

NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016048771703

TO: Nasdaq PHLX LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: SG Americas Securities, LLC, Respondent
Broker-Dealer
CRD No. 128351

Pursuant to Rule 9216 of Nasdaq PHLX LLC (“PHLX”) Code of Procedure, SG Americas Securities, LLC (the “Firm” or “Respondent”) 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, PHLX will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 PHLX, or to which PHLX 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 PHLX:

BACKGROUND

The Firm has been a PHLX member since April 26, 2004, and its registration remains in effect. The Firm is headquartered in New York, New York and has branch offices in Boston, Chicago, Dallas, and Houston. It currently has 917 registered representatives.

RELEVANT DISCIPLINARY HISTORY

On March 23, 2016, the Firm consented to findings that it violated Rule 17a-3(a)(6)(i) promulgated under the Securities Exchange Act of 1934, as amended (“Exchange Act”), Nasdaq PHLX LLC’s (“PHLX”) Rules 748 and 760, and NYSE American Rules 320(e) and 956NY, in connection with its failure, during cycle and cause examinations conducted on behalf of NYSE American and PHLX between May 1, 2012 and May 17, 2013, to: (i) make and keep an accurate record of the order receipt time for ten options orders; and (ii) make and keep an accurate record of the order transmission time for 40 of 40 sampled options orders. The firm was censured and fined \$20,000, which was evenly allocated between PHLX and NYSE American (FINRA Matter No. 20130372608).

SUMMARY

1. The Financial Industry Regulatory Authority's ("FINRA") Trading and Financial Compliance Examinations staff (the "Staff") within the Department of Market Regulation, on behalf of PHLX and other options exchanges, conducted a review of the manual options order tickets handled by the Firm during the period between June 13, 2016 and June 17, 2016 (the "Exam Review Period").
2. During the Exam Review Period, SG Americas failed to accurately record the order receipt and order transmission times of manual options orders it had routed to floor brokers at PHLX and various other national securities exchanges for execution in violation of Exchange Act Rule 17a-3(a)(6)(i) and PHLX Rule 760. From June 2016 through June 2017 (the "Supervisory Review Period"), the Firm also violated PHLX Rule 748(h) by failing to establish, maintain, and enforce written supervisory procedures ("WSPs") and a system of supervision that were reasonably designed to achieve compliance with, and to detect and prevent, insofar as practicable, violations of, the applicable recordkeeping provisions of the federal securities laws and PHLX rules that require the accurate documentation of the order receipt and transmission times of options orders.

FACTS AND VIOLATIVE CONDUCT

3. The policy underlying the recordkeeping provisions of the federal securities laws and PHLX rules is to ensure that regulators have access to certain basic information about securities transactions. Access to transaction records serves as an essential component for effective surveillance and examination of broker-dealers by PHLX and other self-regulatory organizations.
4. Section 17 of the Exchange Act and Rule 17a-3(a)(6)(i) promulgated thereunder requires broker-dealers, such as SG Americas, to create a brokerage order ticket of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. In relevant part, the rule requires the brokerage order ticket to show, among other things, the terms and conditions of the order or instructions, the time the order was received, the time the order was entered, and the time of execution or cancellation. Such records must be accurate.
5. PHLX Rule 760 requires member firms to make, keep current, and preserve books and records as prescribed by the Exchange Act.
6. PHLX Rule 748(h) requires member organizations to establish, maintain and enforce WSPs, and a system of supervision for applying such procedures, that are reasonably designed to supervise the types of businesses and activities in which they and their associated persons engage in order to achieve compliance with, and to prevent and detect, insofar as practicable, violations of, applicable securities laws and regulations, including the By-Laws and Rules of the Exchange.

