



## Notice of Disciplinary Action Against D&D Securities, Inc., a Member Organization

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

**From:** John C. Pickford, Enforcement Counsel, NASDAQ OMX PHLX<sup>SM</sup>

**DATE:** April 9, 2015

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### **FINRA Matter Nos. 20120347545 et al. Enforcement No. 2015-01**

On April 9, 2015, the Business Conduct Committee (the "Committee") issued a disciplinary decision against D&D Securities, Inc. ("D&D" or the "Firm"), a member organization of the NASDAQ OMX PHLX LLC ("PHLX" or the "Exchange"). In response to a Statement of Charges issued in this action, D&D submitted an Offer of Settlement, Stipulation of Facts and Consent to Sanctions ("Offer"). Solely to settle this proceeding, and without admitting or denying the charges, D&D consented to findings that during the period between October 1, 2012 and December 31, 2013 (the "Review Period"), D&D had committed violations of Section 15(a)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Exchange Rules 119, 120, 611, 707, 748(h), 1014, 1051(a), 1067, and 1084.

Specifically, D&D consented to findings that during the Review Period, it had: (i) executed 11 options transactions that traded through the Exchange's Best Bid and Offer ("PBBO") and/or the National Best Bid and Offer ("NBBO") markets and/or ahead of Streaming Quote Trader and/or Remote Stream Quote Trader quotations with established priority; (ii) failed to report 10% or more of its executed options transactions to the consolidated tape within 90 seconds of execution for 11 different months; (iii) authorized and paid transaction-based compensation to an entity that was not a registered broker-dealer, and had thereby caused the entity to operate as an unregistered broker-dealer; (iv) permitted one or more of its officers to function as Principals without properly registering and qualifying them as Principals, or otherwise obtaining a waiver of such registration or qualification from the Exchange, and failed to register and qualify the minimum number of individuals required to be registered as Principals of the Firm; and (v) maintained written supervisory procedures ("WSPs") that were deficient, in that: (a) its WSPs failed to address compliance with, and D&D failed to supervise its trading activities to detect and prevent violations of, Exchange rules regarding the timely reporting of executed options trades to the consolidated tape; (b) its WSPs failed to address the payment of transaction-based compensation to unregistered broker-dealers; and (c) D&D failed to enforce and supervise compliance with the provisions of its WSPs that required the proper registration and qualification of Principals.

The Offer submitted by D&D was accepted by the Committee and was the basis of its Decision. The Committee found that D&D had violated Section 15(a)(1) of the Exchange Act and Exchange Rules 119, 120, 611, 707, 748(h), 1014, 1051(a), 1067, and 1084, and imposed the following sanctions: (i) a censure; (ii) a fine in the amount of \$20,000; and (iii)

an undertaking by D&D, within 30 days of the issuance of a Decision by the Committee, to: (a) correct the supervisory deficiencies identified in the Decision; (b) revise its WSPs to address such deficiencies; and (c) provide a signed, dated letter to FINRA's Market Regulation staff detailing the actions taken to remediate the supervisory deficiency, as well as its detailed action plan to register and qualify the minimum number of Principals by no later than September 1, 2015, and enclosing a copy of the relevant excerpts of the revised WSPs.

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For more information, contact:

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