

**NEW YORK STOCK EXCHANGE LLC  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2018-02-00065**

TO: New York Stock Exchange LLC

RE: GTS Securities LLC  
CRD No. 149224

**On August 11, 2017, GTS Securities LLC (“GTS” or the “Firm”) violated NYSE Rule 36 when certain associated persons with the Firm’s Designated Market Maker Unit (“DMM” or “DMM Unit”) used unapproved cellular wireless devices from the NYSE Exchange Floor (the “NYSE Floor”). In addition, from August 2017 through March 2018 (the “Relevant Period”), GTS violated NYSE Rule 3110(a) for failing to establish and maintain a system to supervise the activities of each associated person that were reasonably designed to achieve compliance with NYSE Rule 36 (Supplementary Material .30 and .31). GTS consents to a censure and a \$45,000 fine.**

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

**I. ACCEPTANCE AND CONSENT**

- A. GTS hereby accepts and consents, solely for the purposes of this proceeding and any other proceeding brought by or on behalf of the NYSE, or to which the NYSE is a party, prior to a hearing and without an adjudication of any issue of law or fact, without admitting or denying the findings, to the entry of the following findings by the NYSE:

**BACKGROUND AND JURISDICTION**

1. GTS was founded in 2008 and became a member of the NYSE on March 26, 2015. GTS remains a member of the NYSE today and is one of five DMMs on the NYSE Floor.

**PROCEDURAL HISTORY**

2. In August 2017, NYSE Regulation Enforcement (“Enforcement”) opened an investigation into another member firm (not GTS). In connection with this other matter, Enforcement requested information from GTS’s DMM Unit. In doing so, Enforcement became aware that an associated person with GTS’s DMM Unit on one

day may have used an unapproved cellular wireless device to send a limited number of text messages from the NYSE Floor potentially related to market events that occurred earlier that day.

3. Therefore, in February 2018, Enforcement notified GTS that it was investigating whether it violated NYSE Rules 36 and 3110.

## VIOLATIONS

### NYSE Rule 36 Violation

4. NYSE Rule 36 provides, *inter alia*: “No member or member organization shall establish or maintain any telephonic or electronic communication between the Floor and any other location without the approval of the Exchange.”
5. NYSE Rule 36, Supplementary Material .30 and .31, specifically addresses DMM Units and provides, *inter alia*: “With the approval of the Exchange, and subject to the conditions set forth in this Supplementary Material .31, a DMM unit may install and maintain a wired or wireless device capable of sending and receiving written electronic communications through an Exchange-approved connection (a ‘Permitted Communications Device’).”
6. On August 11, 2017, certain GTS DMM Unit associated persons used their cellular wireless devices from the NYSE Floor that were not approved by the Exchange.
7. The GTS DMM Unit associated persons used their cellular wireless devices to, among other things, send a limited number of text messages with each other. In addition, one of the GTS DMM Unit associated persons also used his cellular wireless device to respond to a limited number of communications he received from an employee at another DMM on the NYSE Floor.
8. Because GTS is responsible for the conduct of its associated persons, GTS violated NYSE Rule 36 (Supplementary Material .30 and .31).

### NYSE Rule 3110 Violation

9. NYSE Rule 3110(a) requires, *inter alia*: each member organization to “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules.”
10. Moreover, in January 2017, FINRA published its Annual Regulatory and Examination Priorities Letter, in which it highlighted that of particular focus is “firms’ compliance with their supervisory . . . obligations with respect to social media and other electronic communications in light of the increasingly important role they

place in the securities business. We note that these obligations apply to business communications irrespective of the medium or device used to communicate.”<sup>1</sup>

11. During the Relevant Period, GTS did not explicitly designate a registered principal to perform reviews designed to ensure compliance with NYSE Rule 36 (Supplementary Material .30 and .31) for the DMM Unit. In addition, GTS did not document any supervisory reviews it undertook during the Relevant Period concerning the potential use of unauthorized devices by DMM Unit employees.
12. Prior to March 22, 2018, therefore, GTS violated NYSE Rule 3110(a).

### **PRIOR RELEVANT DISCIPLINARY HISTORY**

13. Recent formal disciplinary history for GTS includes supervisory charges. On October 16, 2017, GTS settled charges with FINRA (on behalf of NYSE and NYSE Arca) under NYSE Rule 132(a) and NYSE Arca Rule 7.33 for its failure to input correct capacity codes for orders entered on, among other equity exchanges, NYSE and NYSE Arca. In the settlement, it was found that GTS also failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with NYSE Rule 132(a) and NYSE Arca Rule 7.33 – therefore violating NYSE Rule 3110 and NYSE Rule 6.18 (supervision). GTS settled the matters for \$5,000 (NYSE) and \$9,000 (NYSE Arca). *See GTS Securities LLC*, FINRA Matter No. 2015-04-57981 (Oct. 16, 2017).

### **OTHER FACTORS CONSIDERED**

14. In resolving this matter, Enforcement took into account that the text messages at issue occurred on a single day and were limited in number, as well as GTS’s timely remediation. Among other things: (i) on March 22, 2018, GTS explicitly designated a registered principal to perform reviews for cellular wireless device usage on the NYSE Floor by DMM Unit employees to ensure compliance with NYSE Rule 36 (Supplementary Material .30 and .31); and (ii) GTS also added a line item to its daily compliance log to document its supervisory reviews covering the use of unauthorized devices by DMM Unit employees.

### **SANCTIONS**

- B. GTS consents to the imposition of the following sanctions:

**Censures and fine in the amount of \$45,000.**

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

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<sup>1</sup> See <http://www.finra.org/sites/default/files/2017-regulatory-and-examination-priorities-letter.pdf>.

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 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.

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

The Firm specifically and voluntarily waives the following rights granted under the NYSE 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 the NYSE; 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 employee; or any Regulatory Staff as defined in NYSE 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 NYSE Rule 9143 or the separation of functions prohibitions of NYSE 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 the NYSE pursuant to NYSE 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, 25 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 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. The NYSE shall publish a copy of the AWC on its website in accordance with NYSE Rule 8313;
  - 4. The NYSE may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE 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 documents in connection with this matter, the Firm made a diligent inquiry of all persons who reasonably had possession of responsive documents, and that those documents have been produced or identified in a privilege log. The Firm acknowledges that, in agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of such 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.

7/31/2018  
Date

GTS Securities LLC  
Respondent

By:

Patrick J. Romanello  
Patrick J. Romanello  
Authorized Signatory, for and on behalf of  
GTS Securities LLC

Approved as to form by:

Howard L. Kramer  
Howard L. Kramer  
Murphy & McGonigle, PC  
Counsel for GTS Securities LLC

Accepted by NYSE Regulation:

08/02/18  
Date

  
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Tony M. Frouge  
Senior Enforcement Counsel  
NYSE Regulation

Signed on behalf of the  
New York Stock Exchange LLC,  
by delegated authority from its  
Chief Regulatory Officer