

**THE NASDAQ STOCK MARKET LLC  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2022.11.0413**

TO: The Nasdaq Stock Market LLC  
Nasdaq Enforcement Department

RE: Interactive Brokers LLC, Respondent  
Member Firm  
CRD No. 36418

Pursuant to Rule 9216 of The Nasdaq Stock Market LLC (“Nasdaq” or the “Exchange”) Code of Procedure, Interactive Brokers LLC (“IBKR,” the “Firm” or “Respondent”) 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 Respondent 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**

IBKR became a member of Nasdaq in July 2006, and its registration remains in effect.

IBKR offers online trading through self-directed accounts. It also clears transactions for retail and institutional customers as well as for customers from foreign and domestic introducing firms. IBKR has approximately 400 registered representatives in approximately 20 branch offices. IBKR receives a portion of its U.S. equities orders from its foreign affiliates, and those foreign affiliates receive a portion of their orders from foreign introducing brokers that primarily serve foreign retail customers. The foreign retail customers hold accounts at foreign introducing brokers, which hold accounts at IBKR’s foreign affiliates. U.S. equities orders from foreign introducing brokers are routed to IBKR’s foreign affiliates, and then to IBKR for execution on U.S. markets, including Nasdaq. Foreign introducing brokers frequently trade through omnibus accounts that do not disclose to IBKR the actual customer sending the order (the “ultimate beneficial owner”). As a result, IBKR had limited visibility into the ultimate beneficial owners trading through omnibus accounts.

**SUMMARY**

From at least April 12, 2021 through August 2023 (the “Relevant Period”), IBKR’s supervisory system, including its Written Supervisory Procedures (“WSPs”), was not reasonably designed in several respects to prevent potentially manipulative trading effected through omnibus

accounts. Although IBKR's surveillance system frequently detected potentially manipulative activity from the omnibus accounts of certain foreign introducing brokers that routed orders to IBKR's foreign affiliates, IBKR's supervisory system was not reasonably designed to prevent all additional potentially manipulative activity from the ultimate beneficial owners responsible for the activity. Deficiencies in IBKR's supervisory system may have contributed to potentially manipulative trading on Nasdaq during the Relevant Period. Based on the conduct described in this AWC, IBKR violated Nasdaq Rules General 9, Sections 20(a) and 1(a) during the Relevant Period.

### **FACTS AND VIOLATIVE CONDUCT**

1. This matter originated from surveillance conducted by Nasdaq MarketWatch and analysis conducted by Nasdaq Enforcement.

### **RELEVANT THIRD PARTIES**

2. During the Relevant Period, a portion of IBKR's orders in U.S. equities originated from omnibus accounts that introduced orders to IBKR's foreign affiliates, including Foreign Affiliate A.
3. Foreign Introducing Brokers A and B (the "Foreign Introducing Brokers") each are headquartered in Hong Kong, maintained omnibus accounts at Foreign Affiliate A, and routed U.S. equities orders to IBKR through Foreign Affiliate A during the Relevant Period. The omnibus accounts of the Foreign Introducing Brokers themselves housed foreign retail customer accounts.

### **RELEVANT RULES AND REGULATORY GUIDANCE**

4. Nasdaq Rule General 9, Section 20(a) requires "[e]ach member [to] 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."
5. Nasdaq Rule General 9, Section 1(a) requires "[a] member, in the conduct of its business, [to] observe high standards of commercial honor and just and equitable principles of trade." A violation of General 9, Section 20(a) also constitutes a violation of General 9, Section 1(a).
6. On November 12, 2020, the SEC Staff issued a Bulletin entitled "Risks Associated with Omnibus Accounts Transacting in Low-Priced Securities." The bulletin highlighted various legal and compliance risks arising from fraud, manipulation, and other illicit activities associated with transactions in low-priced securities, particularly transactions effected on behalf of omnibus accounts maintained for foreign financial institutions.

