

**NYSE AMERICAN LLC  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 20180580170-07**

TO: NYSE AMERICAN LLC

RE: Global Execution Brokers, LP, Respondent  
CRD No. 126407

**From March 2018 through November 2021 (the “Relevant Period”), Global Execution Brokers, LP (“GEB” or the “Firm”) violated Rule 15c3-5 of the Securities Exchange Act of 1934 by failing to establish, document, and maintain a system of risk management controls reasonably designed to prevent the entry of erroneous orders. During the same period, GEB violated NYSE American Rule 320(e) (Offices – Approval, Supervision and Control) by failing to establish and maintain a system of supervisory controls, including written procedures, reasonably designed to achieve compliance with (1) Exchange Act Rule 15c3-5 and (2) Exchange rules relating to the post-trade review of potentially erroneous orders. Consent to a censure, a \$10,000 fine (resolved simultaneously with similar matters for a total fine of \$150,000)<sup>1</sup>, and an undertaking.**

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Pursuant to Rule 9216 of the NYSE American LLC (“NYSE American” or the “Exchange”) Code of Procedure, GEB 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. GEB 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. GEB is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) located in Bala Cynwyd, Pennsylvania. The Firm has 28 registered representatives and no branches. GEB operates solely as an agency broker for other

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<sup>1</sup> Those investigations were brought by Nasdaq BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq Options Market LLC, Nasdaq Phlx LLC, NYSE Arca, Inc., Cboe C2 Exchange, Inc., Cboe Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe BZX Exchange, Inc., BOX Exchange LLC, the Miami International Securities Exchange, LLC, and MIAX PEARL, LLC.

broker-dealers. GEB has been a member of NYSE American since June 2007. The Firm has no relevant disciplinary history.

## VIOLATIONS

### *Applicable Rules*

2. Exchange Act Rule 15c3-5(b) requires a broker-dealer with market access to “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.”<sup>2</sup>
3. Exchange Act Rule 15c3-5(c)(1)(ii) specifically requires that a broker-dealer’s system of risk management controls and supervisory procedures must be reasonably designed to “[p]revent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders.” In the Rule’s adopting release, the SEC provided as an example of a reasonable control: “a system-driven, pre-trade control designed to reject orders that are not reasonably related to the quoted price of the security.”<sup>3</sup>
4. NYSE American Rule 320 requires member organizations to establish, maintain, enforce, and keep current a system of compliance and supervisory controls, including written procedures, “reasonably designed to achieve compliance with applicable securities laws and regulations and Exchange rules.”

### *Facts*

5. On March 21, 2018, at 3:58:27 p.m., GEB received a market order to purchase 5,000 call option contracts in ABC<sup>4</sup> (the “Order”) on behalf of one of its broker-dealer clients.
6. The Order did not breach the pre-order entry market access risk controls that the Firm had in place for its broker-dealer client in March 2018. The Order, however, was automatically routed to an options exchange, whereupon it received multiple partial executions at increasing price levels until the exchange rejected back to GEB the unfilled balance, which was then automatically routed to another exchange. The next exchange likewise executed the Order at increasing price levels until it likewise rejected back to GEB the unfilled balance. The Order was again automatically routed

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<sup>2</sup> GEB is subject to Exchange Act Rule 15c3-5 because it is a broker with market access to the Exchange as well as other option exchanges. The Rule defines market access as “[a]ccess to trading in securities on an exchange or alternative trading system as a result of being a member or subscriber of the exchange or alternative trading system, respectively.”

<sup>3</sup> *Risk Management Controls for Brokers or Dealers with Market Access*, SEC Release No. 34-63241, at 11 (November 3, 2010).

<sup>4</sup> A generic identifier has been used in place of the name of the relevant option series.

to another exchange, and this partial execution and rejection process continued across multiple exchanges until one exchange posted the unfilled balance as a bid, which was executed at 3:59:49 p.m., thereby completing the order. This automated activity resulted in an aggregate of nearly 500 transactions (collectively, the “Trade”) and an overall price increase of roughly 312%—from the first execution price of \$12.39 to \$38.70. The Trade was executed across 15 option exchanges, including NYSE American.

