



## Notice of Disciplinary Action against Susquehanna Securities, Member Organization

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

**From:** Joe Cusick, Vice President — Surveillance, NASDAQ PHLX LLC<sup>SM</sup>

**DATE:** August 2, 2017

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### **Enforcement No. 2017-09; FINRA Matter No. 20140419133-04 (incl. 20150474966 and 20160506269)**

On June 26, 2017, the Business Conduct Committee (the "Committee") issued a disciplinary decision against Susquehanna Securities ("Respondent" or the "Firm"), a member organization of NASDAQ PHLX LLC ("PHLX" or the "Exchange"). In connection with a Statement of Charges issued in this action, the Firm submitted an Offer of Settlement, Stipulation of Facts and Consent to Sanctions ("Offer"). Solely to settle these proceedings, and without admitting or denying the charges, the Firm consented to findings in connection with Matter Nos. 20140419133-04 (inc. 20150474966 and 20160506269) that during the period from January 1, 2014 through October 1, 2015 (the "Relevant Period"), the Firm violated Rule 15c3-5(b) and (c) of the Securities Exchange Act of 1934 ("Rule 15c3-5") and Exchange Rules 748 and 707 by having risk management controls and supervisory procedures not reasonably designed to manage the financial, regulatory and other risks associated with its business activity involving certain potentially excessive quote message activity.<sup>1</sup>

More specifically, 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 certain bursts of elevated messaging activity, including 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.

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 operations 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.

The Offer submitted by Respondent was accepted by the Committee and was the basis of its Decision. The Committee concurred in the sanctions consented to by them, and ordered the imposition of the following sanctions against the Firm: (i) a censure; (ii) a fine of \$42,500 (to be paid jointly to the Exchanges, of which \$10,625 shall be paid to the Exchange), and (iii) an

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<sup>1</sup> Related disciplinary actions on behalf of Bats BZX Exchange, Inc. ("BZX"), The NASDAQ Options Market LLC ("NOM") and NYSE MKT LLC ("NYSE MKT") (now known as NYSE American LLC) concurrently were undertaken in conjunction with this matter (collectively, including the Exchange, the "Exchanges").

undertaking requiring the Firm to update its 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 above to achieve compliance with Rule 15c3-5 and Exchange Rules 748 and 707.

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For more information, contact:

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