### **IBKR'S SUPERVISION OF OMNIBUS ACCOUNTS**

7. During the Relevant Period, IBKR's supervisory system was not reasonably designed to prevent potentially manipulative activity effected through omnibus accounts. First, orders and trading activity from the omnibus accounts of the Foreign Introducing Brokers

- triggered exception reports, some of which IBKR deemed actionable. However, in some cases, IBKR closed reports without reasonable action to prevent further trading by the responsible ultimate beneficial owners and, at times, failed to conduct reasonable investigations into the trading activity.
8. When IBKR determined to restrict ultimate beneficial owners from trading, IBKR relied on Foreign Affiliate A to ask its Foreign Introducing Brokers to implement these account restrictions. However, IBKR closed some compliance reviews without confirming the restrictions were imposed by the Foreign Introducing Broker. This reliance on unaffiliated foreign introducing brokers, without adequate safeguards, was unreasonable.
  9. Second, the volume of exception reports and regulatory inquiries regarding potentially manipulative trading of certain securities through the omnibus accounts of Foreign Introducing Brokers A and B constituted red flags. IBKR, however, did not impose adequate restrictions on trading of microcap securities through the omnibus accounts of Foreign Introducing Broker A until May 2023 (and never imposed similar restrictions on omnibus accounts of Foreign Introducing Broker B.<sup>1</sup>) IBKR's process during the Relevant Period for implementing some of the restrictions on the omnibus accounts of Foreign Introducing Broker A allowed Foreign Introducing Broker A to make certain trades that the restrictions were intended to prevent. Since the Relevant Period, IBKR has enhanced its process for implementing these restrictions.
  10. Third, in March 2021, IBKR began requesting that certain foreign introducing brokers append to each order message an anonymous identifier ("Unique ID") specific to the omnibus subaccount responsible for the order to provide its personnel with more visibility into the omnibus subaccount. IBKR used this information in analyzing a subset of alerts in 2021, but did not incorporate Unique ID logic into all major exception reports until August 2023. The absence of this functionality or another reasonable process impeded IBKR's ability to consider ultimate beneficial owners' trading and compliance history.
  11. IBKR later released functionality for its order management systems to automatically reject an order from a foreign introducing broker if the order either violated ultimate beneficial owner-specific restrictions or lacked a Unique ID. This functionality was intended to replace IBKR's former practice of relying on foreign introducing brokers to implement trading restrictions on its behalf.

### **IBKR'S WRITTEN SUPERVISORY PROCEDURES**

12. During the Relevant Period, IBKR's WSPs were not reasonably designed to achieve full compliance with General 9, Section 20(a). For example, during a portion of the Relevant Period, the WSPs provided insufficient guidance on how to investigate and resolve exception reports relating to omnibus accounts. IBKR later introduced new surveillance reports to aid in detecting potential manipulative trading requiring additional scrutiny in those omnibus accounts and introduced additional guidance for reasonably resolving these reports.

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<sup>1</sup> Foreign Introducing Broker B eventually stopped routing U.S. equities orders to IBKR.

13. Based on the foregoing conduct described in paragraphs 7 through 12, IBKR violated Nasdaq Rules General 9, Sections 20(a) and 1(a).

### **SANCTIONS**

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

1. Censure; and
2. A fine of \$900,000.

Respondent agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

Respondent 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 Nasdaq Enforcement Department staff.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

Respondent 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, Respondent 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.

Respondent 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**

Respondent 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 the Nasdaq Enforcement Department 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 Respondent; and
- C. If accepted:
  - 1. This AWC will become part of the Respondent’s permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the Respondent;
  - 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. Respondent 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. Respondent 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 Respondent’s right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 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.

December 1, 2025 | 9:19 EST

Date

Interactive Brokers LLC

Respondent

DocuSigned by:  
*Elaine Mandelbaum*  
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By:

Print Name: Elaine Mandelbaum

Title: General Counsel

Reviewed by:

Signed by:  
*Christian Kemnitz*  
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Christian T. Kemnitz  
Counsel for Respondent  
Katten Muchin Rosenman LLP  
525 W. Monroe Street  
Chicago, IL 60661

Accepted by Nasdaq:

12/3/2025  
Date

*Jonathan Klein*  
Jonathan S. Klein  
Enforcement Counsel  
Nasdaq Enforcement Department

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