

**NASDAQ ISE, LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20200651148**

TO: Nasdaq ISE, LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Tradition Securities and Derivatives LLC, Respondent
Broker-Dealer
CRD No. 28269

Pursuant to Rule 9216 of the Nasdaq ISE, LLC (“ISE”) Code of Procedure,¹ Tradition Securities and Derivatives LLC (“Tradition” 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, ISE 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 ISE, or to which ISE 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 ISE:

BACKGROUND

Tradition has been an ISE member since November 2005 and a FINRA member since September 1991. The firm is headquartered in New York, New York, maintains six branch offices, and employs approximately 170 registered representatives. The firm has no relevant disciplinary history.

SUMMARY

This matter originated from an examination conducted by FINRA’s Department of Market Regulation on behalf of ISE. The examination revealed that between April 2020 and the present (the “relevant period”), Tradition: (1) failed to establish, maintain, and enforce written supervisory procedures (“WSPs”) reasonably designed to prevent and detect order ticket violations, as well as maintain sufficient evidence of order ticket review, in violation of ISE Options 9, Sections 1 and 2; and (2) failed to establish, maintain, and enforce WSPs reasonably designed to prevent and detect origin code

¹ Series 9000 of The Nasdaq Stock Market, LLC (“Nasdaq”) Rules are incorporated by reference into the Nasdaq ISE Rules General 5, Section 3, and are thus Nasdaq ISE Rules and thereby applicable to Nasdaq ISE Members, Associated Persons, and other persons subject to Nasdaq ISE’s jurisdiction.

violations, as well as maintain sufficient evidence of origin code review, in violation of ISE Options 9, Sections 1 and 2.

FACTS AND VIOLATIVE CONDUCT

1. ISE Options 9, Section 2 provides, “No Member shall engage in conduct in violation of the Exchange Act, the By-Laws or the Rules of the Exchange, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange Transaction, or any written interpretation thereof. Every Member shall so supervise persons associated with the Member as to assure compliance therewith.”
2. ISE Options 9, Section 1 prohibits members from engaging in conduct inconsistent with just and equitable principles of trade.
3. As evidence of order ticket review during the relevant period, Tradition provided a monthly attestation indicating the firm’s order records were reviewed, but the attestation did not specify how the review was conducted. Further, the firm’s WSPs stated that supervising principals were to review all order tickets, but the WSPs did not specify how the review was to be conducted. Accordingly, Tradition failed to establish, maintain, and enforce WSPs reasonably designed to prevent and detect order ticket violations, as well as maintain sufficient evidence of order ticket review.
4. In addition, as evidence of origin code review during the relevant period, Tradition provided a monthly attestation indicating all order records were reviewed, but the attestation did not specify how the origin code review was conducted or how the firm monitored for alterations to its customers’ origin codes. Further, the firm’s WSPs provided that a desk manager would monitor for clients that display a pattern of post-transaction correcting or changing origin codes, but the WSPs did not specify how the origin code review was conducted or how the desk manager was to monitor for any alterations to its customers’ origin codes. Accordingly, Tradition failed to establish, maintain, and enforce WSPs reasonably designed to prevent and detect origin code violations, as well as maintain sufficient evidence of origin code review.
5. As a result, Tradition violated ISE Options 9, Sections 1 and 2.

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

1. A censure;
2. A total fine in the amount of \$20,000; and
3. An undertaking requiring Tradition to provide a certification that it has revised its WSPs such that they are reasonably designed to address the deficiencies described above. Within 60 calendar days of the notice of acceptance of this AWC, a registered principal of the firm shall submit to Compliance Assistant, FINRA Department of Enforcement, 15200 Omega Drive, Third Floor, Rockville, MD 20850, a signed, dated letter, or an email from a work-related account of the registered principal to

EnforcementNotice@FINRA.org, providing the following information: (i) a reference to this matter; and (ii) the above-referenced certification.

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 a Payment Information 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 FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under ISE'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, the firm 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.

The firm 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

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 FINRA's Department of Enforcement and the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to ISE 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 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 ISE or any other regulator against the firm;
 - 2. ISE may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with ISE Rule 8310 and IM-8310-3;¹ 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 ISE, or to which ISE is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which ISE 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 ISE, nor does it reflect the views of the Exchange or its staff.

¹ Series 8000 of Nasdaq Rules are incorporated by reference into the Nasdaq ISE Rules General 5, Section 2, and are thus Nasdaq ISE Rules and thereby applicable to Nasdaq ISE Members, Associated Persons, and other persons subject to Nasdaq ISE's jurisdiction.

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.

October 23, 2023
Date

Tradition Securities and Derivatives LLC
Respondent

By: Raymond C Baccala
Ray Baccala
President

Accepted by ISE:

November 6, 2023
Date

Nicole Waksmundzki
Nicole Waksmundzki
Counsel
Department of Enforcement

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