

**NYSE AMERICAN LLC  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2022-02-11-00015**

TO: NYSE AMERICAN LLC

RE: JP Derivatives, LLC, Respondent  
CRD No. 284131

**On February 10, 2022, JP Derivatives, LLC violated NYSE American Rule 16 in connection with its handling of a customer options order on the NYSE American Options Exchange. Specifically, JP Derivatives, LLC failed to adhere to the principles of good business practice in the conduct of its business affairs by: (i) failing to use due diligence to execute a February 10, 2022 options order at the best available price for the initiating customer; and (ii) prematurely informing a liquidity provider that the order had been announced in open outcry. Consent to a censure and a \$10,000 fine.**

\* \* \*

Pursuant to Rule 9216 of the NYSE American LLC (“NYSE American” or the “Exchange”) Code of Procedure, JP Derivatives, LLC (“JP Derivatives” 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, NYSE American will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

**I. ACCEPTANCE AND CONSENT**

- A. JP Derivatives 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 NYSE American, or to which NYSE American 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 NYSE American:

**BACKGROUND AND JURISDICTION**

1. JP Derivatives is a registered broker-dealer which operates on the NYSE American trading floor. It became a member of NYSE American in July 2017, and has operated as an Exchange member engaged in floor activities since around that time.

**VIOLATIONS**

2. NYSE American Rule 16 provides that every member and member organization shall at all times adhere to the principles of good business practice in the conduct of his business affairs.

3. On February 10, 2022, JP Derivatives' customer instructed a JP Derivatives floor clerk to sell 2,189 calls (the "Order"), with a limit price of \$1.75 and an instruction that the Firm understood to mean that it should prioritize executing the entire Order expeditiously, and not delay execution in pursuit of price improvement.
4. After receiving the Order, the Firm solicited liquidity from two liquidity providers. One offered to buy the entire Order at a price of \$1.75 and the other offered to buy 1,000 calls at a price of \$1.77, contingent on the other liquidity providers executing at the same price.
5. At approximately the same time, a JP Derivatives floor broker entered the NYSE American trading crowd and asked for a market in the relevant option. The JP Derivatives floor broker did not provide details of the Order (*i.e.*, the quantity or whether it was a buy or sell order). The market makers in the trading crowd offered to buy 250 calls for \$1.78 or sell 250 calls at \$1.87. At this time, the Firm could have executed a portion of the Order (in the amount of 250 calls) at the market makers' buy price of \$1.78, but chose not to do so.
6. Instead, the JP Derivatives floor broker asked the trading crowd how many calls it would buy if the entire Order were traded at a price of \$1.77, which was one penny worse for the initiating customer. This was a request for indications of interest, not an order announcement. The market makers in the trading crowd again responded that they would buy 250 calls.
7. The Firm informed one of the liquidity providers that the Order had been announced at \$1.77. However, at the time of the communication, the Order had not been announced.
8. Ultimately, the Firm announced to the trading crowd that the Order would be trading at \$1.75, and the trading crowd again made a bid for 250 calls. The Firm then executed the entire Order -- including 250 calls sold to the market makers in the trading crowd -- at a price of \$1.75, which was three pennies worse than the initial bid by the trading crowd for 250 calls.
9. By failing to use due diligence to obtain the best available price for the customer on the Order and by prematurely informing a liquidity provider that the Order was announced when it had not been, JP Derivatives failed to adhere to the principles of good business practice in violation of NYSE American Rule 16.

#### **RELEVANT PRIOR DISCIPLINARY HISTORY**

10. In March 2022, the Firm was issued a \$1,000 first-level minor rule violation for violating NYSE American Rule 16 by improperly nullifying a trade.

#### **SANCTIONS**

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

### **1. Censure and fine in the amount of \$10,000**

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 Method of Payment Confirmation form showing the method by which it will 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.

## **II. WAIVER OF PROCEDURAL RIGHTS**

The Firm specifically and voluntarily waives the following rights granted under the NYSE American 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's Board of Directors 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 of NYSE American; the Exchange's Board of Directors, Disciplinary Action Committee ("DAC"), and Committee for Review ("CFR"); any Director, DAC member, or CFR member; Counsel to the Exchange Board of Directors or CFR; any other NYSE American employee; or any Regulatory Staff as defined in Rule 9120 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 communication 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 by NYSE Regulation, and accepted by the Chief Regulatory Officer of NYSE American pursuant to NYSE American 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. The AWC shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, and shall be deemed final and shall constitute the complaint, answer, and decision in the matter, 10 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to NYSE American Rule 9310(a)(1)(B);
  - 2. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by the Exchange, or any other regulator against the Firm;
  - 3. NYSE American shall publish a copy of the AWC on its website in accordance with NYSE American Rule 8313;
  - 4. NYSE American may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE American Rule 8313; and
  - 5. 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 the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.
- D. A signed copy of this AWC and the accompanying Method of Payment Confirmation form delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.
- E. 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. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

The Firm certifies that, in connection with each of the Exchange's requests for information in connection with this matter, the Firm made a diligent inquiry of all persons and systems that reasonably had possession of responsive documents and that all responsive documents have been

produced. In agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of the document productions.

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.


11/11/2022  
Date

JP Derivatives, LLC,  
Respondent

By:   
Kathleen Cawley  
Chief Compliance Officer

Accepted by NYSE Regulation

November 14, 2022  
Date

  
Kerry Tirrell  
Enforcement Counsel  
NYSE Regulation

Signed on behalf of NYSE American LLC,  
by delegated authority from its Chief  
Regulatory Officer