

NASDAQ GEMX, LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2021072379312

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

RE: Barclays Capital Inc., Respondent
Broker- Dealer
CRD No. 19714

Pursuant to Rule 9216 of the Nasdaq GEMX, LLC (“GEMX”) Code of Procedure,¹ Barclays Capital Inc. (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, GEMX 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 GEMX, or to which GEMX 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 GEMX:

BACKGROUND

Barclays became a member of GEMX since July 2013, and a FINRA member since October 1987, and its registrations remain in effect. The firm is headquartered in New York, New York, and has 16 branch offices with over 2,800 registered representatives. Barclays conducts a general securities business.

RELEVANT PRIOR DISCIPLINARY HISTORY

In November 2021, NYSE American censured and fined Barclays \$55,000 for one instance of anticipatory hedging and for related supervisory violations.

In December 2018 NYSE Arca Options censured and fined Barclays \$70,000 for two instances of anticipatory hedging and for related supervisory violations.

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

In August 2017 NYSE Arca Options censured and fined Barclays \$60,000 for one instance of anticipatory hedging and for related supervisory violations.

SUMMARY

From July 2013 to April 2025, Barclays failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures (“WSPs”), reasonably designed to achieve compliance with applicable securities laws, regulations, and rules prohibiting layering and spoofing of U.S. equity options and index options (“options”) in violation of GEMX Rules 400 and 401 (for conduct prior to June 27, 2019) and Options 9, Sections 1 and 2 (for conduct on and after June 27, 2019).²

Further, from July 2013 to April 2025, Barclays failed to establish, document, and maintain post-trade regulatory risk management controls reasonably designed to ensure that appropriate surveillance personnel receive immediate post-trade execution reports that monitored for layering and spoofing of options in violation of Section 15(c)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 15c3-5.

Additionally, from June 2018 to June 2021, Barclays violated GEMX Rules 400 and 401 (for conduct prior to June 27, 2019) and Options 9, Sections 1 and 2 (for conduct on and after June 27, 2019) by failing to conduct surveillance for potential anticipatory hedging activity in certain exchange traded fund (“ETF”) transactions.

FACTS AND VIOLATIVE CONDUCT

1. This matter arose from a FINRA Rule 4530 disclosure by Barclays.

Supervision and Market Access Controls and Procedures for Potential Layering and Spoofing of Options

2. GEMX Rule 401, now GEMX Rule Options 9, Section 2, provides that “[n]o 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.”³
3. GEMX Rule 400, now GEMX Rule Options 9, Section 1, provides that “[n]o Member shall engage in acts or practices inconsistent with just and equitable principles of trade.”⁴
4. Exchange Act Section 15(c)(3) prohibits broker-dealers from contravening the rules and regulations prescribed by the Securities and Exchange Commission (“SEC”) to “provide

² As of June 27, 2019, GEMX Rules 400 and 401 were relocated to GEMX Rule Options 9 which incorporates by reference Nasdaq ISE Options 9, Sections 1 and 2, respectively.

³ GEMX Rule Options 9 incorporates by reference ISE Rule Options 9, Sections 1 and 2.

⁴ *Id.*

safeguards with respect to the financial responsibility and related practices of brokers and dealers.” The SEC adopted Exchange Act Rule 15c3-5 to reduce the risks associated with market access faced by broker-dealers, the securities markets, and the financial system as a whole, and thereby enhance market integrity and investor protection by requiring effective financial and regulatory risk management controls reasonably designed to limit financial exposure and ensure compliance with applicable regulatory requirements to be implemented on a market-wide basis.

