

**NASDAQ PHLX LLC
NOTICE OF ACCEPTANCE OF AWC**

Certified, Return Receipt Requested

**TO: GTS Securities LLC
Mr. Patrick J. Romanello
Chief Compliance Officer
545 Madison Avenue
15th Floor
New York, NY 10022**

**FROM: Nasdaq PHLX LLC (“PHLX”)
c/o Financial Industry Regulatory Authority (“FINRA”)
Department of Enforcement
9509 Key West Avenue
Rockville, MD 20850**

DATE: September 25, 2018

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20150467692-05

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent (“AWC”) has been accepted on **September 25, 2018** by the PHLX Review Council’s Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the PHLX Review Council, pursuant to PHLX 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 PHLX 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, Department of Enforcement, 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.

GTS Securities LLC
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If you have any questions concerning this matter, please contact me at (240) 386-6867.



Dean A. Floyd
Senior Counsel
Department of Enforcement, FINRA

Signed on behalf of PHLX

Enclosure

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

Howard L. Kramer, Esq.
Murphy & McGonigle, PC
1001 G Street, NW
Seventh Floor
Washington, DC 20001
Counsel for Respondent

NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150467692-05

TO: Nasdaq PHLX LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: GTS Securities LLC, Respondent
Broker-Dealer
CRD No. 149224

Pursuant to Rule 9216 of Nasdaq PHLX LLC ("PHLX") Code of Procedure, GTS Securities LLC (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, PHLX will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 PHLX, or to which PHLX 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 PHLX:

BACKGROUND

The Firm became a FINRA member on April 23, 2014 and a PHLX member on August 6, 2015, and both registrations remain in effect. The Firm does not have any relevant disciplinary history.

SUMMARY

In connection with review 20150467692, the staff of FINRA's Department of Market Regulation (the "staff"), on behalf of PHLX, reviewed the firm's compliance with SEC Rule 611(c) of Regulation NMS during the period from August 6, 2015 through July 10, 2016 (the "First Review Period").

In connection with review 20150468027, the staff, on behalf of PHLX, reviewed the firm's compliance with rules regarding locked and crossed markets during the period from August 6 through September 30, 2015 (the "Second Review Period").

In connection with review 20160492958, the staff, on behalf of PHLX, reviewed the firm's compliance with rules regarding locked and crossed markets during the period from October 1, 2015 through June 30, 2016 (the "Third Review Period").

STAR No. 20150467692 (incl. 20150468027 and 20160492958) (DAF)

Based on the foregoing reviews, the staff determined that the firm engaged in the violative conduct as set forth below, consisting of violations of SEC Rule 611(c) of Regulation NMS and PHLX Rules 707 and 748 and PSX Rule 3213(d)(2)(B).

FACTS AND VIOLATIVE CONDUCT

1. Rule 611(c) of Regulation NMS requires firms to take reasonable steps to establish that intermarket sweep orders ("ISOs") meet the requirements of SEC Rule 600(b)(30), which defines an ISO as a limit order for an NMS stock that meets two requirements: (i) it is identified as an ISO; and (ii) the firm routes additional limit orders, as necessary, to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an intermarket sweep order.
2. PSX Rule 3213(d)(2)(B) states, in relevant part: "Exchange member organizations shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan."
3. PHLX Rule 748 states, in relevant part: "Each member or member organization shall establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise the types of business(es) in which the member or member organization engages in and to supervise the activities of all registered representatives, employees, and associated persons. The written supervisory procedures and the system for applying such procedures shall reasonably be designed to prevent and detect, insofar as practicable, violations of the applicable securities laws and regulations, including the By-Laws and Rules of the Exchange."
4. PHLX Rule 707 states: "A member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct inconsistent with just and equitable principles of trade."
5. During the First Review Period, the firm mistakenly relied on the crossed market exception set forth in SEC Rule 611(b)(4).¹ This resulted in the firm failing to send ISOs to execute against the full displayed size of certain protected quotations. As a result of the above conduct, the firm failed to take reasonable steps to establish that ISOs met the requirements of Rule 600(b)(30) of Regulation NMS. The conduct described in this paragraph constitutes a violation of SEC Rule 611(c) of Regulation NMS.
6. During the Second and Third Review Periods, the firm failed to reasonably avoid displaying, and engaged in a pattern or practice of displaying, quotations that locked or

