

Via Certified Mail, Return Receipt Requested (7022 0410 0000 0318 6545), First Class Mail and Email (brian.sopinsky@sig.com) and (mwolk@sidley.com)

November 9, 2022

Global Execution Brokers, LP
Attn: Brian Sopinsky
Assistant Secretary
401 City Avenue
Bala Cynwyd, PA 19004

**RE: Payment of Fine in Connection with Executed Letter of Consent
FINRA Matter No. 2018058017014**

Dear Mr. Sopinsky:

Enclosed is an executed copy of the Letter of Consent (“LOC”), signed by Brian Sopinsky, Assistant Secretary at Global Execution Brokers, LP (the “Firm”), and countersigned by Edward Deitzel, Executive Vice President and Chief Regulatory Officer, for the Business Conduct Committee, at the Miami International Securities Exchange, LLC (“MIAX” or the “Exchange”) on **November 9, 2022**. Please consider this correspondence as notice to the Firm that this LOC has been accepted, and as a result, the Firm must promptly remit payment of the agreed upon sanction. Please make the payment to Miami International Securities Exchange, LLC.

By Mail:

Make a Firm check or Bank check payable to “MIAX Options” and return your payment to the following address:

MIAX Options
Attn: Tia Toms
7 Roszel Road, Suite 1A
Princeton, NJ 08540
Reference Number: MIAX Matter No. 2018058017014

Global Execution Brokers, LP

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If you have any questions regarding this matter, please contact me at (646) 315-7372.

Sincerely,

Jeffery Ding

Jeffery Ding
Principal Counsel

Enclosure

cc: Larry O'Leary, VP Regulation, Miami International Securities Exchange, LLC
(via e-mail to loleary@miaxoptions.com)

This letter is issued on behalf of the Miami International Securities Exchange, LLC, by FINRA Department of Enforcement pursuant to a grant of authority to FINRA. Accordingly, this constitutes a letter by the Miami International Securities Exchange, LLC.

MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC
LETTER OF CONSENT
NO. 20180580170-14

TO: Miami International Securities Exchange, LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Global Execution Brokers, LP, Respondent
Broker-Dealer
CRD No. 126407

Pursuant to Rule 1003 of the Rules of the Miami International Securities Exchange, LLC (“MIAX”), Global Execution Brokers, LP (“GEB” or the “firm”) submits this Letter of Consent (“LOC”) for the purpose of proposing a settlement of the alleged rule violations described below. This LOC is submitted on the condition that, if accepted, MIAX 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 MIAX, or to which MIAX 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 MIAX:

BACKGROUND

1. GEB has been a member of MIAX since December 2012. GEB is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) located in Bala Cynwyd, Pennsylvania. The firm has 28 registered representatives and no branches. GEB operates solely as an agency broker for other broker-dealers. The firm has no relevant disciplinary history.

SUMMARY

2. This matter arose from an investigation conducted by FINRA relating to GEB’s execution of an options order on March 21, 2018. The investigation found that from March 2018 through November 2021 (the “Relevant Period”), GEB violated Rule 15c3-5 of the Securities Exchange Act of 1934 by failing to establish, document, and maintain a system of risk management controls reasonably designed to prevent the entry of erroneous orders. During the same period, GEB violated MIAX Rules 300, 301, and 500 by failing to establish and maintain a system of supervisory controls, including written procedures, reasonably designed to achieve compliance with (1)

Exchange Act Rule 15c3-5 and (2) MIAX rules relating to the post-trade review of potentially erroneous orders.

FACTS AND VIOLATIVE CONDUCT

Applicable Rules

3. Exchange Act Rule 15c3-5(b) requires a broker-dealer with market access to “establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity.”¹
4. Exchange Act Rule 15c3-5(c)(1)(ii) specifically requires that a broker-dealer’s system of risk management controls and supervisory procedures must be reasonably designed to “[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.” In the Rule’s adopting release, the SEC provided as an example of a reasonable control: “a system-driven, pre-trade control designed to reject orders that are not reasonably related to the quoted price of the security.”²
5. MIAX Rule 300 prohibits members from “engag[ing] in conduct in violation of the Exchange Act, the By-Laws or the Rules of the Exchange, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange Transaction, or any written interpretation thereof. Every Member shall so supervise persons associated with the Member as to assure compliance therewith.”
6. MIAX Rule 301 provides that “[n]o Member shall engage in acts or practices inconsistent with just and equitable principles of trade.”
7. MIAX Rule 500(b) prohibits members from “engag[ing] in conduct (1) inconsistent with the maintenance of a fair and orderly market; (2) apt to impair public confidence in the operations of [MIAX]; or (3) inconsistent with the ordinary and efficient conduct of business. Activities that may violate [MIAX Rule 500(b)] include, but are not limited to, . . . failure of a Member to supervise a person employed by or associated with such Member adequately to ensure that person’s compliance with this paragraph (b).”