5. Exchange Act Rule 15c3-5(b) requires that a “broker or dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading system through use of its market participant identifier or otherwise, shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity.”
6. Exchange Act Rule 15c3-5(c)(2)(iv) requires broker-dealers with market access to establish, document, and maintain regulatory risk management controls and supervisory procedures that are reasonably designed to ensure compliance with all regulatory requirements, including controls reasonably designed to “[a]ssure that appropriate surveillance personnel receive immediate post-trade execution reports that result from market access.” In the Rule 15c3-5 Adopting Release dated November 3, 2010, the SEC stated that the “regulatory requirements” include “post-trade obligations to monitor for manipulation and other illegal activity,” and that it “believes that immediate reports of executions will provide surveillance personnel with important information about potential regulatory violations, and better enable them to investigate, report, or halt suspicious or manipulative trading.”
7. From July 2013 until March 2022, Barclays did not have a supervisory system in place to monitor for layering and spoofing in the firm’s options orders. Specifically, none of Barclays’ surveillances for layering and spoofing included options order activity, and its WSPs did not reference surveilling options for layering and spoofing. In addition, from July 2013 through March 2022, Barclays did not establish and maintain regulatory risk management controls and immediate post-trade execution reports that might allow the firm to surveil for potential spoofing and layering for options orders that Barclays routed directly to GEMX. As a result of these deficiencies, Barclays sent at least hundreds of millions of options orders to options exchanges, including GEMX, without surveilling the options orders for layering or spoofing.
8. On March 25, 2022, Barclays implemented two surveillance reports, and corresponding WSPs, to detect potential layering and spoofing in its options order flow. However, Barclays’ parameters for the surveillances required that the aggregated volume of potentially manipulative orders by account be at least 20 times greater than the average trade size of the security (among other parameters). This parameter was unreasonable because layering and spoofing can occur with smaller-sized orders. Barclays represented that it lowered this threshold on April 15, 2025.

9. As a result, Barclays violated Exchange Act Section 15(c)(3) and Rule 15c3-5(b) and 15c3-5(c)(2)(iv) thereunder, GEMX Rules 400 and 401 (for conduct prior to June 27, 2019) and Options 9, Sections 1 and 2 (for conduct on and after June 27, 2019).

Supervision for Potential Anticipatory Hedging

10. GEMX Rule 400 and GEMX Rule Options 9, Section 1, Supplemental Material .02 prohibit anticipatory hedging.⁵ From June 2018 until June 2021, Barclays failed to establish, maintain, and enforce a supervisory system that was reasonably designed, insofar as they relate to the reporting or clearance of any Exchange Transaction, to identify anticipatory hedging in ETFs. Specifically, Barclays excluded approximately 1,029 ETFs from its surveillance for anticipatory hedging after a logic code change in 2018. During this period, Barclays did not surveil over 350,000 options orders sent to several exchanges, including GEMX, for potential anticipatory hedging. On June 5, 2021, Barclays implemented a coding change that remediated the issue.
11. As a result, Barclays violated GEMX Rules 400 and 401 (for conduct prior to June 27, 2019) and Options 9, Sections 1 and 2 (for conduct on and after June 27, 2019).

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

1. A censure; and
2. a \$2,250,000 fine, of which \$115,500 shall be paid to GEMX.⁶

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

The sanctions imposed herein shall be effective on a date set by FINRA staff.

⁵ GEMX Rule Options 9, Section 1, Supplemental Material .02 generally prohibits a member that has knowledge of all material terms of a solicited order, an order being facilitated, or orders being crossed, the execution of which is imminent, from buying or selling (1) an option on the same underlying security as the option that is the subject of the order, (2) the underlying security itself, or (3) any related instrument until either the terms of the order are disclosed to the trading crowd or the options order can no longer be considered imminent in view of the passage of time since the order was received.

⁶ The remainder of the fine shall be allocated to: BOX Exchange LLC, Cboe BZX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe Exchange, Inc., Cboe EDGX Options Exchange, Inc., FINRA, Investors Exchange LLC, Miami International Securities Exchange, MIAX Emerald, LLC, MIAX Pearl Options, LLC, Nasdaq BX Options, Nasdaq ISE, LLC, Nasdaq MRX, LLC, The Nasdaq Options Market LLC, Nasdaq PHLX LLC, NYSE American Options, NYSE Arca, Inc., and NYSE National, Inc.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under GEMX'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 GEMX 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 GEMX or any other regulator against the firm;
2. GEMX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with GEMX Rule 8310 and IM-8310-3;⁷ 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 GEMX, or to which GEMX 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 GEMX 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 GEMX, nor does it reflect the views of GEMX 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 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.

May 12, 2025

Date

Barclays Capital Inc.
Respondent

By: Zack Zacharia

Name: Zack Zacharia

Title: Chief Compliance Officer

⁷ Series 8000 of Nasdaq Rules are incorporated by reference into GEMX General 5, Section 2, and are thus GEMX Rules and thereby applicable to GEMX Members, Associated Persons, and other persons subject to GEMX's jurisdiction.

Accepted by GEMX:

May 29, 2025

Date

Luis A. Prieto

Luis A. Prieto

Senior Counsel

Barred in DC and MD

FINRA Department of Enforcement

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