

**THE NASDAQ STOCK MARKET LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

**TO: Janney Montgomery Scott, LLC  
Mr. Eliot Duhan  
Vice President, Compliance  
1717 Arch Street  
Philadelphia, PA 19103**

**FROM: The NASDAQ Stock Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Enforcement  
9509 Key West Avenue  
Rockville, MD 20850**

**DATE: March 21, 2019**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2016051140601**

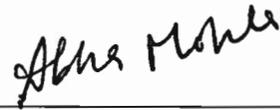
**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **March 21, 2019** by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. 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 NASDAQ 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 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.

Janney Montgomery Scott, LLC  
Page 2

If you have any questions concerning this matter, please contact me at (240) 386-5785.



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Abha Mohla  
Counsel  
Department of Enforcement, FINRA

Signed on behalf of NASDAQ

Enclosure

FINRA District 9 – Philadelphia  
Bill Bell  
District Director  
(Via email)

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 2016051140601**

TO: The NASDAQ Stock Market LLC  
c/o Department of Enforcement  
Financial Industry Regulatory Authority (“FINRA”)

RE: Janney Montgomery Scott, LLC, Respondent  
Broker-Dealer  
CRD No. 463

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC (“Nasdaq”) Code of Procedure, Janney Montgomery Scott, LLC (the “firm”) 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, Nasdaq 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

**BACKGROUND & RELEVANT DISCIPLINARY HISTORY**

JANY became a FINRA member on October 16, 1936 and Nasdaq member on July 12, 2006, and its registration remains in effect. The firm has no relevant disciplinary history.

**SUMMARY**

The staff of the Market Analysis Section of the Department of Market Regulation at FINRA (the “staff”) conducted a review of the firm’s compliance with Nasdaq Rule 4613(a) during the period from January 1, 2015 through December 31, 2017 (the “review period”). Based on these reviews, it was determined that the firm violated Nasdaq Rules 4613(a), 3010, and 2010A, as set forth below:

## FACTS AND VIOLATIVE CONDUCT

### Market Maker Quoting Obligations

1. Pursuant to Nasdaq Rule 4613(a), for each National Market System (“NMS”) security in which a Nasdaq member is registered as a market maker, the member is required to maintain a continuous two-sided trading interest, during regular market hours, at prices within certain parameters expressed as a percentage referenced from the National Best Bid or Offer (“NBBO”).
2. During the review period, the firm in 476 instances<sup>1</sup> failed to maintain a continuous two-sided trading interest during regular market hours at prices within certain percentages away from the NBBO. In all 476 instances, the firm failed to maintain a quote for the entire market hours. The violations occurred because the firm’s order management system failed to submit Market Maker Peg order requests to Nasdaq. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4613(a).

### Supervision

3. Nasdaq Rule 3010(a) provides, “Each member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules.”
4. Nasdaq Rule 2010A provides, “A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”
5. During the review period, the firm’s supervisory system was not reasonably designed to achieve compliance with Nasdaq quoting obligations. Specifically, the firm did not have a supervisory system in 1Q15 to comply with Nasdaq Rule 4613. While the firm established a supervisory system in 2Q15 and continued to improve it through 4Q17, it was not effective in maintaining compliance with Nasdaq Rule 4613(a). The firm used deficient reports to conduct its supervisory reviews and the frequency of reviews was unreasonably designed to achieve compliance with Nasdaq’s quoting obligations.<sup>2</sup> The conduct described in this paragraph constitutes a violation of Nasdaq Rules 2010A and 3010.

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

1. A censure, and

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<sup>1</sup> This is the number of validated violations based on three samples reviewed during the review period of 1Q15-4Q16: 255 out of 357; 1Q17-3Q17: 176 of 176; 4Q17: 45 of 47.

<sup>2</sup> Subsequent to the review period, the firm updated its supervisory systems, including T+1 surveillance and an intraday review, therefore, Enforcement is not recommending an undertaking.

2. A fine of \$27,500 (comprised of \$17,500 for the violations of Nasdaq Rule 4613(a), and \$10,000 for the violations of Nasdaq Rules 2010A and 3010).

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

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(s) imposed in this matter.

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

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

The firm specifically and voluntarily waives the following rights granted under Nasdaq'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 Nasdaq Review Council 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 prejudgment of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq 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.

The firm 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

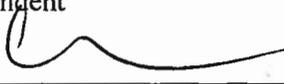
The firm understands that:

- 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 Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq 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 firm; and
- C. If accepted:
  - 1. This AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the firm;
  - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; 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 AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC 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 AWC in this Statement. This Statement does not constitute factual or legal findings by Nasdaq, nor does it reflect the views of Nasdaq 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 it 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.

3/12/19  
Date

Janney Montgomery Scott, LLC.  
Respondent

By: 

Name: Eliot Dahan

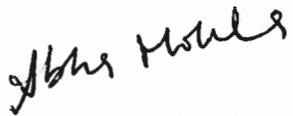
Title: VP, Compliance

Reviewed by:

N/A  
Counsel for Respondent  
Firm Name  
Address  
City/State/Zip  
Phone Number

Accepted by Nasdaq:

3/21/19  
Date

  
Abha Mohla  
Counsel  
Department of Enforcement

Signed on behalf of Nasdaq, 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  
Janney Montgomery Scott, LLC.

3/12/19  
Date

By: 

Name: Eliot Dohan

Title: VP, Compliance

**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: BriLany Nesteder

Billing Contact Address: 1717 Arch St., Philadelphia PA 19103

Billing Contact Email: bnesteder@janney.com

Billing Contact Phone Number: 215 665 6269