

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Membership
of
Interactive Brokers Corp.
(CRD No. 117942)

And

Interactive Brokers LLC
(CRD No. 36418)

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934

SD-2375
SD-2376

August 20, 2024

I. Introduction

On October 17, 2023, Interactive Brokers Corp. (“IBC”) and Interactive Brokers LLC (“IBL”) (individually, “Firm” or collectively, “Firms”) each submitted a Membership Continuance Application (“MC-400As” or “Applications”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”) Department.¹ The Applications seek to permit the Firms, which are FINRA members, to continue their membership with FINRA notwithstanding their statutory disqualification. A hearing was not held in these matters; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Applications and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).²

II. The Statutorily Disqualifying Event

The Firms are subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Sections 15(b)(4)(D) and (E), as a result of a September 2023 order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding that both IBC and IBL willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) and failed reasonably to supervise their employees with a view to preventing or detecting certain of their employees’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder

¹ See IBC’s and IBL’s MC-400As and related attachments compiled by CRED, each with a cover memorandum dated October 19, 2023, collectively attached as Exhibit 1.

² The Firms consented to being listed on the same SEA Rule 19h-1 Notice.

(“SEC Order”).³ According to the SEC Order, from at least January 2019, IBC’s and IBL’s employees sent and received off-channel communications that related to the Firms’ business, and a majority of these written communications was not maintained or preserved by the Firms.⁴ Further, supervisors who were responsible for preventing this misconduct among junior employees routinely communicated off-channel using their personal devices, and, in so doing, failed to comply with each Firm’s policies by communicating using non-Firm approved methods on their personal devices about the Firms’ broker-dealer business.⁵

The Firms were censured and ordered to cease and desist from committing or causing any future violations, to pay a civil money penalty of \$35,000,000 (jointly and severally), and to comply with undertakings.⁶ The Firms represent the penalty was paid on October 6, 2023 and that they are in compliance with the undertakings.⁷

III. Remedial Measures

According to the Firms’ Applications, the Firms began reviewing and enhancing their processes with regard to off-channel communications; revised their policies and procedures; increased training; enhanced surveillance efforts; implemented technological improvements in an effort to address the risk of staff engaging in off-channel communications; made investments in new technologies prior to the commencement of the SEC’s inquiry; and took proactive steps to bring onboard and preserve off-channel communications by imaging the personal phones of certain senior custodians.⁸ According to the SEC Order, the Commission considered the Firms’ remedial efforts and cooperation when determining to accept the Offer of Settlement.⁹

³ See SEC Order, *In re Interactive Brokers Corp. and Interactive Brokers LLC*, Exchange Act Release No. 98633 (Sept. 29, 2023), attached as Exhibit 2.

The SEC Order also triggered disqualification under Rules 262(a)(4), 506(d)(1)(iv), and 602(c)(3) of the Securities Act of 1933 and Rule 503(a)(4)(ii) of Regulation Crowdfunding. On September 29, 2023, the SEC granted a waiver from the application of the disqualification provisions of these Rules. See *In re Certain Broker-Dealer Practices*, Securities Act Release No. 11249 (Sept. 29, 2023), attached as Exhibit 3.

⁴ See Exhibit 2 at pp. 2, 4.

⁵ *Id.*

⁶ *Id.* at pp. 9-10.

⁷ See Exhibit 1 at FINRA pp. 3, 28. See also Discovery Response from the Firms to FINRA dated June 25, 2024, attached as Exhibit 4, at FINRA pp 1-2.

⁸ See Exhibit 1 at FINRA pp. 8-9, 33-34.

⁹ See Exhibit 2 at p. 5.

