

**THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2019061702710**

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

RE: Vision Financial Markets LLC, Respondent
Member Firm
CRD No. 142271

Pursuant to Rule 9216 of The Nasdaq Stock Market LLC (“Nasdaq”) Code of Procedure, Vision Financial Markets LLC (“Vision,” 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, Nasdaq 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 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

Vision became a member of Nasdaq in November 2020. The Firm is based in Stamford, Connecticut, and has 48 registered individuals and five branch offices. Vision provides clearing services, access to executing brokers, and market access to an alternative trading system (“ATS”) and multiple exchanges. Its customers include direct securities traders, investment advisors, U.S. registered broker-dealers, and non-registered foreign and domestic entities. The firm does not have relevant prior disciplinary history.

SUMMARY

From August 2018 through December 2020, Vision accepted omnibus accounts domiciled outside of the United States that had traders located primarily in China, Russia, Eastern Europe, and other jurisdictions outside of the United States. Certain of these accounts had hundreds of traders who engaged in active trading strategies. Despite the heightened risks presented by these accounts, Vision failed to establish and maintain a supervisory system, including written supervisory procedures (“WSPs”), reasonably designed to monitor for potentially manipulative trading on its platform, such as layering, spoofing, and wash trades.

Vision also provided its customers with direct market access to an ATS and multiple exchanges but failed to establish, document, and maintain financial risk management controls and procedures reasonably designed to limit the financial and regulatory risks associated with this activity.

Vision's failures resulted in potentially manipulative trading occurring and orders entering the markets without being subjected to reasonably designed risk management controls. Vision became a Nasdaq member in November 2020, and based on the conduct described in this AWC that occurred while it was a member, violated Nasdaq Rule General 9, Sections 1 and 20, Section 15(c)(3) of the Securities Exchange Act of 1934, and Rule 15c3-5 thereunder.

FACTS AND VIOLATIVE CONDUCT

Vision Failed to Reasonably Supervise for Potentially Manipulative Trading

1. Nasdaq Rule General 9, Section 1(a) requires “[a] member, in the conduct of its business, [to] observe high standards of commercial honor and just and equitable principles of trade.”
2. Nasdaq Rule General 9, Section 20 requires “[e]ach member [to] 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.”
3. Vision used an automated system from a third-party vendor that generated alerts for potentially suspicious trading in customer accounts. Vision's review of those alerts, however, was unreasonable in several respects.
4. First, the firm failed to dedicate sufficient resources to the review of the alerts. The system generated numerous alerts indicating potential market manipulation, including layering, wash sales and ATS cross manipulation. Yet the firm tasked one principal with reviewing the alerts. The volume of alerts made it impossible for the principal to conduct meaningful reviews and, if necessary, follow-up investigations, especially considering the principal's other responsibilities.
5. Second, Vision did not investigate the activity that generated certain categories of alerts because the firm unreasonably concluded that these types of alerts did not indicate potentially manipulative activity. This included price spike alerts, which occurred when a Vision customer's account traded during or within a short time after a significant stock price movement, and trade through or sub-penny quoting alerts, which were triggered when a customer account executed outside the National Best Bid and Offer (“NBBO”) without a permitted exception or placed orders at sub-penny prices. As a result, Vision closed numerous alerts generated by the system without conducting any investigation or documenting any information about the alert.
6. Third, Vision relied on a manual review of data to detect whether alerts regarding potentially manipulative trading reflected a broader pattern of manipulation by certain

traders. This manual review was unreasonable given the volume and complexity of the trading by the firm's customers.

7. Finally, Vision's WSPs and trade surveillance procedures did not provide reasonable guidance as to factors to consider when assessing the validity of alerts and documenting their disposition. As a result, the firm's review of alerts was often cursory. The firm also regularly failed to reference in its documentation information that would be relevant to an alert review. Vision frequently used the same rote comment to close out thousands of alerts.
8. As a result of the foregoing, during the time that it was a Nasdaq member, Vision violated Nasdaq Rule General 9, Sections 1 and 20.

Vision Failed to Establish Reasonable Market Access Controls and Procedures

9. Exchange Act § 15(c)(3) prohibits broker-dealers from contravening the rules and regulations prescribed by the SEC to "provide safeguards with respect to the financial responsibility and related practices of brokers and dealers." Pursuant to this section, the SEC adopted Rule 15c3-5.
10. Rule 15c3-5(b) provides that a broker or dealer with market access or that provides a customer with access to an exchange or ATS must "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."
11. Rule 15c3-5(c)(1) provides that these financial risk management controls and supervisory procedures must be "reasonably designed to systematically limit the financial exposure of the broker or dealer that could arise as a result of market access," including by being reasonably designed to prevent the entry of orders "that exceed appropriate pre-set credit . . . thresholds in the aggregate for each customer" or "that exceed appropriate price or size parameters."
12. The Adopting Release for Rule 15c3-5 states that firms should determine credit thresholds "based on appropriate due diligence as to the customer's business, financial condition, trading patterns, and other matters. . . ." The Release further states that firms must "monitor on an ongoing basis whether the credit thresholds remain appropriate, and promptly make adjustments to them, and its controls and procedures, as warranted."
13. Pursuant to Rule 15c3-5(c)(2)(iii), Vision was required to restrict access to its trading systems that provide market access to persons and accounts preapproved and authorized by the firm. Vision's WSPs stated that it reviewed and "vetted" customers with access to its trading systems. However, Vision permitted certain customers to grant access to Vision's order management system to hundreds of individual traders without Vision's review or preapproval. The activity of these customers generated a significant number of the above-described alerts for potentially manipulative trading.
14. Vision's WSPs also stated that credit limits must be (1) established based on

customer trading patterns or quote history and (2) reviewed periodically. Yet Vision set credit limits for its customers based only on the buying power available in the accounts as reflected by the customer's excess funds at account opening and did not review those credit limits periodically, as required.