7. From a sample of 56 manual options orders routed to floor brokers for execution during the Exam Review Period, the Firm did not maintain an accurate record of the order receipt time for 14 (approximately 25%) of the sampled orders. Of these 14 orders, four were executed on the PHLX.
8. From the same sample of 56 manual options orders routed to floor brokers for execution during the Exam Review Period, the Firm did not maintain an accurate record of the order transmission times for 22 (39%) of the sampled orders. Of these 22 orders, three were executed on the Exchange. The Firm handled approximately 30,080 manual options orders in 2016, 45% of which were manual customer orders routed to option exchange floors for execution.
9. The conduct described in paragraphs seven and eight constitutes violations of Rule 17a-3(a)(6)(i) promulgated under the Exchange Act and PHLX Rule 760.
10. The Firm failed to establish and maintain WSPs and a supervisory system that were reasonably designed to achieve compliance with, and to detect and prevent violations of, the recordkeeping provisions of the federal securities laws and PHLX rules that require the accurate documentation of the order receipt and transmission times of options orders. During the Supervisory Review Period, the Firm's WSPs and supervisory system provided that it conduct a quarterly supervisory review of a sample of its manual options orders that were routed to exchanges, consisting of 25 randomly selected manual options orders. Over the approximately one year of the Supervisory Review Period, the Firm had as many as approximately 8,300 manual options orders routed to exchanges each quarter. The Firm's supervisory review was intended to confirm the accuracy of the order receipt, transmission, and execution time stamps, and its WSPs and supervisory system further required the escalation to business heads and compliance of any patterns of inaccurate order information. The Firm's quarterly supervisory reviews did not, however, detect a single time-stamp inaccuracy within any of the quarterly 25-order samples conducted during the Supervisory Review Period, and so no alerts were escalated to business heads and compliance. By contrast, the 56 manual options orders sampled from the Exam Review Period revealed that approximately 25% had inaccurate order receipt times and approximately 39% had inaccurate order transmission times. Given the potential for human error in connection with manual orders, the Firm's quarterly sampling of 25 randomly selected manual orders was not reasonably designed to achieve compliance with, and to detect and prevent violations of, the applicable recordkeeping provisions of the federal securities laws and PHLX rules.
11. The conduct described in paragraph ten constitutes a violation of PHLX Rule 748.

B. Respondent also consents to the imposition of the following sanctions:

A censure and a fine of \$75,000, of which \$25,000 (\$20,000 for the books and records violations, and \$5,000 for the supervision violations) shall be paid to the PHLX.¹

Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between the firm and NYSE Arca, Inc. and NYSE American LLC.

Respondent agrees to pay the monetary sanction in accordance with its executed Election of Payment Form.

Respondent 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 sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under PHLX'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 PHLX Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the PHLX Review Council, or any member of the PHLX Review Council, 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.

Respondent 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,

¹ The balance of the fine shall be paid to NYSE Arca, Inc. and NYSE American LLC.

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


Respondent 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 Enforcement and the PHLX Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to PHLX 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 Respondent; and
- C. If accepted:
 - 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by PHLX or any other regulator against the Respondent;
 - 2. PHLX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with PHLX Rule 8310 and IM-8310-3; and
 - 3. Respondent 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. Respondent may not take any position in any proceeding brought by or on behalf of PHLX, or to which PHLX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which PHLX is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 PHLX, nor does it reflect the views of PHLX 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 the Firm 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.

4/26/19
Date

SG Americas Securities, LLC
Respondent


By: 
Print Name: JEFFREY ROSEN
Managing Director
Title: _____

Reviewed by:


Attorney Name
Counsel for Respondent
Name of Firm SG Americas Securities, LLC
Address 248 Park Ave, 11th FL
City/State/Zip NY, NY 10022

Accepted by PHLX:

6/13/19
Date


Eustace T. Francis, Esq.
Senior Counsel
Department of Enforcement

Signed on behalf of PHLX, by delegated authority from the Director of ODA

PAYMENT INFORMATION

The fine amount will be reflected on an upcoming invoice and will be direct debited from the account for your firm that Nasdaq currently has on file. *Please DO NOT submit payment at this time.*

Please inform your finance or applicable department of this forthcoming debit.

If you would like to arrange for an alternative method of payment, please enter the billing contact information below and Nasdaq's Billing Department will contact you. *Otherwise, please leave the following information blank.*

Billing Contact Name: _____

Billing Contact Address: _____

Billing Contact Email: _____

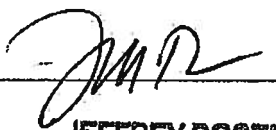
Billing Contact Phone Number: _____

Respectfully submitted,

Respondent

SG Americas Securities LLC

4/26/19
Date

By: 

Name: JEFFREY ROSEN
Managing Director

Title: _____