

**THE NASDAQ STOCK MARKET LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

**TO: IMC-Chicago, LLC (d/b/a IMC Financial Markets)  
Scott Knudsen  
Managing Director  
233 South Wacker Drive  
# 4300  
Chicago, IL 60606**

**FROM: The NASDAQ Stock Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Market Regulation  
9509 Key West Avenue  
Rockville, MD 20850**

**DATE: April 5, 2013**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20100214899-02**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.

IMC-Chicago, LLC (d/b/a IMC Financial Markets)  
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If you have any questions concerning this matter, please contact Michael W. Bautz, Counsel,  
at (646) 430-7032.



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Thomas R. Gira  
Executive Vice President  
Department of Market Regulation, FINRA

Signed on behalf of NASDAQ

Enclosure

FINRA District 8 – Chicago  
Carla A. Romano  
Regional Director  
55 West Monroe Street  
Suite 2700  
Chicago, IL 60603-5052

Richard G. Wallace  
Foley & Lardner LLP  
Washington Harbour  
3000 K Street, NW, Suite 600  
Washington, DC 20007

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20100214899-02**

TO: The NASDAQ Stock Market LLC  
c/o Department of Market Regulation  
Financial Industry Regulatory Authority ("FINRA")

RE: IMC-Chicago, LLC (d/b/a IMC Financial Markets), Respondent  
Broker-Dealer  
CRD No. 104143

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, IMC-Chicago, LLC (d/b/a IMC Financial Markets) ("IMCC" 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, Nasdaq 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

**BACKGROUND**

1. IMCC is a proprietary trading firm and U.S. broker-dealer registered with multiple equity and options exchanges. The firm became a Nasdaq member on October 23, 2008. The firm has no relevant prior disciplinary history.

2. This matter results from an investigation conducted by the staff of FINRA's Department of Market Regulation ("staff"), which included a review of the firm's trading, placement of orders and quoting activity, sufficiency of supervisory procedures, including written supervisory procedures, related to high frequency and algorithmic trading activity during the period between October 2009 and May 2012 (the "review period").

### **FACTS AND VIOLATIVE CONDUCT**

1. From October 2009 to approximately June 2010, the firm entered a significant number of orders that resulted in executions against other orders entered by the firm on the Nasdaq. Further, on August 24, 2011, the firm transmitted an exceptional number of order messages and quotes to Nasdaq in at least five separate securities.
2. During the review period, IMCC failed to establish and maintain adequate supervisory procedures, and a reasonable system of follow-up and review, related to the oversight of the firm's high frequency and algorithmic trading, including procedures related to the review of wash sales, levels of message traffic and quotes, potentially erroneous trading activity, or the filing of Clearly Erroneous Execution ("CEE") petitions. Moreover, IMCC's written supervisory procedures ("WSPs") pertaining to, among other things, wash sales, were not adequate during the review period in that they did not specify who within the firm's Compliance Department would conduct reviews for such activity, how the reviews would be conducted and how they would be documented. The foregoing conduct violated Nasdaq Rules 2110 and 3010.
3. During the review period, the firm failed to have adequate procedures stating how the firm would test and verify that its WSPs were reasonably designed to achieve compliance with applicable rules and securities laws. In addition, in 2010 and 2011 the firm did not take reasonable steps to test and verify that its supervisory procedures were reasonably designed with respect to the firm's activities to achieve compliance with applicable securities laws and regulations. The foregoing violated Nasdaq Rules 3012 and 3013.

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

Censure and a fine in the amount of \$125,000<sup>1</sup>

The firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

The firm specifically and voluntarily waives any right to claim that it is unable to pay,

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<sup>1</sup> In entering into this AWC, the Department of Market Regulation took into consideration that the firm resolved two related matters under STAR No. 20100214899 for the BATS Exchange, Inc. and NYSE Arca, Inc.

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 FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under Nasdaq'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 Nasdaq Review Council 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, the Nasdaq Review Council, or any member of the Nasdaq 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.

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 Nasdaq Review Council, the Review Subcommittee, or the

Office of Disciplinary Affairs (“ODA”), pursuant to Nasdaq 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. this AWC will become part of the firm’s permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the firm;
  - 2. Nasdaq may make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
  - 3. 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 Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm’s right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. 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 Nasdaq, nor does it reflect the views of Nasdaq 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.

3/13/13  
Date

IMC-Chicago, LLC  
Respondent

By:   
Name: SCOTT KNUDSEN

Title: MANAGING DIRECTOR

Reviewed by:



Richard G. Wallace, Esq.  
Foley & Lardner LLP  
Washington Harbour  
3000 K Street, NW, Suite 600  
Washington, DC 20007  
(202) 295-4049

Accepted by Nasdaq:

4/5/13  
Date

  
Thomas R. Gira  
Executive Vice President  
Department of Market Regulation

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

### ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer;
- The installment payment plan.<sup>2</sup>
  - Monthly
  - Quarterly

Respectfully submitted,

Respondent  
IMC-Chicago, LLC

3/13/13  
Date

By: 

Name: SCOTT KNUDSEN

Title: MANAGING DIRECTOR

<sup>2</sup> The installment payment plan is only available for a fine of \$50,000 or more. Certain requirements apply.