

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

Certified, Return Receipt Requested

**TO: Susquehanna Securities
Mr. Richard J. McDonald
Chief Regulatory Counsel
401 City Avenue
Suite 220
Bala Cynwyd, PA 19004-1122**

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

DATE: June 27, 2017

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20140419133-02

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **June 27, 2017** 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 are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, a registered principal of the firm is required to notify the Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions, and Nasdaq's Finance Department will send you an invoice regarding the payment of any fine.

Susquehanna Securities
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If you have any questions concerning this matter, please contact Dawn E. Faris, Senior Counsel,
at (240) 386-6219.



James J. Nixon
Chief Litigation Counsel, Legal Section
Department of Market Regulation

Signed on behalf of Nasdaq

Enclosure

FINRA District 9 – Philadelphia
Michael Solomon
Senior Vice President and Regional Director
(Via email)

Jane Marsteller
Regulatory Counsel
Susquehanna Securities
401 City Avenue
Bala Cynwyd, PA 19004

THE NASDAQ OPTIONS MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140419133-02

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

RE: Susquehanna Securities, Respondent
Broker-Dealer
CRD No. 35874

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq")¹ Code of Procedure, Susquehanna Securities (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 The NASDAQ Options Market LLC ("NOM") since August 31, 2011, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In Review Nos. 20140419133, 20150474966 and 20160506269, FINRA's Department of Market Regulation ("Market Regulation") reviewed the firm's compliance with Rule 15c3-5 of the Securities Exchange Act of 1934 ("Rule 15c3-5") and related requirements with respect to supervision and just and equitable conduct/adherence to good business practice in connection with the firm's risk management controls and supervisory system, including supervisory procedures, as it pertained to market access for preventing and detecting potentially excessive order message activity, including its quoting, during the period from January 1, 2014 through October 1, 2015 (the "Review Period"). The reviews variously were conducted on behalf of NOM, Bats BZX Exchange, Inc.

¹ All NASDAQ Options Market LLC disciplinary matters are governed by the Nasdaq Code of Procedure.

("BZX"), NASDAQ PHLX LLC ("PHLX") and NYSE MKT LLC ("NYSE MKT") (collectively, the "Exchanges").²

The reviews were prompted by various regulatory alerts of potentially excessive messaging activity by the firm during the Review Period on the above markets. As detailed below, during the Review Period, the firm had inadequate risk management controls and supervisory procedures pertaining to market access with respect to detecting and preventing certain potentially excessive messaging activity on NOM and elsewhere, contrary to the requirements of Rule 15c3-5(b) and (c), Chapter III, Section 2(a)(i) and 2(a)(v) of the NOM Rules and Nasdaq Rules 3010 and 2010A, and related requirements of the above other Exchanges concerning supervision and just and equitable conduct/adherence to good business practice.

FACTS AND VIOLATIVE CONDUCT

1. Rule 15c3-5 is designed to reduce the risks faced by broker-dealers, as well as the markets and the financial system as a whole, as a result of various market access arrangements, by requiring effective financial and regulatory risk management controls reasonably designed to limit financial exposure and ensure compliance with applicable regulatory requirements to be implemented on a market-wide basis.
2. Rule 15c3-5(b) requires, among other things, a broker-dealer with market access, as defined by that rule, 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 its market access activity and to preserve a copy of such supervisory procedures and a written description of its risk management controls as part of its books and records.
3. Rule 15c3-5(c) further provides that the risk management controls and supervisory procedures required by Rule 15c3-5(b) must be reasonably designed to prevent "the entry of erroneous orders" and to "ensure compliance with all regulatory requirements...."
4. During the Review Period, the firm's risk management controls and supervisory procedures were not reasonably designed to manage the financial, regulatory and other risks associated with its business activity involving market access, as required by Rule 15c3-5. In particular, the firm had inadequate controls and supervisory procedures to timely detect and prevent certain potentially excessive quote message activity.
5. On NOM, regulatory surveillance alerts showed that the firm entered more than 500 messages per second in seven options securities on NOM on 150 occasions over eight days in September 2015. The number of firm messages per second ranged from a low count of 510 messages per second to a high count of 1,502 messages per second in the above instances.

² Related disciplinary actions on behalf of BZX, PHLX and NYSE MKT concurrently are being taken in conjunction with this matter.

6. The firm's controls as required by Rule 15c3-5(b) and (c) were inadequate in that: (a) its quote controls designed to prevent potentially excessive/erroneous/duplicative messaging on a pre-order entry basis were insufficient to address the above bursts of elevated messaging activity, as well as certain looping activity resulting from the recurring cancellation or rejection and re-entry of quote messages, and (b) certain post-entry alerts for potentially excessive quote monitoring were not active after 4 p.m. until late June 2014.
7. Additionally, the firm failed to sufficiently identify its risk management controls for deterring potentially excessive/erroneous/duplicative order entry and how they operated in its written description of its risk management controls, and its related written supervisory procedures on the topic lacked sufficient detail about the supervisory aspects associated with their operation in connection with the firm's identification of the person(s) responsible for supervision, statement of the supervisory steps to be taken by the identified person(s), statement as to how often such person(s) should take such steps, and statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.
8. For the foregoing reasons, the firm's risk management controls and supervisory procedures during the Review Period were not reasonably designed to comply with Rule 15c3-5. Accordingly, the firm violated Rule 15c3-5(b) and 15c3-5(c).
9. In addition, the firm violated Chapter III, Section 2(a)(i) and 2(a)(v) of the NOM Rules and Nasdaq Rules 3010 and 2010A.

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

A censure, a total fine of \$42,500 (to be paid jointly to the Exchanges, of which \$10,625 shall be paid to NOM), and an undertaking to update the firm's system of risk management controls and supervisory procedures, including but not limited to, its written description of risk management controls and written supervisory procedures, to address the deficiencies described in connection with paragraphs I.A.4 through I.A.9 above to achieve compliance with Rule 15c3-5 and Chapter III, Section 2(a)(i) and 2(a)(v) of the NOM Rules and Nasdaq Rules 3010 and 2010A. Within 60 business days of the date of the Notice of Acceptance of this AWC, a registered principal of the firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 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 risk management controls and supervisory procedures to address the deficiencies described in connection with paragraphs I.A.4 through I.A.9; and (3) the date(s) the revised controls and supervisory procedures were implemented. Upon written request showing good cause, FINRA staff, on behalf of NOM, may extend any of the procedural dates set forth herein.

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.

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 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.

5/19/17

Date

Susquehanna Securities

Respondent

By: Richard J. McDowell
Name: Richard J. McDowell
Title: Chief Regulatory Counsel

Reviewed by:

n/a

Counsel for Respondent

Firm Name

Address

City/State/Zip

Phone Number

Accepted by The NASDAQ Options Market LLC:

June 27, 2017

Date

James J. Nixon
James J. Nixon
Chief Litigation Counsel
Department of Market Regulation

Signed on behalf of The NASDAQ Options Market LLC, 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

Respectfully submitted,

Respondent

Susquehanna Securities

5/12/17

Date

By: Richard J. McDonald

Name: Richard J. McDonald

Title: Chief Regulatory Counsel

Billing and Payment Contact

Please enter the billing contact information below. Nasdaq MarketWatch will contact you with billing options and payment instructions. **Please DO NOT submit payment until Nasdaq has sent you an invoice.**

Billing Contact Name: Janet Kotz

Billing Contact Address: 401 E. City Ave. Bala Cynwyd PA 19004

Billing Contact Email: janet.kotz@sig.com

Billing Contact Phone Number: 610 747 1662