¹ GEB is subject to Exchange Act Rule 15c3-5 because it is a broker with market access to MIAX as well as other option exchanges. The Rule defines market access as “[a]ccess to trading in securities on an exchange or alternative trading system as a result of being a member or subscriber of the exchange or alternative trading system, respectively.”

² *Risk Management Controls for Brokers or Dealers with Market Access*, SEC Release No. 34-63241, at 11 (November 3, 2010).

Facts

8. On March 21, 2018, at 3:58:27 p.m., GEB received a market order to purchase 5,000 call option contracts in ABC³ (the “Order”) on behalf of one of its broker-dealer clients.
9. The Order did not breach the pre-order entry market access risk controls that the firm had in place for its broker-dealer client in March 2018. The Order, however, was automatically routed to an options exchange, whereupon it received multiple partial executions at increasing price levels until the exchange rejected back to GEB the unfilled balance, which was then automatically routed to another exchange. The next exchange likewise executed the Order at increasing price levels until it likewise rejected back to GEB the unfilled balance. The Order was again automatically routed to another exchange, and this partial execution and rejection process continued across multiple exchanges until one exchange posted the unfilled balance as a bid, which was executed at 3:59:49 p.m., thereby completing the order. This automated activity resulted in an aggregate of nearly 500 transactions (collectively, the “Trade”) and an overall price increase of roughly 312%—from the first execution price of \$12.39 to \$38.70. The Trade was executed across 15 option exchanges, including MIAX.
10. At 3:59 p.m. and 4:00 p.m., GEB’s systems generated “Possible Bad Fill” emails alerting the GEB client service desk to potential execution quality issues for the Trade. This alert is generated when, among other things, partial executions of a market order are effected at prices that are a designated margin away from the quoted market at the time the order was received.
11. Although the balance of the Order was rejected by multiple exchanges following their respective partial executions, the Firm’s order management system did not maintain a control recognizing this fact and kept re-entering the Order until it was completely filled.
12. At around 4:13 p.m., GEB’s broker-dealer client advised GEB’s client service desk that the customer had mistakenly placed the Order and that “[h]e is looking to see if he can get any help out of it at all.”
13. At that time, the relevant exchanges, including MIAX, permitted broker-dealers to request one of two types of relief in response to an erroneous order—a broker-dealer could request review of the trade as an “Obvious Error” or “Catastrophic Error.” If the exchanges deemed a transaction an Obvious Error, then the trade could be busted. Alternatively, if the exchanges deemed a transaction a Catastrophic Error, the relief was an adjustment of the execution price (and not a bust of the trade).⁴

³ A generic identifier has been used in place of the name of the relevant option series.

⁴ A transaction determined to be a Catastrophic Error could be busted if the adjusted execution price was higher (for buy transactions) or lower (for sell transactions) than the customer’s limit price.

14. The relevant exchanges, including MIAX, required that requests for Obvious Error review be submitted within 30 minutes of the trade's execution. The deadline for a Catastrophic Error review was longer—here, GEB had until 8:30 a.m. on the following trading day to request such a review.
15. Only one member of GEB's client service desk remained after 4:00 p.m. on March 21, 2018, as all others left the office due to a severe snowstorm. At or around the time that GEB's broker-dealer client alerted GEB to the potentially erroneous trade, GEB's client service desk representative was aware that one of the counterparties to the Trade was a GEB affiliate.
16. GEB's client service representative had until around 4:29 p.m. to request Obvious Error reviews of the Trade.
17. At that time, and throughout the Relevant Period, GEB had no formal training, procedures, or other guidance regarding how to handle an erroneous order review when a GEB affiliate was a counterparty to such transaction, or any written supervisory procedure to review for the proper handling of potentially erroneous transactions.
18. On March 21, 2018, with the 30-minute deadline approaching, the GEB representative did not attempt to contact his supervisor for assistance. Instead, he sought guidance from an on-site risk manager who worked for the affiliate.
19. Ultimately, GEB did not submit the Trade for review as an Obvious Error within the 30-minute deadline. At around 4:49 p.m., GEB began filing Catastrophic Error review requests with the relevant exchanges.⁵
20. In response to GEB's Catastrophic Error submission, the relevant exchanges adjusted the execution prices on 3,864 contracts of the Trade to a price of \$21.85.⁶