15. Vision did not implement any erroneous order controls that took into account the individual characteristics of a security, such as an average daily trading volume control. Additionally, Vision did not review the reasonableness of its erroneous order controls on a regular basis.
16. As a result of the foregoing, during the time that it was a Nasdaq member, Vision violated Exchange Act § 15(c)(3), Rule 15c3-5(b) and (c) thereunder, and Nasdaq Rule General 9, Sections 1 and 20.

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

1. Censure;
2. A total fine of \$850,000, of which \$42,500 is payable to Nasdaq;¹ and
3. An undertaking to do the following:
 - a. Retain at its own expense and within 60 days of the date of the notice of acceptance of this AWC an independent consultant not unacceptable to the Exchange to conduct a comprehensive review of the reasonableness of its policies, systems, procedures (written or otherwise) relating to the detection and prevention of potentially manipulative trading activity and to compliance with Exchange Act § 15(c)(3), Rule 15c3-5(b) and (c) thereunder, and Nasdaq General Rule 9, Sections 1 and 20.
 - b. Ensure that the independent consultant, any firm with which the independent consultant is affiliated or of which he or she is a member, and any person engaged to assist the independent consultant in performance of his or her duties, shall not have provided consulting, legal, auditing, or other professional services to, or had any affiliation with, Respondent during the two years prior to the date of the notice of acceptance of this AWC.
 - c. Cooperate with the independent consultant in all respects, including providing the independent consultant with access to Respondent's files, books, records, and personnel, as reasonably requested for the above-mentioned review. Respondent shall require the independent consultant to report to the Exchange on its activities as the Exchange may request and shall place no restrictions on the independent consultant's communications

¹ The remainder of the fine shall be allocated to Nasdaq PSX, LLC, NYSE Arca, Inc, The New York Stock Exchange, LLC, NYSE National, Inc., Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., and FINRA.

with the Exchange. Further, upon request, Respondent shall make available to the Exchange any and all communications between the independent consultant and the Respondent and documents examined by the independent consultant in connection with this review.

- d. Refrain from terminating the relationship with the independent consultant without the Exchange's written approval. Respondent shall not be in and shall not have an attorney-client relationship with the independent consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the independent consultant from transmitting any information, reports, or documents to the Exchange.
- e. Require the independent consultant to submit an initial written report to Respondent and the Exchange at the conclusion of the independent consultant's review, which shall be no more than 90 days after the date of the notice of acceptance of this AWC. The initial report shall, at a minimum, (i) evaluate and address the adequacy of Respondent's compliance with its supervisory obligations with respect to potentially manipulative trading and the Market Access Rule; (ii) provide a description of the review performed and the conclusions reached; and (iii) make recommendations as may be needed regarding how Respondent should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to its compliance with its supervisory obligations with respect to potentially manipulative trading and the Market Access Rule; and
 - (i) Within 60 days after delivery of the initial report, Respondent shall adopt and implement the recommendations of the independent consultant or, if Respondent considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose an alternative procedure to the independent consultant designed to achieve the same objective. Respondent shall submit such proposed alternative procedures in writing simultaneously to the independent consultant and the Exchange.
 - (ii) Respondent shall require the independent consultant to (A) reasonably evaluate the alternative procedures and determine whether it will achieve the same objective as the independent consultant's original recommendation and (B) provide Respondent and the Exchange with a written report reflecting its evaluation and determination within 30 days of submission of any Respondent's proposed alternative procedures. In the event the independent consultant and Respondent are unable to agree, Respondent must abide by the independent consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the independent consultant.

- (iii) Within 30 days after the issuance of the later of the independent consultant's initial report or any written report regarding proposed alternative procedures, Respondent shall provide the independent consultant and the Exchange with a written implementation report, certified by an officer of Respondent, attesting to, containing documentation of, and setting forth the details of Respondent's implementation of the independent consultant's recommendations. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Exchange may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence.
- f. Require the independent consultant to enter into a written agreement that, for the duration of the engagement and for a period of two years from the completion of the engagement, the independent consultant shall not enter into any other employment, consultant, attorney-client, auditing, or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the independent consultant is affiliated or of which it is a member, and any person engaged to assist the independent consultant in the performance of its duties pursuant to this AWC, shall not, without the Exchange's prior written consent, enter into any employment, consultant, attorney-client, auditing, or other professional relationship with Respondent or any of Respondent's present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.
- g. Upon written request showing good cause, the Exchange may extend any of the procedural dates set forth above.
- h. Respondent shall further retain the independent consultant to conduct a follow-up review and submit a final written report to the Respondent and to the Exchange no later than one year from the date of the notice of acceptance of this AWC. In the final report, the independent consultant shall address Respondent's implementation of the systems, policies, procedures, and training, and shall make any further recommendations it deems necessary. Within 30 days of receipt of the independent consultant's final report, Respondent shall adopt and implement the recommendations contained in the final report, and inform the Exchange in writing that it has done so.

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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 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 Exchange 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 prejudice of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange 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 Exchange 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 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 Nasdaq or any other regulator against the Respondent;
 - 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. 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 Nasdaq, or to which Nasdaq 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 Nasdaq 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 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 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.

Vision Financial Markets LLC
Respondent

September 13, 2022

Date

By: Victoria Bova

Print Name: Victoria Bova

Title: General Counsel

Reviewed by:

Clifford C. Histed
Clifford C. Histed
K&L Gates
(312) 807-4448
Counsel for Respondent

Accepted by Nasdaq:

September 16, 2022

Date

Andy Hubbartt
Andy Hubbartt
Senior Counsel
Department of Enforcement

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