

NYSE ARCA, INC.
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018060986403

TO: NYSE Arca, Inc.

RE: SpeedTrader, Inc., formerly known as Mint Global Markets, Inc., Respondent
CRD No. 107403

From November 2017 through January 2020 (the “Relevant Period”), SpeedTrader, Inc. (“SpeedTrader” or the “Firm”) violated NYSE Arca Equities Rule 11.18(b) and (c) by failing to establish, maintain, and enforce a supervisory system, including written supervisory procedures (“WSPs”), reasonably designed to achieve compliance with applicable securities laws, regulations, and rules prohibiting potentially manipulative trading. In addition, SpeedTrader violated Exchange Act Rule 15c3-5(b), (c), (d), and (e) (the “Market Access Rule”) by failing to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial and regulatory risks of its business activity. Consent to a censure and a \$46,200 fine (resolved simultaneously with similar matters for a total fine of \$165,000).¹

* * *

Pursuant to Rule 10.9216 of the NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) Code of Procedure, SpeedTrader 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, NYSE Arca will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

- A. SpeedTrader 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 NYSE Arca, or to which NYSE Arca 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 NYSE Arca:

BACKGROUND AND JURISDICTION

1. SpeedTrader became registered as an Equities Trading Permit (“ETP”) holder with NYSE Arca in 2003. The Firm employs six registered representatives at its headquarters in Katonah, New York. SpeedTrader primarily provides self-directed online-brokerage services to its customers, who are mostly pattern day traders.

¹ These matters were brought by Cboe EDGX Exchange, Inc. (“EDGX”), FINRA, and The Nasdaq Stock Market LLC (“Nasdaq”).

VIOLATIONS

SpeedTrader's Business and Surveillance Model

2. During the Relevant Period, the Firm provided direct market access to approximately 570 customers, consisting mostly of pattern day traders, including numerous China-based day traders, and at least one foreign broker-dealer (the "Foreign Broker-Dealer"). Together, these customers traded billions of shares through the Firm involving tens of billions of dollars.
3. SpeedTrader used an automated third-party system to surveil for potentially manipulative trading by its customers. The Firm's customers' trading activity was automatically fed through the third-party surveillance system and, if certain parameters were met, the system would generate an exception alert.

SpeedTrader Failed to Reasonably Supervise for Potentially Manipulative Trading

4. NYSE Arca Rule 11.18(b) requires each ETP holder to "establish and maintain a system to supervise the activities of its associated persons and the operations of its business." The supervisory system must be "reasonably designed to ensure compliance with applicable federal securities laws and regulations and NYSE Arca Rules."
5. NYSE Arca Rule 11.18(c) requires each ETP Holder to "establish, maintain, and enforce written procedures to supervise the business in which it engages and to supervise the activities of its associated persons that are reasonably designed to ensure compliance with applicable federal securities laws and regulations, and with the NYSE Arca Rules."
6. The duty to supervise imposed by these rules requires ETP Holders to reasonably investigate red flags that suggest misconduct may be occurring and to act upon the results of such investigation.
7. SpeedTraders's supervisory system for potentially manipulative trading through the Firm was unreasonable in several respects.
8. *First*, SpeedTrader implemented the third-party surveillance system's default parameters without assessing whether those parameters were reasonably tailored to the Firm's business model, including the type and nature of the Firm's customers' order flow. In addition, SpeedTrader thereafter did not conduct any annual or periodic assessments of the system's parameters.
9. *Second*, SpeedTrader assigned only one trader identification number for each customer account at the Firm, even if the account had more than one authorized trader. Therefore, for certain customer accounts, SpeedTrader could not identify the specific traders responsible for the exception alerts, which limited the Firm's ability to effectively review for and supervise potentially manipulative trading by specific traders. For example, in June 2018, the Foreign Broker-Dealer, who had multiple

- authorized traders, entered eleven orders within a matter of minutes to purchase and sell a certain security. The resulting executions generated 42 exception alerts for potential wash trading, which SpeedTrader could not reasonably review without knowing the specific traders responsible for each order. The lack of unique trader identification numbers also impeded the Firm's ability to ensure that only authorized traders placed orders.
10. *Third*, SpeedTrader failed to provide reasonable guidance as to how the Firm's supervisor should review exception alerts to determine whether the alerts were indicative of potential manipulative trading that should be escalated. The Firm's WSPs only directed that each exception alert should be reviewed "independently," without explaining what "independently" meant or providing any additional guidance beyond that directive.
 11. *Fourth*, on several occasions, the Firm did not conduct reasonable follow up and investigation of its customers' trading activity that was generating alerts for potentially manipulative trading. On one occasion, after a particular customer's trading activity generated alerts, the Firm reached out several times to inquire about the activity, but the customer failed to respond for months and the Firm did not place any restrictions on the customer during that time. The Firm also did not reasonably investigate patterns of trading for which there may not have been a legitimate economic rationale.
 12. As a result of the foregoing, the Firm violated NYSE Arca Rules 11.18(b) and (c).

