIPLINARY DECISION
Cboe BYX Exchange, Inc.
File No. URE-235-06/Star No. 20190630478-03
Instinet, LLC

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

Applicable Rule(s)

- Cboe BYX Rule 5.1 – Written Procedures.

Sanction

A censure, a monetary fine in the amount of \$53,030, and an undertaking as detailed in the attached Letter of Consent.

Effective Date

January 26, 2026

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

Cboe BYX Exchange, Inc.
LETTER OF CONSENT
File No. URE-235-06/Star No. 2019063047803

In the Matter of:

Instinet, LLC
309 West 49th Street
New York, NY 10019

Subject

Pursuant to the provisions of Cboe BYX Exchange, Inc. ("Cboe BYX" or the "Exchange") Rule 8.3 – Expedited Proceeding, Instinet, LLC ("Instinet" 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 stipulations described herein do not constitute such an admission.

BACKGROUND

1. During all relevant periods herein, Instinet was acting as a registered Broker-Dealer and was an Exchange Member. The Firm's registrations remain in effect.
2. This matter originated from FINRA's cross market surveillance and from referrals from other self-regulatory organizations ("SROs").

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rule was in full force and effect: Exchange Rule 5.1 – Written Procedures.
4. During all relevant periods, Cboe BYX Rule 5.1 required that "[e]ach 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."

Instinet's Business and Surveillance Model

5. From at least January 2019 through the present, Instinet provided market access to domestic and foreign institutional clients and broker-dealers, some of which had multiple authorized traders.

6. Instinet used vendor-provided and proprietary systems to surveil for potentially manipulative trading by clients. The systems had some surveillance overlap (e.g., each of the systems surveilled for wash trades), but each also provided unique surveillances, and in some cases, addressed different types of order flow.

Instinet's Failure to Supervise

Instinet did not reasonably surveil for certain forms of manipulation.

7. From at least January 2019 through the present, Instinet's surveillance systems were not reasonably designed to supervise for potential manipulative trading.
8. First, from January 2019 through July 2025, Instinet's surveillance for potentially manipulative trading during the pre-market was unreasonable. Instinet only surveilled for potential pre-market spoofing activity by two clients. Instinet excluded from its pre-market spoofing review the activity of its other clients and did not surveil for any other type of potentially manipulative trading during the pre-market.
9. Second, Instinet implemented marking the close surveillances that included unreasonable parameters at various times during the review period. For example, the Firm's marking the close surveillances failed to reasonably account for scenarios where a trader or client entered a single order with the intent to affect the security's closing price. Although the Firm had a control that tried to identify such orders, it was limited to orders entered only in the final second before market close, which was unreasonable because marking the close can occur before the final second, particularly in less liquid securities.
10. Third, Instinet implemented ramping¹ surveillance patterns that were set at unreasonably high thresholds that in certain instances did not consider the fact that ramping could occur with fewer trades.
11. Fourth, Instinet's surveillance for potential wash trading was unreasonable. Prior to January 2021, Instinet's surveillance parameters through one of its proprietary systems only identified potential wash sales if both the buy and sell order were routed to the same market destination. However, this surveillance pattern would miss potential wash trades where the buy and sell orders were routed to different market centers but subsequently executed at the same market center.
12. Fifth, one of the Firm's surveillance systems was not reasonably designed to detect potentially coordinated manipulative trading by traders at the same client. Instinet assigned each client one or more "Terminal IDs," each of which represented a different connection to the Firm's order management systems and typically different traders at the client. However, until October 2019, Instinet did not configure its system to capture client activity across multiple Terminal IDs, thus potentially missing coordinated manipulative trading activity among different traders at the same client.

¹ Ramping involves trading practices designed to artificially increase or decrease the price of a security, by creating a false impression of trading interest.

13. Sixth, Instinet's surveillance systems were not reasonably designed to detect potential instances of layering and spoofing. Specifically, until February 2020, Instinet's layering and spoofing surveillance excluded any potential non-bona fide orders that joined or improved the national best bid and offer ("NBBO"), even though layering and spoofing schemes can include the entry of non-bona fide orders that join or improve the NBBO. Further, since March 2020, Instinet's layering surveillance required at least five layered orders to occur within 15 seconds from the start of a layered pattern to trigger an alert. This pattern was unreasonable because layering and spoofing can occur with fewer than five non-bona fide orders over a longer time period.

Instinet failed to reasonably review surveillance alerts.

14. Instinet's review of its surveillance alerts also was not reasonably designed to identify potentially manipulative trading activity. From at least January 2019 through July 2023, Instinet failed to reasonably supervise first-level reviewers who closed substantially all of the pre-market spoofing alerts with a disposition of no further action. However, the first-level reviewers had not conducted a substantive review of the alerts. Because the first-level reviewers marked the alerts with a disposition of no further action, the Firm's second-level reviewers also did not review the alerts. As a result, the Firm failed to reasonably review 98 percent of the pre-market spoofing alerts during this period.
15. Additionally, Instinet failed to have reasonably designed written supervisory procedures ("WSPs") regarding the appropriate timeframes to complete its supervisory reviews for its surveillance alerts. The Firm's WSPs stated that alerts needed to be resolved in a "timely manner," but did not provide guidance about what constituted a timely review of surveillance alerts.
16. Relatedly, Instinet failed to timely perform second-level reviews of thousands of other alerts due to insufficient staffing in the Firm's sales and trading supervision department. The Firm generated a large volume of alerts but had few individuals to perform second-level reviews of those alerts and, consequently, had significant delays in reviewing alerts. For example, Firm records reflect delays of more than 60 business days in the resolution of certain second-level reviews regarding potentially manipulative trading activities.
17. Further, Instinet's process of tracking clients' authorized traders that had been terminated by Instinet for engaging in potentially manipulative or suspicious trading activity was not reasonable because Instinet did not have a reasonable process for confirming such authorized traders' access to Instinet had been terminated. Additionally, through at least May 2022, the Firm did not consider the alerts generated by each of its clients in the aggregate to evaluate the client's overall trading activity.

