

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

**Certified, Return Receipt Requested**

**TO: SAL Equity Trading, GP (f/k/a Susquehanna Capital Group)  
Mr. Richard J. McDonald  
Chief Regulatory Counsel  
401 City Avenue  
Suite 220  
Bala Cynwyd, PA 19004**

**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: December 16, 2016**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20130385533-01**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **December 16, 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.

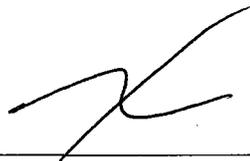
You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in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

You 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 if a suspension has been imposed and by NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.

SAL Equity Trading, GP (f/k/a Susquehanna Capital Group)  
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If you have any questions concerning this matter, please contact Dawn E. Faris, Senior Counsel,  
at (240) 386-6219.



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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)

cc: Michael D. Wolk  
Sidley Austin LLP  
Counsel for Respondent  
1501 K Street, N.W.  
Washington, DC 20005

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20130385533-01**

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

RE: SAL Equity Trading, GP (f/k/a Susquehanna Capital Group), Respondent  
Broker-Dealer  
CRD No. 29337

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, SAL Equity Trading, GP (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, 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, which was formerly known as Susquehanna Capital Group prior to November 11, 2016 and during all relevant times of this matter, has been a member of Nasdaq since July 12, 2006, and its registration remains in effect. The firm has no relevant disciplinary history.

**SUMMARY**

In Review Nos. 20130385533 and 20150443703, 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 pertaining to supervision and just and equitable conduct/adherence

to principles of good business practice under the Rules of Nasdaq and NYSE Arca, Inc. ("NYSE Arca"), respectively, with respect to trading on the firm's ELF2 trading system, including but not limited to the firm's trading in the symbols EMCG (WisdomTree EM Consumer Growth Fund) and XVIX (UBS ETRACS Daily Long-Short VIX), during the period from Oct. 9, 2013 through Sept. 30, 2015 (the "review period"). These reviews were prompted by the firm's filing of clearly erroneous ("CE") events associated with certain proprietary buy orders the firm submitted in EMCG on Oct. 9, 2013 and XVIX on Jan. 27, 2015, which led multiple exchanges, including Nasdaq, to cancel certain trades over a two-minute period in each of those symbols. As a result of its review, Market Regulation found the firm had inadequate risk management controls and supervisory procedures pertaining to market access through its ELF2 trading system as detailed below, contrary to the requirements of Rule 15c3-5(b) and 15c3-5(c)(1)(ii), Nasdaq Rules 3010 and 2010A and NYSE Arca Equity Rules 6.18 and 6.1 during the review period.<sup>1</sup>

### **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 or 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)(1) further provides that the risk management controls and supervisory procedures required by Rule 15c3-5(b) must be reasonably designed to systematically limit the financial exposure of the broker or dealer that could arise as a result of market access, including being reasonably designed to prevent "the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders," as set forth in Rule 15c3-5(c)(1)(ii).

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<sup>1</sup> A related disciplinary action on behalf of NYSE Arca concurrently also is being issued to the firm to resolve this matter.

4. The firm's supervisory system and the controls as required by Rule 15c3-5(c)(1)(ii) were inadequate in that: (a) certain implemented price controls were set too high, (b) the process of setting the firm's pre-order entry size control thresholds did not consider the security's average daily trade volume, and (c) the firm's pre-order entry controls to identify and prevent potential duplicative order entry were not based on the particular characteristics of the order.
5. As a result of the foregoing, the firm violated Rule 15c3-5(b) and (c)(1)(ii) and Nasdaq Rules 3010 and 2010A.

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

1. A censure,
2. A total fine of \$35,000 (to be paid jointly to Nasdaq and NYSE Arca, of which \$17,500 shall be paid to Nasdaq for the violations of Rule 15c3-5 and Nasdaq Rules 3010 and 2010A), and
3. 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 supervisory procedures to address the deficiencies described in connection with paragraphs I.A.1-5 above. By January 31, 2017, 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](mailto:MarketRegulationComp@finra.org), referencing this matter that describes the updates the firm has made, and remaining steps it is taking, if any, to its risk management controls and supervisory procedures to address the deficiencies described in paragraphs I.A.1-5, and the dates the revised controls and procedures were implemented or are anticipated to be implemented. On or before March 31, 2017, a registered principal of the firm further shall submit to the abovementioned COMPLIANCE ASSISTANT a signed, dated letter, or an e-mail from a work-related account of the registered principal 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.1-5; and (3) the dates the revised controls and supervisory procedures were implemented. Upon written request showing good cause, FINRA staff, on behalf of Nasdaq, 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 prejudice 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.

12/5/16  
Date

SAL Equity Trading, GP  
Respondent

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

Reviewed by:

[Signature]  
Counsel for Respondent  
Firm Name Michael D. Wolf  
Address Sidley Austin LLP  
City/State/Zip  
Phone Number

Accepted by Nasdaq:

December 16, 2016  
Date

[Signature]  
James J. Nixon  
Chief Litigation 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  
SAL Equity Trading, GP

12/5/16  
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: Richard J. McDonald

Billing Contact Address: 401 City Avenue, Bala Cynwyd, PA 19004

Billing Contact Email: richard.mcdonald@sig.com

Billing Contact Phone Number: 610-747-2488

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