

**NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2020.08.0235**

TO: Nasdaq PHLX LLC
Phlx Enforcement Department

RE: TP ICAP Global Markets, LLC, Respondent
Member Firm
CRD No. 2762

Pursuant to Rule 9216 of the Nasdaq PHLX LLC (“Phlx”) Code of Procedure,¹ TP ICAP Global Markets, LLC (the “Firm,” “ICAP,” or “Respondent”) 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, Phlx will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 Phlx, or to which Phlx 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 Phlx:

BACKGROUND

ICAP became a Phlx member organization on April 1, 2013, and its registration remains in effect. ICAP, headquartered in New York NY, operates primarily in the interdealer market in, among other things, equities, equity options, and fixed income securities.

RELEVANT DISCIPLINARY HISTORY

On May 17, 2017, the Phlx Business Conduct Committee issued a disciplinary decision against ICAP in STAR No. 20140401189, in which it consented to findings that from April 2013 through September 2016, it (i) improperly executed 82 Qualified Contingent Trade (“QCT”) transactions that did not qualify as QCTs in violation of Rule 611(a) of Regulation NMS promulgated under the Exchange Act and Exchange Rule 707; (ii) improperly executed nine Qualified Contingent Cross (“QCC”) transactions that did not qualify as QCCs in violation of Exchange Rules 1064(e) and 707, seven of which involved an inadequate hedge of the options and equity components in relation to each other; (iii) failed in 51 instances to keep an accurate record of the time it had transmitted the equity component of a contingent order to an equity floor broker for execution in violation of Rule 17a-3(a)(6)(i) promulgated under the Exchange Act. and Exchange Rules 760 and 707; (iv) failed to maintain an accurate audit trail by entering into the Exchange’s Floor Broker

¹ Series 9000 of The Nasdaq Stock Market LLC Rules are incorporated by reference into Phlx Rule General 5, Section 3, and are thus Phlx Rules and thereby applicable to Phlx members, member organizations, persons associated with member organizations, and other persons subject to Phlx’s jurisdiction.

Management System inaccurate information regarding the delta and/or initiating side of five separate QCC transactions in violation of Exchange Rules 1063(e)(i) and 707; and (v) failed to establish and maintain adequate written supervisory procedures and an adequate system of supervision regarding the timely execution and proper hedging of the options and equity components of contingent transactions in relation to each other in violation of Exchange Rules 748(h) and 707. ICAP consented to a censure and a fine of \$75,000.

SUMMARY

On March 9, 2020, the Firm failed to adhere to the requirements of the Phlx rules when utilizing the QCC order designation by executing an order improperly designated as a QCC, which did not qualify as a QCC because the options and the equity components were not fully hedged in relation to each other. As a result of the foregoing conduct, the Firm violated Phlx Rules Options 8, Section 30(e), Options 3, Section 12(a)(3)(F) and General 9, Section 1(c). In addition, the Firm failed to establish, maintain, and enforce WSPs, and the system for applying such procedures, that were reasonably designed to prevent and detect, insofar as practicable, violations of the Phlx rules concerning QCC order designation. As a result of the foregoing conduct, the Firm violated Phlx Rule General 9, Sections 20(h) and 1(c).

