



## Notice of Disciplinary Action against Wolverine Execution Services, LLC, Member Organization

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**To:** Members, Member Organizations, Participants and Participant Organizations

**From:** John C. Pickford, Assistant General Counsel, NASDAQ PHLX LLC<sup>SM</sup>

**DATE:** April 4, 2017

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**Enforcement No. 2017-01**  
**FINRA No. 20140435113**

On April 4, 2017, the Business Conduct Committee (the "Committee") of the NASDAQ PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against Wolverine Execution Services, LLC ("WEXX" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, WEXX submitted an Offer of Settlement. Solely to settle this proceeding, and without admitting or denying the charges, WEXX consented to findings that during the period between November 18, 2014 (the "Trade Date") and March 17, 2015, the Firm violated Rule 15c3-5 of the Securities Exchange Act of 1934 ("SEC Rule 15c3-5"), and Exchange Rules 748 and 707.

Specifically, during the period between the Trade Date and March 17, 2015, WEXX failed to establish, maintain and enforce a system of risk management controls and supervisory procedures, including a system of follow-up and review, reasonably designed to prevent the entry of erroneous equity or options orders, by rejecting orders that exceeded appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicated duplicative orders on the PHLX. Among other deficiencies, WEXX's systems did not apply notional value limits to inbound market orders, and failed to apply adequate erroneous order controls applicable to market orders. As a result of such deficiencies, on the Trade Date, WEXX executed on the PHLX, for one of its market access customers via the Firm's smart order router, 38 buy side transactions in a single options series, totaling 522 contracts. At the time of the first executions, the National Best Bid or Offer ("NBBO") of the subject options series was \$0.05 - \$0.25. Of the 38 transactions executed on the Exchange, one (for ten contracts) was at \$99,999; the other 37 transactions were at prices ranging from \$0.03 to \$5.50. Minutes after the executions, on the Trade Date, the Firm submitted an Obvious Error filing for the 38 transactions to PHLX's On-Floor Surveillance Unit, which thereafter busted 23 of the 38 transactions submitted in accordance with PHLX rules. The busted transactions ranged in price from \$0.50 to \$99,999.

The Committee found that WEXX had violated SEC Rule 15c3-5(c)(1)(ii), and Exchange Rules 748 and 707, and ordered the imposition of the following sanctions against WEXX: (i) a censure; and (ii) a fine in the amount of \$50,000.

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For more information, contact:

- John C. Pickford, Assistant General Counsel, NASDAQ PHLX, at +1 215 496 5273