¹ Rule 611(b)(4) of Regulation NMS provides to trading centers an exception for transactions that trade through protected quotations when such transactions are executed at a time when a protected bid is higher than a protected offer in the NMS stock.

crossed a protected quotation. The conduct described in this paragraph constitutes separate and distinct violations of PSX Rule 3213(d)(2)(B).

7. During the Second Review Period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with PSX Rule 3213(d)(2)(B). Specifically, the firm's supervisory system did not include written supervisory procedures providing for a statement of adequate supervisory steps to review for cancelled directed ISOs. The conduct described in this paragraph constitutes a violation of PHLX Rules 748 and 707.
8. During the Third Review Period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with PSX Rule 3213(d)(2)(B). Specifically, the firm's written supervisory procedures did not describe supervisory steps to ensure that all order data is fed into the firm's post-trade compliance review system. The conduct described in this paragraph constitutes a violation of PHLX Rules 748 and 707.

OTHER FACTORS

- B. Respondent also consents to the imposition of the following sanctions:

A censure; a fine in the total amount of \$97,500 (consisting of a fine of \$65,000 for the ISO violations in matter 20150467692 and a fine of \$32,500 for the lock/cross and supervision violations in matters 20150468027 and 20160492958) to be paid jointly to PHLX, The NASDAQ Stock Market LLC, NASDAQ BX, Inc., The New York Stock Exchange LLC and NYSE Arca, Inc., of which \$19,500 of that total amount shall be paid to PHLX; and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraphs I.A.7 and I.A.8 above. Within 30 business days of this AWC becoming final, a senior executive of the Respondent shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 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, 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 in paragraphs I.A.7 and I.A.8; and (3) the date the revised procedures were implemented.

Acceptance of this AWC is conditioned upon acceptance of parallel settlement agreements in related actions between the firm and The NASDAQ Stock Market LLC, NASDAQ BX, Inc., The New York Stock Exchange LLC and NYSE Arca, Inc.

Respondent agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

Respondent 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

Respondent specifically and voluntarily waives the following rights granted under PHLX'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 PHLX Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the PHLX Review Council, or any member of the PHLX 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.

Respondent 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

Respondent 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 Enforcement and the PHLX Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to PHLX 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 Respondent; and

C. If accepted:

- 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by PHLX or any other regulator against the Respondent;**
- 2. PHLX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with PHLX Rule 8310 and IM-8310-3; and**
- 3. Respondent 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. Respondent may not take any position in any proceeding brought by or on behalf of PHLX, or to which PHLX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which PHLX is not a party.**

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 PHLX, nor does it reflect the views of PHLX 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 the Firm 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.

GTS Securities LLC
Respondent

8/27/2018
Date

By: Patrick J. Romanello

Print Name: Patrick J. Romanello

Title: CCO

Reviewed by:

Howard L. Kramer

Counsel for Respondent
Howard L. Kramer, Esq.
Murphy & McGonigle, PC
1001 G Street, NW
Seventh Floor
Washington, DC 20001

Accepted by PHLX:

9/25/18
Date

Signed on behalf of the
Director of ODA, by delegated authority

Dean A. Floyd

Dean A. Floyd, Esq.
Senior Counsel
Department of Enforcement

Signed on behalf of PHLX, 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

GTS Securities LLC

8/27/2018
Date

By: Patrick J. Romanello

Name: Patrick J. Romanello

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: Christian Tiriolo

Billing Contact Address: 545 Madison Avenue, 15th Floor, New York, NY 10022

Billing Contact Email: ctiriolo@gtsx.com

Billing Contact Phone Number: (212) 715-5910