FACTS AND VIOLATIVE CONDUCT

1. Phlx Rules Options 8, Section 30(e) and Options 3, Section 12(a)(3) provide that QCCs may be entered electronically into, and be immediately executed in, the Exchange's Floor Broker Management System ("FBMS") without first being exposed to a trading crowd.
2. Options 8, Section 30(e) provides that a "Floor Qualified Contingent Cross Order is comprised of an originating order to buy or sell at least 1,000 contracts . . . that is identified as being part of a qualified contingent trade . . . coupled with a contra-side order or orders totaling an equal number of contracts."
3. Options 3, Section 12(a) sets forth the requirements for a Qualified Contingent Cross Order which, consistent with a Floor Qualified Contingent Cross Order, is comprised of an originating order to buy or sell at least 1,000 contracts that is identified as being part of a "qualified contingent trade" coupled with a contra-side order or orders totaling an equal number of contracts.
4. Options 3, Section 12(a)(3) defines "qualified contingent trade" as, among other things, a transaction consisting of two or more component orders, executed as agent or principal, where at least one component is an NMS Stock, all components are effected with a product or price contingency arranged for by a broker-dealer, the execution of one component is contingent upon the execution of all other components at or near the same time, and "*the transaction is fully hedged (without regard to any prior existing position) as a result of other components of the contingent trade.*" (emphasis added.)
5. General 9, Section 20(h) provides that "Each member or member organization shall establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise the types of business(es) in which the member or member organization engages in and to supervise the activities of all registered representatives, employees, and associated persons. The written supervisory procedures and the system for applying such procedures shall reasonably be designed to prevent and detect, insofar as practicable, violations of the applicable securities

laws and regulations, including the By-Laws and Rules of the Exchange.”

6. General 9, Section 1(c) provides that “[a] member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct inconsistent with just and equitable principles of trade.”

Qualified Contingent Cross Violation

7. On March 9, 2020, the Firm executed an order as a QCC that did not qualify as a QCC because the options and equity components of each transaction were not fully hedged in relation to each other. Specifically, the Firm executed an order for 10,000 puts at \$3.40 as a QCC against 683,000 shares at \$2.82, equating to a delta of 68. The conduct described in this paragraph constitutes a violation of Phlx Rules Options 8, Section 30(e), Options 3, Section 12(a)(3)(F) and General 9, Section 1(c).

Supervisory Violation

8. During the Review Period, the Firm’s written supervisory procedures (“WSPs”) were not reasonably designed to prevent and detect, insofar as practicable, violations of the Phlx rules relating to QCC order designation. Specifically, the Firm did not follow the supervisory system that in had in place.
9. The Firm’s WSPs required that (1) the delta be within 10 as seen on the Bloomberg screen; and (2) the executing broker identify on the order memorandum when a trade is executed as a QCC and what the delta is. The Firm was unable to provide any record, however, of what the delta was on the Bloomberg screen and the floor order ticket did not indicate what the delta was for the trade, both as required by the Firm’s procedures. Failure to follow these procedures impacts the Firm’s ability to properly surveil for compliance. Moreover, this trade was not part of the Firm’s daily review and, despite a complaint from another floor broker and escalation to Phlx Floor Surveillance, there was no indication that the trade was escalated to the Chief Compliance Officer. The conduct described in this paragraph constitutes a violation of Phlx Rule General 9, Section 20 and General 9, Section 1(c).

B. Respondent also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine in the amount of \$15,000

Respondent agrees to pay the monetary sanction(s) in accordance with its executed Payment Information Form.

Respondent 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 Phlx Enforcement Department staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under Phlx's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal Complaint 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 Exchange Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, 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 acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, 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

Respondent 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 Phlx Enforcement Department and the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Phlx Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Respondent; and
- C. If accepted:
 - 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by Phlx or any other regulator against the Respondent;
 - 2. Phlx may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Phlx Rule 8310 and IM-8310-3; and

3. Respondent 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. Respondent may not take any position in any proceeding brought by or on behalf of Phlx, or to which Phlx is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which Phlx is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 Phlx, nor does it reflect the views of Phlx 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 the Firm 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.

TP ICAP Global Markets, LLC

Respondent

DocuSigned by:

Lisa Desimone

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Print Name: _____

Title: _____

September 26, 2023 | 9:26 EDT

Date:

Accepted by Phlx:

October 4, 2023 | 5:31 EDT

Date

Signed on behalf of Phlx, by delegated authority from the Director of ODA

DocuSigned by:

Erik Wittman

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Erik Wittman

Deputy Head of Enforcement

Phlx Enforcement Department