NASDAQ MRX, LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2022075164204

TO: Nasdaq MRX, LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Interactive Brokers LLC, Respondent
Broker-Dealer
CRD No. 36418

Pursuant to Rule 9216 of the Nasdaq MRX, LLC ("MRX") Code of Procedure,[1] Interactive Brokers LLC ("Interactive" 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, MRX 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 MRX, or to which MRX 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 MRX:

BACKGROUND

Interactive has been a FINRA member since January 6, 1995 and an MRX member since February 10, 2016. The firm offers online trading through self-directed accounts and clears transactions for retail and institutional customers, as well as for customers introduced to it by approximately 400 foreign and domestic introducing firms. Interactive is headquartered in Greenwich, Connecticut, maintains approximately 20 branches, and employs approximately 400 registered representatives.

RELEVANT PRIOR DISCIPLINARY HISTORY

The firm does not have any relevant disciplinary history on MRX. In October 2020, Interactive consented to a censure and a fine of $237,500 to NYSE Arca in connection with its reporting of more than 525,000 options orders (comprised of approximately 2.1 million contracts) with the incorrect origin code of Customer instead of Professional

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[1] Series 9000 of The Nasdaq Stock Market, LLC ("Nasdaq") Rules are incorporated by reference into MRX Rule General 5, Section 3, and are thus MRX Rules and thereby applicable to MRX Members, Associated Persons, and other persons subject to MRX's jurisdiction.

Customer between January 2015 and November 2019 (NYSE Arca Matter No. 2020-06-00085).

SUMMARY

On behalf of MRX and other exchanges, FINRA's Department of Market Regulation reviewed Interactive's compliance with rules governing the use of Professional Customer origin codes on options orders from October 2009 through August 7, 2022.[2] This review revealed that Interactive mismarked approximately 2.4 million transactions, totaling approximately 15.3 million contracts, which were erroneously executed as Customer instead of Professional Customer, of which approximately 244,000 contracts traded on MRX from February 10, 2016 through August 7, 2022 (the "review period"). As a result, Interactive violated MRX Rules Options 9, Sections 1 and 2, Options 6, Section 2, and Options 6E, Section 1; their predecessors MRX Rules 400, 401, 712(a), and 1400(a);[3] and Section 17(a)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 17a-3(a)(6) thereunder.

Also during the review period, Interactive's supervisory system was not reasonably designed to achieve compliance with the recordkeeping provisions of the federal securities laws and the rules of MRX that govern the accuracy of options order origin codes, in violation of MRX Rule Options 9, Sections 1 and 2 and their predecessors MRX Rules 400 and 401.

FACTS AND VIOLATIVE CONDUCT

Inaccurate Origin Codes

1. MRX rules require that, when accepting an order, a member must obtain and record an appropriate code to identify the origin of the order. During the review period, MRX had multiple origin codes, including codes to indicate that an order originated from a Customer or Professional Customer. Origin codes are important because, among other things, they may determine an order's execution priority and are part of the audit trail data for every transaction.

2. Section 17(a)(1) of the Exchange Act, and Rule 17a-3(a)(6)(i) thereunder, require broker-dealers to create a memorandum of each order, and any other instruction, showing the terms and conditions of the order. MRX Options 6E, Section 1(a) and its predecessor, MRX Rule 1400(a), require members to make, keep current and preserve such books and records as prescribed by MRX and by the Exchange Act and the rules and regulations thereunder.

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[2] FINRA initiated its review based upon a self-report by Interactive pursuant to FINRA Rule 4530.
[3] Effective July 8, 2019, MRX Chapter 4 (which incorporated by reference ISE Chapter 4, including Rules 400 and 401) was superseded by MRX Rule Options 9 (which incorporates by reference Nasdaq ISE Rule Options 9, including Sections 1 and 2); MRX Rule 712(a) was superseded by MRX Rule Options 6, Section 2; and MRX Chapter 14 (which incorporated by reference ISE Chapter 14, including Rule 1400(a)) was superseded by MRX Rule Options 6E (which incorporates by reference ISE Rule Options 6E, including Section 1).

3. MRX Rule Options 6, Section 2 and its predecessor, MRX Rule 712(a), require members to submit trade information in such form as may be prescribed by MRX in order to allow MRX to properly prioritize and match orders and report resulting transactions to the Options Clearing Corporation ("OCC") for clearance.

4. MRX Rule Options 9, Section 1 and its predecessor, MRX Rule 400, prohibit members from engaging in acts or practices inconsistent with just and equitable principles of trade.

5. MRX Rule Options 9, Section 2 and its predecessor, MRX Rule 401, prohibit members from "engag[ing] 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."