Violations of Exchange Act Rule 15c3-5 and MIAX Rules 300, 301, and 500(b)

21. During the Relevant Period, GEB did not establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to prevent the entry of erroneous orders. As set forth above, by allowing the Order to be re-submitted a number of times after being rejected by multiple exchanges, the firm's market access controls were not reasonably designed to prevent the entry of erroneous options market orders.
22. As a result, GEB violated Exchange Act Rules 15c3-5(b) and 15c3-5(c)(1)(ii) and

⁵ Among the circumstances involved were that the Trade involved a significant number of individual transactions (almost 500 executions across 15 options exchanges) and the reduction of human resources due to a severe snowstorm that left only one client service desk representative available to review the Trade and assess whether the transactions qualified for erroneous order relief.

⁶ GEB subsequently contributed to a settlement between its broker-dealer client and the retail customer relating to the Trade.

MIAX Rules 300, 301, and 500(b).

23. During the Relevant Period, GEB also failed to establish, maintain, enforce, and keep current a system of supervisory controls reasonably designed to supervise the firm's client service desk and the process for reviewing potentially erroneous transactions. As set forth above, GEB did not have formal training, procedures, or other guidance regarding how to handle an erroneous order review when a GEB affiliate was a counterparty to such transaction, or any written supervisory procedure to review for the proper handling of potentially erroneous transactions.

24. As a result, GEB violated MIAX Rules 300, 301, and 500(b).

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

1. Censure;
2. A total fine in the amount of \$150,000 (\$10,000 payable to MIAX);⁷ and
3. An undertaking requiring that within 60 days of the execution of this LOC, GEB will provide a certification that it has developed and implemented controls and procedures reasonably designed to address the deficiencies described above.

The firm agrees to pay the monetary sanction upon notice that this LOC has been accepted and that such payment is due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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 imposed in this matter.

The sanctions imposed herein shall be effective on a date set by MIAX.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under MIAX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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

⁷ The remainder of the fine shall be allocated to Nasdaq BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq Options Market LLC, Nasdaq Phlx LLC, NYSE American LLC, NYSE Arca, Inc., Cboe C2 Exchange, Inc., Cboe Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe BZX Exchange, Inc., BOX Exchange LLC, and MIAX PEARL, LLC for similar violations.

have a written record of the hearing made and to have a written decision issued; and

- D. To appeal any such decision to MIAX's Board of Directors 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 prejudice of the Chief Regulatory Officer ("CRO"), as well as the Business Conduct Committee ("BCC"), in connection with participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including acceptance or rejection of this LOC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of MIAX Rule 1006, in connection with such person's or body's participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this LOC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO and the BCC, pursuant to MIAX Rule 1003;
- B. If this LOC 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 LOC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by MIAX or any other regulator against the firm;
 2. This LOC will be published on a website maintained by MIAX; 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 indirectly, any finding in this LOC or create the impression that the LOC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of MIAX, or to which MIAX is a party, that is inconsistent with any part of this LOC. Nothing in this provision affects the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which MIAX is not a party.
- D. The firm may attach a Corrective Action Statement to this LOC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the LOC in this Statement. This Statement does not constitute factual or legal findings by MIAX,

nor does it reflect the views of MIAX 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 LOC and has been given a full opportunity to ask questions about it; that it has agreed to the LOC'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.

August 15, 2022

Date

Respondent
Global Execution Brokers, LP

By: Brian Sopinsky

Name: Brian Sopinsky

Title: Assistant Secretary

Reviewed by:

Michael D. Wolk

Michael D. Wolk
Counsel for Respondent
Sidley Austin LLP
1501 K Street, N.W.
Washington, DC 20005
(202) 736-8807

Accepted by Miami International Securities Exchange, LLC:

November 9, 2022

Date

Ed Deitzel

Edward Deitzel
Executive Vice President and
Chief Regulatory Officer
Miami International Securities Exchange, LLC

Decision of the Business Conduct Committee: x Accept Decline

November 9, 2022

Date

Ed Deitzel

By: Edward Deitzel
For the Business Conduct Committee

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Consent by the following method (check one):

- A firm check or bank check for the full amount
- Wire transfer

Respectfully submitted,
Respondent
Global Execution Brokers, LP

August 15, 2022

Date

By: *Brian Sopinsky*
Name: Brian Sopinsky
Title: Assistant Secretary