



**DISCIPLINARY DECISION**  
**Cboe BZX Exchange, Inc.**  
**File No. URE-134-05/Star No. 20200667413-05**  
**Velocity Clearing, 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 BZX Rule 5.1—Written Procedures

**Sanction**

A censure and a monetary fine in the amount of \$81,056 and undertaking to retain an independent consultant.<sup>1</sup>

**Effective Date**

September 16, 2025

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

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<sup>1</sup> The remainder of the fine, out of a total of \$1,000,000, will be paid to Cboe BYX Exchange, Inc.; Cboe EDGA Exchange, Inc.; Cboe EDGX Exchange, Inc.; FINRA; Investors Exchange LLC; Members Exchange LLC; MIAX Pearl, LLC; New York Stock Exchange LLC; NYSE Arca, Inc.; The Nasdaq Stock Market LLC; Nasdaq BX, Inc. and Nasdaq Phlx LLC.

**Cboe BZX Exchange, Inc.**  
**LETTER OF CONSENT**  
**File No. URE-134-05/Star No. 2020066741305**

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In the Matter of:

Velocity Clearing, LLC  
1301 Route 36  
Suite 103  
Hazlet, NJ 07730

Subject

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Pursuant to the provisions of Cboe BZX Exchange, Inc. ("Cboe BZX" or the "Exchange") Rule 8.3 - Expedited Proceeding, Velocity Clearing, LLC ("Velocity" 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. From December 2019 through the present (the "Relevant Period"), Velocity was acting as a registered Broker-Dealer and was an Exchange Member. The Firm's registrations remain in effect.
2. This matter originated from cross-market surveillance conducted by FINRA.

**VIOLATIVE CONDUCT**

**Applicable Rules**

3. During the Relevant Period, the following rules were in full force and effect: Cboe BZX Rule 5.1 - Written Procedures.
4. During the Relevant Period, Cboe BZX Rule 5.1 provided 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."

**Supervision**

5. During the Relevant Period, Velocity failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures ("WSPs"),

reasonably designed to achieve compliance with rules prohibiting manipulative trading activity by its customers.

6. During the Relevant Period, Velocity's WSPs required the Firm to monitor customer trading activity for the use of any fraudulent device, scheme, or course of business in connection with the purchase or sale of securities. Velocity's WSPs did not provide any guidance as to what factors or information to consider when assessing surveillance alerts or explanations offered by traders or customers for the trading activity under review. The WSPs also did not address whether the aggregate activity or the number of surveillance alerts generated by a particular customer (or individual trader of the customer) was relevant to the Firm's review, or how to document the review and disposition of an alert. Nor did the WSPs provide guidance on when and how to escalate an alert for a Firm principal to conduct a secondary review.
7. From December 2019 through June 2023, Velocity used an automated surveillance system to identify potentially manipulative trading such as spoofing, layering, cross trades, wash trading, and prearranged trading. However, from December 2019 through December 2022, the Firm had not enabled the system's prearranged trading surveillance, even after Velocity received inquiries from other broker-dealers about potential prearranged trading by more than 40 of the Firm's customers. In December 2022, Velocity enabled the prearranged trading surveillance alert offered by its automated surveillance system, but the Firm never reviewed the more than 10,000 alerts generated by this surveillance between December 2022 and February 2023.
8. From December 2019 through June 2023, Velocity's surveillance system generated nearly 150,000 alerts identifying potentially manipulative trading by the Firm's customers, including more than 100,000 alerts for cross trades and spoofing. The WSPs delegated responsibility for reviewing these surveillance alerts to the Firm's Compliance Department, but the Compliance Department staff were not provided with written guidance or training on how to review the surveillance alerts.
9. Between December 2019 and June 2023, Velocity closed more than 147,000 of the alerts identifying potentially manipulative trading by its customers—including potential cross trades, spoofing, layering, and wash trading—without conducting any investigation into the trading or the customers' potential patterns of trading over time. Approximately one-third of the surveillance alerts were closed on the same day they were opened, and Compliance Department staff often closed hundreds or thousands of surveillance alerts on a single day. Velocity did not conduct any supervisory review of the alerts after they were closed. While many alerts were closed quickly without reasonable review, others were not addressed at all.
10. In July 2023, Velocity replaced its surveillance system with a new automated surveillance system. Since that time, the Firm's new surveillance system has generated approximately 15.2 million alerts identifying potentially manipulative trading by the Firm's customers, including alerts for layering, spoofing, and wash trading. The Firm closed nearly all such alerts without any investigation or action.

As of early 2025, over 5.2 million alerts identifying potentially manipulative trading remained unreviewed.

11. The acts, practices, and conduct described in paragraphs 5 through 10 constitute violations of Cboe BZX Rule 5.1 by Velocity, in that Velocity failed to establish, maintain and enforce a supervisory system, including written supervisory procedures, that was reasonably designed to prevent and detect potentially manipulative trading activity by its customers. Specifically, Firm reviews of alerts were not reasonable given the volume of alerts, the lack of resources and personnel tasked with reviewing alerts, and the Firm's failure to maintain written guidance and training on how to respond to and escalate alerts.

