

THE NEW YORK STOCK EXCHANGE LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150467692-02

TO: New York Stock Exchange LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: GTS Securities LLC, Respondent
Broker-Dealer
CRD No. 149224

Pursuant to Rule 9216 of the New York Stock Exchange LLC ("NYSE" or the "Exchange") Code of Procedure, GTS Securities LLC ("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, 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. The firm 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 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, to the entry of the following findings by the NYSE:

BACKGROUND

The firm became a NYSE member on March 26, 2015 and a FINRA member on April 23, 2014, and both registrations remain in effect. The firm does not have any relevant disciplinary history.

SUMMARY

In connection with review 20150467692, the staff of FINRA's Department of Market Regulation (the "staff"), on behalf of NYSE, reviewed the firm's compliance with SEC Rule 611(c) of Regulation NMS during the period from March 26, 2015 through July 10, 2016 (the "First Review Period").

In connection with review 20150468027, the staff, on behalf of NYSE, reviewed the firm's compliance with rules regarding locked and crossed markets during the period from March 26 through September 30, 2015 (the "Second Review Period").

In connection with review 20160492958, the staff, on behalf of NYSE, reviewed the firm's compliance with rules regarding locked and crossed markets during the period

from October 1, 2015 through June 30, 2016 (the "Third Review Period").

Based on the foregoing reviews, the staff determined that the firm engaged in the violative conduct as set forth below, consisting of violations of SEC Rule 611(c) of Regulation NMS and NYSE Rules 13(e)(3), 19(b), 342, 2010 and 3110.

FACTS AND VIOLATIVE CONDUCT

1. Rule 611(c) of Regulation NMS requires firms to take reasonable steps to establish that intermarket sweep orders ("ISOs") meet the requirements of SEC Rule 600(b)(30), which defines an ISO as a limit order for an NMS stock that meets two requirements: (i) it is identified as an ISO; and (ii) the firm routes additional limit orders, as necessary, to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an intermarket sweep order.
2. NYSE Rule 13(e)(3) requires that, simultaneously with the routing to the Exchange of a limit order identified as an ISO, a member organization route one or more additional limit orders, as necessary, to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the stock with a price that is superior to the limit price of the limit order identified as an ISO.
3. NYSE Rule 19(b) states, in relevant part: "[M]embers of the Exchange shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan."
4. NYSE Rule 3110 requires firms 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.
5. NYSE Rule 342 required firms to maintain a written statement of supervisory procedures in a distinct and identifiable manual and to enforce such procedures.
6. NYSE Rule 2010 requires firms, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.
7. During the First Review Period, the firm mistakenly relied on the crossed market exception set forth in SEC Rule 611(b)(4).¹ This resulted in the firm failing to send ISOs

¹ Rule 611(b)(4) of Regulation NMS provides to trading centers an exception for transactions that trade through protected quotations when such transactions are executed at a time when a protected bid is higher than a protected offer in the NMS stock.

to execute against the full displayed size of certain protected quotations. As a result of the above conduct, the firm failed to take reasonable steps to establish that ISOs met the requirements of Rule 600(b)(30) of Regulation NMS. The conduct described in this paragraph constitutes a violation of SEC Rule 611(c) of Regulation NMS and NYSE Rule 13(e)(3).

8. During the Second and Third Review Periods, the firm failed to reasonably avoid displaying, and engaged in a pattern or practice of displaying, quotations that locked or crossed a protected quotation. The conduct described in this paragraph constitutes separate and distinct violations of NYSE Rule 19(b).
9. During the Second Review Period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with NYSE Rule 19(b). Specifically, the firm's supervisory system did not include written supervisory procedures providing for a statement of adequate supervisory steps to review for cancelled directed ISOs. The conduct described in this paragraph constitutes a violation of NYSE Rules 342 (for conduct before December 1, 2014), 3110 (for conduct on or after December 1, 2014) and 2010.
10. During the Third Review Period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with NYSE Rule 19(b). Specifically, the firm's written supervisory procedures did not describe supervisory steps to ensure that all order data is fed into the firm's post-trade compliance review system. The conduct described in this paragraph constitutes a violation of NYSE Rules 342 (for conduct before December 1, 2014), 3110 (for conduct on or after December 1, 2014) and 2010.

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

A censure; a fine in the total amount of \$97,500 (consisting of a fine of \$65,000 for the ISO violations in matter 20150467692 and a fine of \$32,500 for the lock/cross and supervision violations in matters 20150468027 and 20160492958) to be paid jointly to NYSE, NYSE Arca, Inc., The NASDAQ Stock Market LLC, NASDAQ PHLX LLC and NASDAQ BX, Inc., of which \$19,500 of that total amount shall be paid to NYSE; and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraphs I.A.9 and I.A.10 above. Within 30 business days of this AWC becoming final, a senior executive of the Respondent shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraphs I.A.9 and I.A.10; and (3) the date the revised procedures were implemented.

Acceptance of this AWC is conditioned upon acceptance of parallel settlement

agreements in related actions between the firm and The NASDAQ Stock Market LLC, NASDAQ BX, Inc., NASDAQ PHLX LLC and NYSE Arca, Inc.

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 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 Respondent 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's 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 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 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 and accepted by FINRA's Department of Market Regulation and 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 permanent disciplinary record and may be considered in any future actions brought by the NYSE, 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 NYSE, or to which the NYSE 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 NYSE 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. This Statement does not constitute factual or legal findings by the NYSE, nor does it reflect the views of NYSE Regulation or its staff.**

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.

8/27/2018
Date

GTS Securities LLC
Respondent

By: Patrick J. Romanello
Patrick J. Romanello
CCO

Reviewed by:

Howard L. Kramer

Counsel for Respondent
Howard L. Kramer, Esq.
Murphy & McGonigle, PC
1001 G Street, NW
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Washington, DC 20001

Accepted by FINRA
9/13/18
Date

Dean A. Floyd
Dean A. Floyd, Esq.
Senior Counsel
Department of Enforcement

Signed on behalf of the NYSE, by delegated authority from the Chief Regulatory Officer of the NYSE.