

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

**Certified, Return Receipt Requested**

**TO: TD Securities (USA) LLC  
Ms. Christina Petrou  
Chief Compliance Officer  
31 West 52<sup>nd</sup> Street  
New York, NY 10019**

**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: July 11, 2017**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20150458588-01**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **July 11, 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.

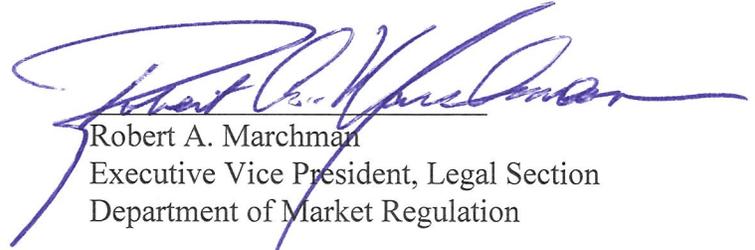
You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in 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 if a suspension has been imposed and by NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.

TD Securities (USA) LLC  
Page 2

If you have any questions concerning this matter, please contact Dean A. Floyd, Principal Counsel, at (240) 386-6867.



Robert A. Marchman  
Executive Vice President, Legal Section  
Department of Market Regulation  
Signed on behalf of NASDAQ

Enclosure

FINRA District 10 – New York  
Michael Solomon  
Senior Vice President and Regional Director  
(Via email)

**THE NASDAQ STOCK MARKET LLC  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20150458588-01**

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

RE: TD Securities (USA) LLC, Respondent  
Broker-Dealer  
CRD No. 18476

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, TD Securities (USA) 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 became a member of Nasdaq on July 12, 2006 and a member of FINRA on July 24, 1987. The firm's registrations remain in effect.

**RELEVANT PRIOR DISCIPLINARY HISTORY**

The firm has no relevant disciplinary history.

**SUMMARY**

In connection with matter 20150458588, the Market Analysis Team of the Department of Market Regulation (the "staff") reviewed the firm's compliance with market access and supervision rules during the June 17, 2015 trade date (the "review period"). Based on the foregoing review, the staff found that the firm violated SEC Rule 15c3-5 and Nasdaq Rules 2010A and 3010.

**FACTS AND VIOLATIVE CONDUCT**

On November 3, 2010, the SEC adopted Rule 15c3-5 to address concerns relating to the

growing practice of broker-dealers affording direct market access to customers. The rule provides that a broker-dealer with market access, or that provides customers or any other persons with access to an exchange or alternative trading system ("ATS") through the use of the broker-dealer's market participant identifier ("MPID"), must 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.

SEC Rule 15c3-5, among other things, requires a broker-dealer with market access to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to, among other things: (i) "[p]revent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer and the broker or dealer . . . by rejecting orders if such orders would exceed the applicable credit or capital thresholds;" (ii) "[p]revent 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;" and (iii) [p]revent the entry of orders for securities for a broker or dealer, customer, or other person if such person is restricted from trading those securities."

Nasdaq Rule 3010 requires a Nasdaq member to "establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules."

Nasdaq Rule 2010A requires a Nasdaq member firm, in the conduct of its business, [to] observe high standards of commercial honor and just and equitable principles of trade."

On the review date, the firm received an unsolicited limit order to buy 251,714 shares in a security at a price of \$32.50. At the time of order entry, the security was trading at \$32.50. At 3:23:53 p.m. a trader for the firm mistakenly entered this order as a market order rather than a limit order, which resulted in the execution of 296 individual limit orders with rising price limits from \$32.50 to \$41.22. This error ultimately caused the price of the security to rise to \$35.51 within seconds of execution. Shortly thereafter, the firm filed a clearly erroneous petition with Nasdaq, indicating that the order was intended to be a limit order that was erroneously sent to the marketplace as a market order. This erroneous order did not result in customer harm.

As a result of the activity described above, the staff reviewed the firm's market access and supervision-related procedures and made the following findings:

1. The firm failed to establish, document and maintain a system of reasonable risk management controls and supervisory procedures to ensure compliance with SEC Rule 15c3-5. Specifically, the firm: (1) defaulted to a \$50,000,000 credit threshold for all customers without accounting for the particular characteristics of those customers or the securities being traded; (2) maintained unreasonable single order size and value controls of 9,999,999 shares and \$50,000,000, respectively; and (3) failed to implement controls that

were reasonably designed to prevent the firm or its customers from entering orders for securities they were restricted from trading. The conduct described in this paragraph constitutes, respectively, a violation of SEC Rule 15c3-5(c)(1)(i), 15c3-5(c)(1)(ii), 15c3-5(c)(2)(ii) and Nasdaq Rules 2010A and 3010.

2. The firm failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the regulatory risks in connection with market access. Specifically, the firm's supervisory system did not include written supervisory procedures describing the firm's processes for: (1) monitoring capital and credit thresholds on an ongoing basis to determine whether they are appropriate; (2) adjusting capital and credit thresholds; and (3) adjudicating clearly erroneous orders. The conduct described in this paragraph constitutes a violation of Nasdaq Rules 2010A and 3010.

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

A censure; a fine of \$30,000; and an undertaking to revise the firm's written supervisory procedures with respect to the areas described above. Within 60 business days of this AWC becoming final, a registered principal of the Respondent 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), providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described above; and (3) the date the revised procedures were implemented.

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

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.

6/16/17

Date

TD Securities (USA) LLC

Respondent

By:   
Name: Christina Petrod  
Title: CCO

Reviewed by:

\_\_\_\_\_  
Counsel for Respondent

Accepted by Nasdaq:

7/11/17  
Date

  
Robert A. Marchman  
Executive Vice President  
Legal Section  
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

Respectfully submitted,

Respondent

TD Securities (USA) LLC

6/16/17

Date

By: 

Name: Christina Petrou

Title: CCO

### 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: Christina Petrou

Billing Contact Address: 31 W 52<sup>nd</sup> St, NY, NY 10019

Billing Contact Email: Christina.Petrou@tdsecurities.com

Billing Contact Phone Number: 212 827 6736