### **SANCTIONS**

12. The Firm does not have any prior relevant disciplinary history specifically related to the Firm's supervision over potential manipulative trading activity by its customers.
13. In light of the alleged rule violations described above, the Firm consents to the imposition of the following sanctions:
  - a. A censure;
  - b. A monetary fine in the amount of \$81,056 to be paid to the Exchange;<sup>1</sup> and
  - c. An undertaking to retain an independent consultant as described below.

Velocity has undertaken to do the following:

- a. Retain at its own expense and within 60 days of the date of the notice of acceptance of this Letter of Consent an independent consultant not unacceptable to FINRA, acting on behalf of the Exchange, to conduct a comprehensive review of the reasonableness of its policies, systems, procedures (written or otherwise) relating to the detection and prevention of potentially manipulative trading activity and compliance with Cboe BZX Rule 5.1.
- b. Ensure that the independent consultant, any firm with which the independent consultant is affiliated or of which he or she is a member, and any person engaged to assist the independent consultant in performance of his or her duties, shall not have provided consulting, legal, auditing, or other professional services to, or had any affiliation with, Velocity during the two years prior to the date of the notice of acceptance of this Letter of Consent.

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<sup>1</sup> The remainder of the fine, out of a total of \$1,000,000, will be paid to FINRA; Cboe EDGA Exchange, Inc.; Cboe EDGX Exchange, Inc.; Cboe BYX Exchange, Inc.; Investors Exchange LLC; Members Exchange LLC; MIAX Pearl, LLC; New York Stock Exchange LLC; NYSE Arca, Inc.; The Nasdaq Stock Market LLC; Nasdaq BX, Inc.; and Nasdaq Phlx LLC.

- c. Cooperate with the independent consultant in all respects, including providing the independent consultant with access to Respondent's files, books, records, and personnel, as reasonably requested for the above-mentioned review. Velocity shall require the independent consultant to report to FINRA on its activities as FINRA may request and shall place no restrictions on the independent consultant's communications with FINRA. Further, upon request, Velocity shall make available to FINRA any and all communications between the independent consultant and the Velocity and documents examined by the independent consultant in connection with this review.
- d. Refrain from terminating the relationship with the independent consultant without FINRA's written approval. Velocity shall not be in and shall not have an attorney-client relationship with the independent consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the independent consultant from transmitting any information, reports, or documents to FINRA.
- e. Require the independent consultant to submit an initial written report to Velocity and FINRA at the conclusion of the independent consultant's review, which shall be no more than 90 days after the date of the notice of acceptance of this Letter of Consent. The initial report shall, at a minimum,
  - (i) evaluate and address the adequacy of Velocity's supervisory systems, policies, procedures (written or otherwise), and internal controls relating to the monitoring, detection, and prevention of potentially manipulative trading activity; (ii) provide a description of the review performed and the conclusions reached; and (iii) make recommendations as may be needed regarding how Velocity should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to monitoring, detecting, and preventing potentially manipulative trading; and
  - i. Within 60 days after delivery of the initial report, Velocity shall adopt and implement the recommendations of the independent consultant or, if Velocity considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the independent consultant designed to achieve the same objective. Velocity shall submit such proposed alternative procedures in writing simultaneously to the independent consultant and FINRA.
  - ii. Velocity shall require the independent consultant to: (A) reasonably evaluate the alternative procedures and determine whether it will achieve the same objective as the independent consultant's original recommendation and (B) provide Velocity and FINRA with a written report reflecting its evaluation and determination within 30 days of submission of any Velocity's proposed alternative procedures. In the event the independent consultant and Velocity are unable to agree, Velocity must abide by the independent consultant's ultimate determination with respect to any proposed alternative procedure

and must adopt and implement all recommendations deemed appropriate by the independent consultant.

- iii. Within 30 days after the issuance of the later of the independent consultant's initial report or any written report regarding proposed alternative procedures, Velocity shall provide the independent consultant and FINRA with a written implementation report, certified by an officer of Respondent, attesting to, containing documentation of, and setting forth the details of Velocity's implementation of the independent consultant's recommendations. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and Velocity agrees to provide such evidence.
  - f. Require the independent consultant to enter into a written agreement that, for the duration of the engagement and for a period of two years from the completion of the engagement, the independent consultant shall not enter into any other employment, consultant, attorney-client, auditing, or other professional relationship with Velocity, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the independent consultant is affiliated or of which it is a member, and any person engaged to assist the independent consultant in the performance of its duties pursuant to this AWC, shall not, without FINRA's prior written consent, enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Velocity or any of Velocity's present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.
  - g. Further retain the independent consultant to conduct a follow-up review and submit a final written report to the Velocity and to FINRA no later than one year from the date of the notice of acceptance of this AWC. In the final report, the independent consultant shall address Velocity's implementation of the systems, policies, procedures, and training, and shall make any further recommendations it deems necessary. Within 30 days of receipt of the independent consultant's final report, Velocity shall adopt and implement the recommendations contained in the final report, and inform FINRA in writing that it has done so.
2. Upon written request showing good cause, FINRA may extend any of the procedural dates set forth above.

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 Cboe BZX 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 agrees to pay the monetary sanction(s) upon notice that this Letter of Consent has been accepted and that such payment(s) are 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(s) 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 Cboe BZX 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 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 on or 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:** September 10, 2025

**Velocity Clearing, LLC**

**By:**  \_\_\_\_\_

**Name: Laura Crawford**

**Title: Chief Compliance Officer**