

**THE NASDAQ OPTIONS MARKET LLC  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2022075164205**

TO: The Nasdaq Options Market 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 Stock Market LLC (“Nasdaq”)<sup>1</sup> Code of Procedure, 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, Nasdaq 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

**BACKGROUND**

Interactive has been a FINRA member since January 6, 1995 and a NOM member since March 12, 2008. 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 NOM. 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 Customer between January 2015 and November 2019 (NYSE Arca Matter No. 2020-06-00085).

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<sup>1</sup> All Nasdaq Options Market LLC disciplinary matters are governed by the Nasdaq Code of Procedure.

## SUMMARY

On behalf of NOM 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.<sup>2</sup> 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 733,000 contracts traded on NOM between December 1, 2010 and August 7, 2022 (the "review period"). As a result, Interactive violated NOM Rules Options 6E, Sections 1 and 9, Options 9, Section 2, and General 9, Section 1(a); their predecessors NOM Chapter IX, Section 1, Chapter V, Section 7(a), Chapter III, Sections 1 and 2, and Nasdaq Rules 2010A and 2110;<sup>3</sup> 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 NOM that govern the accuracy of options order origin codes, in violation of NOM Rule General 9, Sections 20 and 1(a), NOM Rule Options 9, Section 2, and NOM Rule Options 3, Section 21(b)(4); and their predecessors Nasdaq Rules 3010, 2010A, and 2110, and NOM Chapter III, Sections 1 and 2 and Chapter V, Section 1(b)(iv).<sup>4</sup>

## FACTS AND VIOLATIVE CONDUCT

### Inaccurate Origin Codes

1. NOM 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, NOM 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. NOM Rule Options 6E, Section 1 and its predecessor,

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<sup>2</sup> FINRA initiated its review based upon a self-report by Interactive pursuant to FINRA Rule 4530.

<sup>3</sup> On December 6, 2019, NOM Chapter IX, Section 1 was renumbered to NOM Rule Options 6E, Section 1; NOM Chapter V, Section 7(a) was renumbered to NOM Rule Options 6E, Section 9; NOM Chapter III, Sections 1 and 2 was renumbered to NOM Rule Options 9, Section 2; and Nasdaq Rule 2010A was renumbered to NOM Rule General 9, Section 1(a). In addition, on November 21, 2012, Nasdaq Rule 2110 was renumbered to Nasdaq Rule 2010A.

<sup>4</sup> On December 6, 2019, Nasdaq Rule 3010 was renumbered to NOM Rule General 9, Section 20; Nasdaq Rule 2010A was renumbered to NOM Rule General 9, Section 1(a); NOM Chapter III, Sections 1 and 2 was renumbered to NOM Rule Options 9, Section 2; and NOM Chapter V, Section 1(b)(iv) was renumbered to NOM Rule Options 3, Section 21(b)(4). In addition, on November 21, 2012, Nasdaq Rule 2110 was renumbered to Nasdaq Rule 2010A.

Chapter IX, Section 1, require members to make, keep current and preserve such books and records as prescribed by NOM and by the Exchange Act and the rules and regulations thereunder.

3. NOM Rule Options 6E, Section 9 and its predecessor, Chapter V, Section 7(a), require that, when entering orders on NOM, each Options Participant shall submit order information in such form as may be prescribed by Nasdaq in order to allow NOM to properly prioritize and match orders and report resulting transactions to the Options Clearing Corporation (“OCC”).
4. NOM Rule General 9, Section 1(a) and its predecessors, Nasdaq Rules 2010A and 2110, require a member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.
5. NOM Rule Options 9, Section 2 and its predecessor, Chapter III, Sections 1 and 2, prohibit an Options Participant from “engag[ing] in conduct in violation of the Exchange Act or Rules thereunder, 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 Options Participant shall supervise persons associated with the Participant to assure compliance therewith.” Additionally, each Options Participant is required to “ensure that accurate information is input into the System, including, but not limited to, the Options Participant’s capacity.”
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 733,000 contracts traded on NOM.
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 NOM’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; Nasdaq Rule 2110 for conduct prior to November 21, 2012; Nasdaq Rule 2010A for conduct between November 21, 2012 and December 5, 2019; NOM Chapter IX, Section 1, Chapter V, Section 7(a), and Chapter III, Sections 1 and 2 for conduct prior to December 6, 2019; and NOM Rule Options 6E,

Section 1, NOM Rule Options 6E, Section 9, NOM Rule Options 9, Section 2, and NOM Rule General 9, Section 1(a) for conduct on and after December 6, 2019.

### **Supervisory Violations**

9. NOM Rule General 9, Section 20 and its predecessor, Nasdaq Rule 3010, provide that “[e]ach member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules.”
10. NOM Rule Options 3, Section 21(b)(4) and its predecessor, Chapter V, Section 1(b)(iv), prohibit members from “engag[ing] in conduct: (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the Exchange; or (iii) inconsistent with the ordinary and efficient conduct of business. Activities that shall violate the provisions of this paragraph (b) include, but are not limited to, . . . failure to maintain adequate procedures and controls that permit the Options Participant to effectively monitor and supervise the entry of orders by users to prevent the prohibited practices set forth in this paragraph (b) and Options 9, Section 2 of these Rules.”
11. 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 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.
12. 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 NOM that govern the accuracy of options order origin codes, Interactive violated Nasdaq Rule 2110 for conduct prior to November 21, 2012; Nasdaq Rule 2010A for conduct between November 21, 2012 and December 5, 2019; Nasdaq Rule 3010, NOM Chapter III, Sections 1 and 2, and NOM Chapter V, Section 1(b)(iv) for conduct prior to December 6, 2019; and NOM Rules General 9, Sections 20 and 1(a), Options 9, Section 2, and Options 3, Section 21(b)(4) for conduct on and after December 6, 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 \$370,375 shall be payable to NOM.<sup>5</sup>

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 Nasdaq'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 Nasdaq 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 Nasdaq Review Council, or any member of the Nasdaq 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

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<sup>5</sup> 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 MRX, LLC, Nasdaq PHLX LLC, NYSE American LLC, and NYSE Arca, Inc. for similar violations.

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 Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq 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 Nasdaq or any other regulator against the firm;
  - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; 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 Nasdaq, or to which Nasdaq 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 Nasdaq 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 Nasdaq, nor does it reflect the views of Nasdaq 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 24, 2025  
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 Nasdaq:

September 30, 2025  
Date

Nicole Waksmundzki  
Nicole Waksmundzki  
Principal Counsel  
Department of Enforcement

Signed on behalf of Nasdaq Options Market  
LLC, by delegated authority from the  
Director of ODA

## **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 Options Market LLC (“NOM” or the “Exchange”), nor does it reflect the views of NOM or NOM 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.