

**NYSE ARCA, INC.**  
**LETTER OF ACCEPTANCE, WAIVER, AND CONSENT**  
**NO. 2021-12-21-00025**

TO: NYSE Arca, Inc.

RE: CODA Markets, Inc., Respondent  
CRD No. 36187

**During the period between February 2020 and February 2022 (the “Relevant Period”), CODA Markets, Inc. violated Rules 15c3-5(b) and 15c3-5(c)(1)(ii) of the Securities Exchange Act of 1934 (the “Exchange Act”) by failing to establish and maintain supervisory procedures and financial risk management controls that were reasonably designed to prevent the entry of erroneous orders. Consent to a censure and \$35,000 fine.**

\* \* \*

Pursuant to Rule 10.9216 of the NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) Code of Procedure, CODA Markets, Inc. (“CODA” 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 Arca will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

**I. ACCEPTANCE AND CONSENT**

- A. CODA 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 Arca, or to which NYSE Arca 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 Arca:

**BACKGROUND AND JURISDICTION**

1. CODA is a broker-dealer that operates an alternative trading system (“ATS”) through which it provides market access, including to the Exchange, to subscribers that include broker-dealers and other institutions. It has been registered with the Securities & Exchange Commission since 1994 and has been a NYSE Arca member since 2005.
2. On December 9, 2021, CODA routed to NYSE Arca a 19,000 share customer market order in Symbol 1, which represented more than 300% of Symbol 1’s 30-day average daily trading volume (the “December 9, 2021 Order”). The order immediately received 55 executions, resulting in an approximately 271% increase in Symbol 1’s stock price compared to the last sale prior to entry of the order.

## VIOLATIONS

3. Exchange Act Rule 15c3-5 requires, among other things, that a broker-dealer with market access document its system of risk management controls and supervisory procedures designed to manage the financial, regulatory, and other risks of market access.
4. Exchange Act Rule 15c3-5(b) specifically requires broker-dealers with market access, or that provide a customer 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.”
5. Exchange Act Rule 15c3-5(c)(1) requires firms that provide market access to establish risk management controls and supervisory procedures that are “reasonably designed to systematically limit the financial exposure of the broker or dealer that could arise as a result of market access.” Pursuant to Rule 15c3-5(c)(1)(ii) specifically, broker-dealers are required to establish, document, and maintain “risk management controls and supervisory procedures . . . 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.” Rule 15c3-5 requires such controls and procedures in order to reduce risks to broker-dealers, their clients, and the securities markets.
6. From May 2021 through February 2022, as a result of a coding error, the Firm applied no erroneous order controls to the market participant identifier (“MPID”) through which the December 9, 2021 Order was sent. Had they applied, the Firm’s erroneous order controls would have prevented the order from reaching NYSE Arca.
7. This coding error also prevented erroneous order controls from applying to a second MPID during the period February 2020 through February 2022.
8. The Firm became aware of the issue as early as August 2021, but unreasonably failed to remediate the two MPIDs that were affected. In November 2021, the issue was raised again, but still was not remediated. The issue was remediated only after the December 9, 2021 Order and after NYSE Regulation initiated its investigation.
9. As a result of this conduct, the Firm violated Exchange Act Rule 15c3-5(b) and(c)(1)(ii).

## RELEVANT PRIOR DISCIPLINARY HISTORY

10. On July 9, 2021, CODA was fined \$1.25 million by FINRA and various exchanges, including NYSE Arca, for violations of Exchange Act Rule 15c3-5(b), (c)(1)(ii), (c)(2), (e), (e)(1), and (e)(2) and supervisory rules over a 10-year period. CODA

was required to retain an independent consultant in connection with that matter. *See* FINRA Matter No. 20150440782.

### **SANCTIONS**

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

**1. Censure and fine in the amount of \$35,000**

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.

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 Arca 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 prejudice of the Chief Regulatory Officer of NYSE Arca; 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 Arca employee; or any Regulatory Staff as defined in Rule 10.9120 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 10.9143 or the separation of functions prohibitions of Rule 10.9144, 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 Arca pursuant to NYSE Arca Rule 10.9216;
- 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 Arca Rule 10.9310(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 Arca shall publish a copy of the AWC on its website in accordance with NYSE Arca Rule 10.8313;
  - 4. NYSE Arca may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE Arca Rule 10.8313; 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.

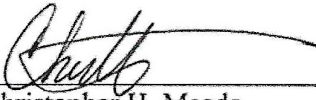
- E. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. Any such statement 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.

11/23/2022  
Date

CODA Markets, Inc.,  
Respondent

By:   
Christopher H. Meade  
Chief Compliance Officer

Reviewed by:

  
Peter G. Wilson  
Katten Muchin Rosenman LLP  
(312) 902-5649  
Counsel for Respondent

Accepted by NYSE Regulation

November 25, 2022

Date



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Kerry Tirrell  
Enforcement Counsel  
NYSE Regulation

Signed on behalf of NYSE Arca, Inc., by  
delegated authority from its Chief  
Regulatory Officer

## **Corrective Action Statement of CODA Markets, Inc.**

CODA Markets takes its market access obligations seriously, and is actively engaged in a process to enhance its system of pre-trade controls. That process includes, among other things, revising procedures relating to calibrating and testing the firm's controls to help prevent the risk of erroneous orders.