Instinet failed to reasonably supervise clients placed on heightened surveillance.

18. From at least January 2019 through the present, Instinet recognized that certain clients presented a degree of heightened risk and placed two clients on what it called "heightened surveillance." The Firm's WSPs, however, did not explain the criteria or process the Firm used for assigning such a risk rating or for placing a

client on heightened surveillance, including how such designations were to be considered when conducting surveillance reviews of the client. Instinet also maintained no documentation supporting its analysis for why these clients presented heightened risk. Moreover, Instinet did not inform its first-level reviewers that the two clients had been placed on heightened surveillance, which would have been important for the reviewers to consider when reviewing the clients' trading activity.

19. Instinet requested that two clients restrict their trading activity generally to securities meeting designated criteria, as both clients had generated a high volume of alerts for potentially manipulative trading activity. Instinet relied on the two clients to implement those restrictions and did not take reasonable steps to ensure that the restrictions were properly implemented.

Instinet's Supervisory System and WSPs

20. Although the Firm maintained WSPs from at least January 2019 through the present that described the Firm's surveillance and reviews, the WSPs and the Firm's enforcement of them was unreasonable for several reasons. First, Instinet's WSPs relating to its surveillance for manipulation were inaccurate or incomplete. For example, prior to January 2020, Instinet records purporting to reflect its parameter settings for one of the Firm's system's surveillance alerts did not accurately state the system's parameters. Second, from January 2021 through October 2023, Instinet also incorrectly listed the parameters of an alert in another system as the parameters for a different alert type in multiple versions of its WSPs. Instinet learned of this error only after a regulator alerted the Firm to it. Additionally, the Firm failed to enforce its alert review procedures, which required a review of all the alerts for certain alert types that were outsourced for a first level review; however, prior to January 2020, the first level reviewers' procedures applicable to these alerts provided for a review of a random sample of ten alerts per day for each type.
21. The acts, practices, and conduct described in Paragraphs 7 through 20 constitute violations of Cboe BYX Rule 5.1 by the Firm, in that the Firm failed to establish, maintain, and enforce a supervisory system, including WSPs, that was reasonably designed to enable the Firm to supervise for potential manipulative trading.

SANCTIONS

22. In Matter No. 20130368360 (April 2018), Instinet consented to a censure, a cross-market fine of \$1,575,000, and an undertaking related to market access deficiencies for violations of self-regulatory organizations' respective supervision rules, and Section 15(c)(3) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and Exchange Act Rule 15c3-5.² Among other findings, the SROs found that Instinet's supervisory system, including its WSPs, was not reasonably designed to identify potentially manipulative trading by its clients.

² Matter No. 20130368360 was brought on behalf FINRA, Nasdaq BX, Inc. ("BX"), Nasdaq PHLX LLC ("Phlx"), The Nasdaq Options Market LLC, Cboe BZX Exchange, Inc ("Cboe BZX"), Cboe BYX, Cboe EDGA Exchange, Inc. ("Cboe EDGA"), Cboe EDGX Exchange, Inc. ("Cboe EDGX"), the New York Stock Exchange LLC ("NYSE"), NYSE Arca Options, Inc., NYSE Arca Equities, Inc. ("NYSE Arca"), NYSE American Equities LLC ("NYSE American"), NYSE American Options LLC, BOX Options Exchange LLC, and Investors Exchange LLC ("IEX").

23. In light of the alleged rule violations and prior relevant disciplinary history described above, the Firm consents to the imposition of the following sanctions:

- a. a censure;
- b. a monetary fine in the amount of \$53,030;³
- c. An undertaking that, within 120 days of the date of the notice of acceptance of this Letter of Consent, a member of Instinet's senior management who is a registered principal of the Firm shall certify in writing that, as of the date of the certification, the Firm has remediated the issues identified in this Letter of Consent and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with applicable rules. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Instinet's remediation and implementation. Cboe BYX staff may request further evidence of Instinet's remediation and implementation, and Instinet agrees to provide such evidence. Instinet shall submit the certification to Luis A. Prieto, Senior Counsel, Luis.Prieto@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, Cboe BYX staff may extend this deadline.

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 pre-judgment 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 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 Cboe BYX

³ This settlement relates to other settlements the Firm reached with FINRA, Cboe BZX, Cboe EDGA, Cboe EDGX, IEX, Long-Term Stock Exchange, Inc., MEMX LLC, MIAX PEARL Equities, LLC, the Nasdaq Stock Market LLC, BX, PHLX, NYSE, NYSE Arca, NYSE American, NYSE Chicago, Inc., and NYSE National, Inc.

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 public statement that is inconsistent with the Letter of Consent. The Firm may not take any position in any proceeding brought by or on behalf of the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this Letter of Consent. 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 the Exchange is not a party. 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 reflect the views of the Exchange 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 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: January 23, 2026

Instinet, LLC

By: _____ [REDACTED] _____

Name: David Sieradzki

Title: General Counsel - Americas