6. During the review period, Interactive used an automated order counting algorithm to determine whether a customer's account should be coded as Professional Customer. However, Interactive failed to include complex orders and certain cancel/replace orders in the order counting logic. As a result, Interactive failed to identify certain customer accounts that should have been designated Professional Customer and incorrectly marked orders for those accounts with an origin code of Customer. These orders were routed to and executed on 12 exchanges, resulting in the firm mismarking approximately 2.4 million transactions, totaling approximately 15.3 million contracts, which were erroneously executed as Customer instead of Professional Customer, of which approximately 244,000 contracts traded on MRX.

7. Instances in which the firm routed an order with an incorrect origin code potentially had adverse consequences, such as inadvertently impacting the priority of order execution, creating inaccurate records of purchases and sales, creating an inaccurate audit trail, reporting trades to OCC with inaccurate trade details, and impeding MRX's ability to surveil for and detect potential violations of its rules and the federal securities laws.

8. By marking orders with incorrect origin codes, Interactive violated Section 17(a)(1) of the Exchange Act and Rule 17a-3(a)(6) thereunder; MRX Rules 400, 401, 712(a), and 1400(a) for conduct prior to July 8, 2019; and MRX Rules Options 9, Sections 1 and 2, Options 6, Section 2, and Options 6E, Section 1 for conduct on and after July 8, 2019.

Supervisory Violations

9. During the review period, Interactive failed to establish and maintain a supervisory system reasonably designed to achieve compliance with origin code requirements. Interactive had written supervisory procedures addressing Professional Customer order capacity marking requirements, and it tested and reviewed certain automated reports designed to identify customers that should be classified as Professional Customers based on their U.S. option order activity levels. However, when the relevant logic to count customer orders for purposes of Professional Customer designations was released in 2009 and updated in 2012, Interactive did not test the logic for inclusion of complex orders and

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certain cancel/replace orders, nor did the firm test the order counting logic for the inclusion of such orders until early 2022. In addition, the firm failed to respond to several communications from firm personnel that could have alerted the firm to certain mismarked orders.

10. By failing to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the recordkeeping provisions of the federal securities laws and the rules of MRX that govern the accuracy of options order origin codes, Interactive violated MRX Rules 400 and 401 for conduct before July 8, 2019, and MRX Rule Options 9, Sections 1 and 2 for conduct on and after July 8, 2019.

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

1. a censure; and

2. a fine of $7,750,000, of which $123,350 shall be payable to MRX.[4]

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. 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(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 MRX'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

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[4] The remainder will be paid to BOX Exchange LLC, MIAX Emerald, LLC, Miami International Securities Exchange, LLC, MIAX PEARL, LLC, Nasdaq BX, Inc., Nasdaq ISE, LLC, Nasdaq GEMX, LLC, Nasdaq Options Market LLC, Nasdaq PHLX LLC, NYSE American LLC, and NYSE Arca, Inc. for similar violations.

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 MRX 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 MRX or any other regulator against the firm;

2. MRX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with MRX Rule 8310 and IM-8310-3;[5] 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 MRX, or to which MRX is a party,

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

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 MRX 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 MRX, nor does it reflect the views of MRX 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.

September 15, 2025
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Date

Interactive Brokers LLC
Respondent

By: _____*Elaine Mandelbaum*_____
        Elaine Mandelbaum, General Counsel

Reviewed by:

_____*Lara Thyagarajan*_____
Lara C. Thyagarajan
Counsel for Respondent
Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019

Accepted by MRX:

September 30, 2025
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Date

_____*Nicole Waksmundzki*_____
Nicole Waksmundzki
Principal Counsel
Department of Enforcement

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

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STATEMENT OF CORRECTIVE ACTION
BY INTERACTIVE BROKERS LLC

This Corrective Action Statement is submitted by Interactive Brokers LLC ("IBKR" or the "Firm"). It does not constitute factual or legal findings by Nasdaq MRX, LLC ("MRX" or the "Exchange"), nor does it reflect the views of MRX or MRX staff.

IBKR submits this Statement of Corrective Action in connection with the foregoing Letter of Acceptance, Waiver, and Consent ("AWC"). As set forth in detail below, IBKR acted promptly to address the issues set forth in the AWC and invested substantial resources in investigating and remediating the items identified in this matter, including but not limited to via significant enhancements to the Firm's policies and procedures and preparation of a complex lookback analysis.

IB's Response to the Conduct at Issue: Once IBKR became aware of the inadvertent exclusion of complex orders from order counting for purposes of Professional customer designations, IBKR promptly investigated and, through its own thorough investigation, identified the similar inadvertent exclusion of certain cancel-replace orders. IBKR self-reported both items to the Financial Industry Regulatory Authority ("FINRA") on June 1, 2022 and completed its remediation with respect to complex orders within days of the June 2022 self-report, and with respect to the cancel/replace orders by early August 2022.

Updated Policies and Procedures: The Firm has made significant changes to its code development and release processes since the coding for purposes of determining Professional customer designations was originally released in 2009 to, among other things, catch issues like those described in the AWC before newly developed code is released.