7. At 3:59 p.m. and 4:00 p.m., GEB’s systems generated “Possible Bad Fill” emails alerting the GEB client service desk to potential execution quality issues for the Trade. This alert is generated when, among other things, partial executions of a market order are effected at prices that are a designated margin away from the quoted market at the time the order was received.
8. Although the balance of the Order was rejected by multiple exchanges following their respective partial executions, the Firm’s order management system did not maintain a control recognizing this fact and kept re-entering the Order until it was completely filled.
9. At around 4:13 p.m., GEB’s broker-dealer client advised GEB’s client service desk that the customer had mistakenly placed the Order and that “[h]e is looking to see if he can get any help out of it at all.”
10. At that time, the relevant exchanges, including NYSE American, permitted broker-dealers to request one of two types of relief in response to an erroneous order—a broker-dealer could request review of the trade as an “Obvious Error” or “Catastrophic Error.” If the exchanges deemed a transaction an Obvious Error, then the trade could be busted. Alternatively, if the exchanges deemed a transaction a Catastrophic Error, the relief was an adjustment of the execution price (and not a bust of the trade).<sup>5</sup>
11. The relevant exchanges, including NYSE American, required that requests for Obvious Error review be submitted within 30 minutes of the trade’s execution. The deadline for a Catastrophic Error review was longer—here, GEB had until 8:30 a.m. on the following trading day to request such a review.
12. Only one member of GEB’s client service desk remained after 4:00 p.m. on March 21, 2018, as all others left the office due to a severe snowstorm. At or around the time that GEB’s broker-dealer client alerted GEB to the potentially erroneous trade, GEB’s client service desk representative was aware that one of the counterparties to the Trade was a GEB affiliate.

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<sup>5</sup> A transaction determined to be a Catastrophic Error could be busted if the adjusted execution price was higher (for buy transactions) or lower (for sell transactions) than the customer’s limit price.

13. GEB's client service representative had until around 4:29 p.m. to request Obvious Error reviews of the Trade.
14. At that time, and throughout the Relevant Period, GEB had no formal training, procedures, or other guidance regarding how to handle an erroneous order review when a GEB affiliate was a counterparty to such transaction, or any written supervisory procedure to review for the proper handling of potentially erroneous transactions.
15. On March 21, 2018, with the 30-minute deadline approaching, the GEB representative did not attempt to contact his supervisor for assistance. Instead, he sought guidance from an on-site risk manager who worked for the affiliate.
16. Ultimately, GEB did not submit the Trade for review as an Obvious Error within the 30-minute deadline. At around 4:49 p.m., GEB began filing Catastrophic Error review requests with the relevant exchanges.<sup>6</sup>
17. In response to GEB's Catastrophic Error submission, the relevant exchanges adjusted the execution prices on 3,864 contracts of the Trade to a price of \$21.85.<sup>7</sup>

*Violations of Exchange Act Rule 15c3-5 and NYSE American Rule 320*

18. During the Relevant Period, GEB did not establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to prevent the entry of erroneous orders. As set forth above, by allowing the Order to be re-submitted a number of times after being rejected by multiple exchanges, the Firm's market access controls were not reasonably designed to prevent the entry of erroneous options market orders.
19. As a result, GEB violated Exchange Act Rules 15c3-5(b) and 15c3-5(c)(1)(ii) and NYSE American Rule 320.
20. During the Relevant Period, GEB also failed to establish, maintain, enforce, and keep current a system of supervisory controls reasonably designed to supervise the Firm's client service desk and the process for reviewing potentially erroneous transactions. As set forth above, GEB did not have formal training, procedures, or other guidance regarding how to handle an erroneous order review when a GEB affiliate was a counterparty to such transaction, or any written supervisory procedure to review for the proper handling of potentially erroneous transactions.

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<sup>6</sup> Among the circumstances involved were that the Trade involved a significant number of individual transactions (almost 500 executions across 15 options exchanges) and the reduction of human resources due to a severe snowstorm that left only one client service desk representative available to review the Trade and assess whether the transactions qualified for erroneous order relief.

<sup>7</sup> GEB subsequently contributed to a settlement between its broker-dealer client and the retail customer relating to the Trade.

21. As a result, GEB violated NYSE American Rule 320.

### **SANCTIONS**

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

1. **Censure;**
2. **A total fine in the amount of \$150,000 (\$10,000 payable to NYSE American);<sup>8</sup> and**
3. **An undertaking requiring that within 60 days of the execution of this AWC, GEB will provide a certification that it has developed and implemented controls and procedures reasonably designed to address the deficiencies described above.**

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 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 imposed in this matter.

The Firm agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts. The Firm further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts.

The sanctions imposed herein shall be effective on a date set by NYSE Regulation staff.

## **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;

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<sup>8</sup> The remainder of the fine shall be allocated to Nasdaq BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq Options Market LLC, Nasdaq Phlx LLC, NYSE Arca, Inc., Cboe C2 Exchange, Inc., Cboe Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe BZX Exchange, Inc., BOX Exchange LLC, the Miami International Securities Exchange, LLC, and MIAx PEARL, LLC for similar violations.

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.

