



Notice of Disciplinary Action against Nomura Securities International, Inc., Member Organization

To: Members, Member Organizations, Participants and Participant Organizations
From: Joseph Cusick, Chief Regulatory Officer, NASDAQ PHLXSM
DATE: January ____, 2018

Enforcement No. 2017-19
FINRA No. 20150455863-03

On December 20, 2017, the Business Conduct Committee (the "Committee") of the NASDAQ PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against Nomura Securities International, Inc. ("NMRA" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, NMRA submitted an Offer of Settlement ("Offer"). Solely to settle this proceeding, and without admitting or denying the charges, NMRA consented to findings that: (i) on May 22, 2015 (the "Trade Date"), NMRA violated Exchange Rules 1064(d) and 707; and (ii) on the Trade Date and until in or about July 2016, NMRA violated Exchange Rules 748(b), (d) and (h).

Specifically, NMRA consented to findings that on the Trade Date, at approximately 14:01:16, NMRA received a customer not held order to purchase 10,000 Avon Products, Inc. ("AVP") June 7.5 puts at \$0.75 ("Customer Order"). At approximately 14:02:27, NMRA routed the customer's buy order of 10,000 AVP June 7.5 puts with a limit price of \$0.65 (which was equal to the best bid quoted at the time). At approximately 14:02:59, after receiving the Customer Order, but prior to disclosing the full terms and conditions of the Customer Order to the marketplace, NMRA purchased 6,851 AVP June 7 puts at \$0.45 for its proprietary account, of which 1,647 contracts executed on the Exchange, to hedge its anticipated facilitation of the pending Customer Order. By failing to expose the full terms and conditions of the Customer's Order to the marketplace prior to hedging its anticipated facilitation of the Customer Order, NMRA violated Exchange Rules 1064(d) and 707.

Moreover, on the Trade Date and until in or about July 2016, NMRA's supervisory system for reviewing securities transactions was not reasonably designed to ensure compliance with Exchange rules prohibiting anticipatory hedging. NMRA's supervisory system and written supervisory procedures applicable to anticipatory hedging transactions did not address, or provide for the supervision of, pre-hedge disclosure to the market of a customer's limit order at the price specified by the customer to ensure compliance with applicable anticipatory hedging rules, and NMRA failed to adequately train its staff with respect to the foregoing. Such conduct violated PHLX Rule 748, subparagraphs (b), (d), and (h).

The Committee found that NMRA had violated Exchange Rules 1064(d), 707, and 748(b), (d) and (h), and ordered the imposition of the following sanctions against NMRA: (i) a

censure; and (ii) a total fine in the amount of \$100,000, of which \$30,250 shall be paid to the Exchange.

For more information, contact:

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