

NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2021072379316

TO: Nasdaq PHLX 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 Nasdaq PHLX LLC (“Phlx”) 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, Phlx will not bring any future actions against the firm 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

Barclays has been a member of Phlx since September 2008, 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.

In August 2017, NYSE Arca Options censured and fined Barclays \$60,000 for one

¹ The Nasdaq Stock Market LLC Rules General 5 Section 9000 et al. 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.

instance of anticipatory hedging and for related supervisory violations.

SUMMARY

From at least January 2011 to April 2025, Barclays failed to establish, maintain, and enforce a system of compliance and supervisory controls, including written supervisory procedures (“WSPs”), reasonably designed to prevent and detect, insofar as practicable, violations of the applicable securities laws, regulations, and rules prohibiting layering and spoofing of U.S. equity options and index options (“options”), in violation of Phlx Rules General 9, Sections 1(c) and 20, and their predecessor Phlx Rules 748,² 707,³ and Phlx Rule Options 9, Section 1.

Further, from July 2011 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 monitor for layering and spoofing of options, in violation of Section 15(c)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Exchange Act Rule 15c3-5.

Additionally, from June 2018 to June 2021, Barclays violated Phlx Rules General 9, Sections 1(c) and 20, and their predecessor Phlx Rules 748, 707, and Phlx Rule Options 9, Section 1, 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. Phlx Rule General 9, Section 20(h), like its predecessor Phlx Rule 748, states that “[e]ach 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 [Phlx].”
3. Phlx Rule General 9, Section 1(c), like its predecessors Phlx Rule Options 9, Section 1 and Phlx Rule 707, states that “[a] member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct

² Phlx Rule General 9, Section 20 superseded Phlx Rule 748 on February 3, 2020.

³ Phlx Rule Options 9, Section 1 superseded Phlx Rule 707 on February 3, 2020. Then, effective January 22, 2021, Phlx Rule General 9, Section 1(c) superseded Phlx Rule Options 9, Section 1.

inconsistent with just and equitable principles of trade.”

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 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 at least January 2011 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 2011 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 Phlx. As a result of these deficiencies, Barclays sent at least hundreds of millions of options orders to options exchanges, including Phlx, 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 Phlx Rules General 9, Sections 1(c) and 20(h), and their predecessor Phlx Rules 748, 707, and Phlx Rule Options 9, Section 1, and Exchange Act Section 15(c)(3) and Exchange Act Rules 15c3-5(b) and 15c3-5(c)(2)(iv).

Supervision for Potential Anticipatory Hedging

10. Phlx Rules Options 8, Section 30(d)⁴ and General 9, Section 1(a) 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 practicable, 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 Phlx, for potential anticipatory hedging. On June 5, 2021, Barclays implemented a coding change that remediated the issue.
11. As a result, Barclays violated Phlx Rules General 9, Sections 1(c) and 20, and their predecessor Phlx Rules 748, 707, and Phlx Rule Options 9, Section 1.

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

1. Censure; and
2. A total fine of \$2,250,000 (\$115,500 payable to Phlx).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.

⁴ Phlx Rule Options 8, Section 30(d) superseded Phlx Rule 1064(d) on September 10, 2019.

⁵ Phlx Rule Options 8, Section 30(d) 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 GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq Options Market, NYSE American Options, NYSE Arca, Inc., and NYSE National, Inc.

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 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, the firm specifically and voluntarily waives any right to claim bias or pre-judgment 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 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 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 Phlx or any other regulator against the firm;
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;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 Phlx, or to which Phlx 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 Phlx 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 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.

May 27, 2025

Date

Barclays Capital Inc.
Respondent

⁷ Series 8000 of Nasdaq Rules are incorporated by reference into Phlx General 5, Section 2, 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.

By: Zack Zacharia

Name: Zack Zacharia

Title: Chief Compliance Officer

Accepted by Phlx:

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 Phlx, by delegated
authority from the Director of ODA