

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

**Certified, Return Receipt Requested**

**TO: ABN AMRO Clearing Chicago LLC  
Ms. Megan A. Flaherty  
General Counsel  
175 West Jackson Blvd.  
Suite 400  
Chicago, IL 60604**

**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: November 14, 2016**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20120332393-05**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **November 14, 2016** 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.

ABN AMRO Clearing Chicago LLC  
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If you have any questions concerning this matter, please contact Michael W. Bautz, Senior Counsel,  
at (646) 430-7032.



Lara M. Posner  
Chief Counsel, Legal Section  
Department of Market Regulation, FINRA

Signed on behalf of NASDAQ

Enclosure

FINRA District 8 – Chicago  
Edward Wegener  
Senior Vice President and Regional Director  
(Via email)

ABN AMRO Clearing Chicago LLC  
Mr. Shiven Shah  
Chief Financial Officer  
175 West Jackson Blvd.  
Suite 400  
Chicago, IL 60604

Peter Wilson, Esq.  
Katten Munchin Rosenman LLP  
525 W. Monroe Street  
Chicago, IL 60661-3693  
Counsel for Respondent

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20120332393-05**

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

RE: ABN AMRO Clearing Chicago LLC, Respondent  
Broker-Dealer  
CRD No. 14020

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, ABN AMRO Clearing Chicago 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, 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**

The firm has been a member of Nasdaq since July 12, 2006.

**RELEVANT PRIOR DISCIPLINARY HISTORY**

In Matter No. 20150465322, the firm submitted an offer of settlement to the Business Conduct Committee ("BCC") of the CBOE in which it stipulated to a finding that, on or about June 29, 2012, it violated Rule 15c3-5 of the Securities Exchange Act of 1934 (the "SEA") and CBOE Rule 4.2 by failing to prevent the entry of 60 erroneous orders for 250,000 shares each in one security. The firm consented to the imposition of a \$25,000 fine. The Offer of Settlement was accepted by the BCC on January 27, 2016 and a final decision was issued February 8, 2016.

## SUMMARY

The Chicago Equities Surveillance Group of Market Regulation at FINRA (now known as the ETP Surveillance & Investigations Group), on behalf of Nasdaq, conducted a review of the firm's supervision of the trading activity of its direct market access ("DMA") clients from December 2011 through April 2013 (the "review period").

## FACTS AND VIOLATIVE CONDUCT

1. On November 3, 2010, the Securities and Exchange Commission (the "Commission") adopted SEA Rule 15c3-5 to address concerns relating to the growing practice of broker-dealers affording direct market access to customers.<sup>1</sup> SEA Rule 15c3-5 requires, among other things, a broker-dealer with market access to establish risk management controls and supervisory procedures that are reasonably designed to limit the financial exposure of the broker-dealer and ensure compliance with all regulatory requirements applicable to market access. Among other things, the controls must be reasonably designed to prevent the entry of orders that are not in compliance with all regulatory requirements that must be satisfied on a pre-order entry basis.
2. SEA Rule 15c3-5(b) requires brokers and dealers with market access to "establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity."
3. SEA Rule 15c3-5(c)(2) requires, among other things, that the risk management controls and supervisory procedures be reasonably designed to ensure compliance with all regulatory requirements.
4. During the review period, the firm failed to have a system of post-trade surveillance reasonably designed to ensure compliance with certain regulatory requirements. Specifically, the firm failed to have a specific exception report in place to detect and monitor for potentially improper layering activity.
5. To detect such activity, the firm relied upon a manual review of daily trading activity and exception reports not specifically designed to detect layering.
6. As a result, the firm was unaware of approximately 2,055 potential instances in which one of its direct market access customers engaged in layering.
7. Accordingly, the firm violated SEA Rule 15c3-5(c)(2) and Nasdaq Rules 3010 and 2010A during the review period.

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<sup>1</sup> SEA Rule 15c3-5 became effective on January 14, 2011 and had a compliance date of July 14, 2011.

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

Censure and an aggregate fine of \$120,000, of which \$12,000 shall be paid to Nasdaq.

Acceptance of this Letter of Acceptance, Waiver and Consent is conditioned upon acceptance of similar settlement agreements in related matters between the firm and each of the following self-regulatory organizations: NYSE MKT, LLC; NYSE Arca, Inc.; Nasdaq; and NASDAQ BX, Inc.

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, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

## 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 release this AWC or 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.

9-21-2016  
Date

ABN AMRO Clearing Chicago LLC  
Respondent

By:   
Name: **Megan A. Flaherty**  
Title: **General Counsel**

Reviewed by:

  
**Peter Wilson, Esq.**  
Katten Munchin Rosenman LLP  
525 W. Monroe Street  
Chicago, IL 60661-3693  
Phone: (312) 902-5379  
Christian.kemnitz@kattenlaw.com

  
**Shiven Shah**  
Chief Financial Officer

Accepted by Nasdaq:

11/14/16  
Date

  
**Lara M. Posner**  
Chief Counsel  
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  
ABN AMRO Clearing Chicago LLC

9-21-2016  
Date

By: 

Name: \_\_\_\_\_

**Shiven Shah**

Title: **Chief Financial Officer**

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