SpeedTrader Failed to Establish Reasonable Market Access Controls and Procedures

13. Exchange Act Rule 15c3-5(b) requires a broker dealer that provides 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 its business.
14. Exchange Act Rule 15c3-5(c)(1)(i) requires a market access broker-dealer to establish, document, and maintain financial risk management controls and supervisory procedures reasonably designed to "[p]revent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer and the broker or dealer and, where appropriate, more finely-tuned by sector, security, or otherwise by rejecting orders if such orders would exceed the applicable credit or capital thresholds[.]" Under this provision, a firm must establish credit thresholds for each customer "based on appropriate due diligence as to the customer's business, financial condition, trading patterns, and other matters" and 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.”²

15. Exchange Act Rule 15c3-5(d) requires that all financial and regulatory risk management controls and supervisory procedures must be under the direct and exclusive control of the firm.
16. Exchange Act Rule 15c3-5(e)(2) requires that a firm’s CEO certify on an annual basis that the firm’s financial risk management controls and supervisory procedures required by Rules 15c3-5(b) and (c) comply with those rules, and that the firm conducted an annual review to assure the overall effectiveness of such risk management controls and supervisory procedures.

SpeedTrader Failed to Maintain Direct and Exclusive Control Over Its Credit Controls.

17. During the Relevant Period, SpeedTrader failed to establish, document, and maintain financial risk management controls and procedures reasonably designed to limit the financial and regulatory risks associated with its activity.
18. SpeedTrader did not implement a system or controls to set credit thresholds for its market access customers. Rather than evaluate and set the buying power for its customers, SpeedTrader instead relied on its clearing firms to do so.

SpeedTrader Failed to Ensure Its Credit Controls Were Reasonably Designed.

19. SpeedTrader failed to provide any documentation evidencing how customers’ credit controls were established or that they were reasonably designed based upon the customer’s business, financial condition, or trading patterns. As indicated, rather than evaluate and set the buying power for its customers, SpeedTrader relied on the credit controls set by its clearing firms. In addition, the Firm was not able to provide any documentation that it monitored whether the thresholds remained appropriate, or whether modifications to its credit controls by its clearing firms were warranted.

SpeedTrader Failed to Comply with Annual Certification Requirements.

20. The Firm’s annual compliance certifications for 2017, 2018, and 2019 failed to state that the Firm’s risk management controls and supervisory procedures complied with paragraphs (b) and (c) of Exchange Act Rule 15c3-5, as required.
21. As a result of the foregoing, SpeedTrader violated Exchange Act Rule 15c3-5(b)-(e).

RELEVANT PRIOR DISCIPLINARY HISTORY

² Securities Exchange Act Release No. 34-63241, *Risk Management Controls for Brokers or Dealers with Market Access*, 75 Fed. Reg. 69791, at 69802 (Nov. 15, 2010).

22. In April 2015, SpeedTrader (then operating under the name, Stock USA Execution Services, Inc.) consented to a censure and a fine of \$595,000 imposed by NYSE Arca, EDGX, Cboe EDGA Exchange, Inc., Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., FINRA, Nasdaq, and Nasdaq OMX BX, Inc., for, among other things, failing to supervise for potentially manipulative trading by its market access customers and failing to have reasonable market access controls and procedures. *See* NYSE Arca Matter No. 20120310864-03.

SANCTIONS

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

Censure and fine in the amount of \$46,200 (resolved simultaneously with similar matters for a total fine of \$165,000).³

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. The Firm has submitted a Method of Payment Confirmation form showing the method by which it will 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(s) imposed in this matter.

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

II. WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under the NYSE Arca 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'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 prejudgment of the Chief Regulatory Officer of NYSE Arca; the Exchange's Board of Directors, Disciplinary Action Committee ("DAC"), and Committee for Review ("CFR"); any Director, DAC member, or CFR member; Counsel to the Exchange Board of Directors or CFR; any other NYSE Arca

³ These matters were brought by EDGX, FINRA, and Nasdaq.

employee; or any Regulatory Staff as defined in Rule 10.9120 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 communication prohibitions of Rule 10.9143 or the separation of functions prohibitions of Rule 10.9144, 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 by NYSE Regulation, and accepted by the Chief Regulatory Officer of NYSE Arca pursuant to NYSE Arca Rule 10.9216;
- 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. The AWC shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, and shall be deemed final and shall constitute the complaint, answer, and decision in the matter, 10 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to NYSE Arca Rule 10.9310(a)(1)(B);
 - 2. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by the Exchange, or any other regulator against the Firm;
 - 3. NYSE Arca shall publish a copy of the AWC on its website in accordance with NYSE Arca Rule 10.8313;
 - 4. NYSE Arca may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE Arca Rule 10.8313; and
 - 5. 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 the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this AWC. 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 the Exchange is not a party.

- D. A signed copy of this AWC and the accompanying Method of Payment Confirmation form delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.
- E. 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. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

The Firm certifies that, in connection with each of the Exchange's requests for information in connection with this matter, the Firm made a diligent inquiry of all persons and systems that reasonably had possession of responsive documents and that all responsive documents have been produced. In agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of the document productions.

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.

7/8/24
Date

SpeedTrader, Inc.,
Respondent

By: 

Name: Joe Ely

Title: President and CEO

Reviewed by:

Dana S. Gloor

Dana S. Gloor, Esq.
Gloor Law and Arbitration LLC
1340 Smith Avenue, Suite 200
Baltimore, MD 21209
(410) 220-4756
Counsel for Respondent

Accepted by FINRA

July 12, 2024

Date



Andrew Stavish
Senior Counsel
FINRA, Department of Enforcement

Signed on behalf of NYSE Arca, Inc., by
delegated authority from its Chief
Regulatory Officer