

NYSE ARCA, INC.
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021-11-03-00037

TO: NYSE Arca, Inc.

RE: SVB Securities LLC, Respondent
CRD No. 39011

SVB Securities LLC (“SVB Securities” or the “Firm”) violated: (i) NYSE Arca Rule 11.1(b) by failing to adhere to principles of good business practice in its handling of an October 12, 2021 options order (the “Order”); (ii) Section 17(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 17a-3(a)(6) thereunder, and NYSE Arca Rule 2.28, by failing to maintain complete and accurate books and records reflecting the original execution and subsequent cancellation of the Order; and (iii) NYSE Arca Rule 11.18(b) and (c) by failing to establish and maintain supervisory systems and written supervisory procedures that were reasonably designed to ensure compliance with NYSE Arca rules concerning best execution during the period October 12, 2021 to August 30, 2022. Consent to a censure and a \$120,000 fine.

* * *

Pursuant to Rule 10.9216 of the NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) Code of Procedure, SVB Securities 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. SVB Securities 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. SVB Securities is an investment bank based in Boston, Massachusetts that engages in capital markets activity, mergers and acquisitions advisory services, equity research, and sales and trading. It has been a registered broker-dealer with the Securities and Exchange Commission since October 1995 and an Equities Trading Permit (“ETP”) holder with NYSE Arca since December 2003. The Firm has no relevant disciplinary history.

VIOLATIONS

Good Business Practice Violations

2. NYSE Arca Rule 11.1(b) requires every ETP Holder and its associated persons to “adhere to the principles of good business practice in the conduct of its or their business affairs.”
3. On October 12, 2021, a customer sent SVB Securities the Order to buy 1,000 puts. SVB Securities and the customer agreed that the Firm would execute the Order at no worse than \$7.30.
4. To execute the Order, the Firm purchased 127 puts electronically on a NYSE exchange at a price of \$7.00, and purchased the remaining 873 puts from three liquidity providers at a price of \$7.20.
5. After the execution, one of the counterparties objected and conveyed to SVB Securities that it did not have sufficient time to hedge before the price of the underlying stock, which was thinly traded, moved. SVB Securities was concerned that the counterparty may try to renege on the trade.
6. The Firm instructed the floor broker to adjust the price of the 873 puts to \$7.30. The adjustment did not result in direct financial gain to SVB Securities, but was 10 cents worse for SVB Securities’ customer and 10 cents better for the counterparties, resulting in the customer paying \$8,730 more than it would have at the \$7.20 execution price for the 873 puts. At no point before the adjustment did the Firm obtain its customer’s agreement to bust and adjust the trade.
7. Following the adjustment, the Firm sent a confirmation to its customer, incorrectly stating that there “[w]as an error on the floor printing but you are good.”
8. SVB Securities violated NYSE Arca Rule 11.1(b) by failing to obtain the agreement of its customer prior to instructing the floor broker to bust and adjust the trade, failing to obtain the most advantageous terms for the customer on the 873 puts, and telling the customer that there had been a printing error on the floor when there had not been one.

Books and Records Violations

9. Exchange Act Section 17(a) and Rule 17a-3(a)(6)(i) thereunder require broker-dealers to “make and keep current” certain books and records relating to its business, including a “memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of a security . . . whether executed or unexecuted.” The Rule further requires that the memorandum show “the terms and conditions of the order or instructions and of any modification or cancellation thereof.”

10. NYSE Arca Rule 2.28 requires ETP Holders to “make and retain all the books and records prescribed by . . . the rules and regulations of the Securities and Exchange Commission.”

11. SVB Securities’ books and records concerning the Order did not reflect the original execution of the Order at a price of \$7.20, or the cancellation of that execution.

12. As a result, the Firm violated Exchange Act Section 17(a) and Rule 17a-3(a)(6)(i) thereunder, and NYSE Arca Rule 2.28.

Supervisory Violations

13. NYSE Arca Rule 11.18(b) requires firms to “establish and maintain a system to supervise the activities of its associated persons and the operations of its business.” The supervisory system must be “reasonably designed to ensure compliance with applicable federal securities laws and regulations and NYSE Arca Rules.”

14. NYSE Arca Rule 11.18(c) requires firms to “establish, maintain, and enforce written procedures” that are “reasonably designed to ensure compliance with applicable federal securities laws and regulations, and with the NYSE Arca Rules.”

15. During the period from October 12, 2021 to August 30, 2022, the Firm failed to establish and maintain a supervisory system and written supervisory procedures (“WSPs”) reasonably designed to ensure compliance with its best execution obligations for customer options orders.

16. Specifically, the Firm did not include a review of options orders in its best execution compliance reviews, lacked WSPs concerning the nullification or adjustment of options trades, and unreasonably relied primarily on the options desk supervisor to review his own trades.

17. Accordingly, the Firm violated NYSE Arca Rule 11.18(b) and (c).

OTHER FACTORS CONSIDERED

18. In determining to resolve this matter on the basis set forth herein, NYSE Regulation took into consideration (i) that SVB Securities voluntarily and proactively offered restitution to its customer in the amount of \$10,000; and (ii) SVB Securities’ supervisory remedial efforts.

SANCTIONS

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

1. **Censure and fine in the amount of \$120,000**

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 prejudgment 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.

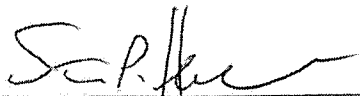
E. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. Any such statement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

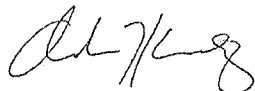
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, 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.

11/30/2022
Date

SVB Securities LLC,
Respondent

By: 
Steven P. Heineman
General Counsel


Reviewed by:



Christian Kemnitz
Katten Muchin Rosenman LLP
(312) 902-5379
Counsel for Respondent

Accepted by NYSE Regulation

November 30, 2022
Date


Kerry Tirrell
Enforcement Counsel
NYSE Regulation

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