IV. Firms' Background

IBC

IBC has been a FINRA member since December 18, 2001.¹⁰ IBC is headquartered in Greenwich, Connecticut, with five active branches, of which two are Offices of Supervisory Jurisdiction (“OSJs”).¹¹ IBC employs approximately 91 Registered Representatives (which includes 49 Registered Principals), four Operations Professionals, and 103 Non-Registered Fingerprint Individuals.¹² IBC does not employ any statutorily disqualified individuals.¹³

IBC is approved to engage in the following lines of business: exchange member engaged in floor activities; put and call broker or dealer or option writer; and engages in other securities business.¹⁴

IBC is a member of the following self-regulatory organizations (“SROs”): Cboe Exchange, Inc. (“Cboe”) and Cboe C2 Exchange, Inc. (“C2”).¹⁵

IBL:

IBL has been a FINRA member since January 6, 1995.¹⁶ IBL is headquartered in Greenwich, Connecticut with seven active branches, of which six are OSJs.¹⁷ IBL employs approximately 382 Registered Representatives (including 118 Registered Principals), 39 Operations Professionals, and 1003 Non-Registered Fingerprint Individuals.¹⁸ IBL does not employ any statutorily disqualified individuals.¹⁹

¹⁰ See IBC’s Central Registration Depository (“CRD”) Excerpt – Organization Registration Status, attached as Exhibit 5.

¹¹ FINRA confirmed this through analysis of the Firm’s information contained in CRD, last performed on August 5, 2024.

¹² *Id.*

¹³ *Id.*

¹⁴ See IBC’s CRD Excerpts -- Types of Business and Other Business Descriptions, collectively attached as Exhibit 6. IBC’s other securities business includes acting as an introducing broker for commodities futures and options, and introducing commodities clients to IBL, a futures commission merchant. *Id.* at p. 2.

¹⁵ See Exhibit 5 at p. 1.

¹⁶ See IBL’s CRD Excerpt – Organization Registration Status, attached as Exhibit 7.

¹⁷ FINRA confirmed this through analysis of the Firm’s information contained in CRD, last performed on August 5, 2024.

¹⁸ *Id.*

¹⁹ *Id.*

IBL is approved to engage in the following lines of business: exchange member engaged in exchange commission business other than floor activities; exchange member engaged in floor activities; broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; underwriter or selling group participant (corporate securities other than mutual funds); mutual fund retailer; U.S. government securities broker; put and call broker or dealer or option writer; private placements of securities; engages in other securities business; effects transactions in commodity futures, commodities, commodity options as broker for others or dealer for own account; and engages in other non-securities business.²⁰

IBL is a member of the following SROs: BOX Exchange LLC (“BOX”); Cboe BYX Exchange, Inc. (“BYX”); Cboe BZX Exchange, Inc. (“BZX”); Cboe EDGA Exchange, Inc. (“EDGA”); Cboe EDGX Exchange, Inc. (“EDGX”); Investors Exchange LLC (“IEX”); The Long-Term Stock Exchange (“LTSE”); MEMX LLC (“MEMX”); Miami International Securities Exchange, LLC (“MIAX”); MIAX Emerald, LLC (“MIAX Emerald”); MIAX PEARL, LLC (“MIAX PEARL”); New York Stock Exchange LLC (“NYSE”); NYSE American LLC (“NYSE American”); NYSE Arca, Inc. (“NYSE Arca”); NYSE Chicago, Inc. (“NYSE Chicago”); NYSE National, Inc. (“NYSE National”); Nasdaq BX, Inc. (“BX”); Nasdaq GEMX, LLC (“GEMX”); Nasdaq ISE, LLC (“ISE”); Nasdaq MRX, LLC (“MRX”); Nasdaq PHLX LLC (“PHLX”); The Nasdaq Stock Market LLC (“Nasdaq”);²¹ Municipal Securities Rulemaking Board (“MSRB”); The Depository Trust Company (“DTC”); Fixed Income Clearing Corporation – Government Securities Division (“FICC-GOV”); and National Securities Clearing Corporation (“NSCC”).²²

Recent Examinations

IBC

In the past two years, FINRA completed two routine examinations of IBC (one of which was conducted on behalf of Cboe and C2, pursuant to a Regulatory Service Agreement (“RSA”)) and both examinations resulted in Cautionary Action Letters (“CALs”). FINRA did not complete any non-routine examinations of IBC that resulted in CALs in the past two years.

²⁰ See IBL’s CRD Excerpt – Types of Business and Other Business Descriptions, collectively attached as Exhibit 8. IBL’s other securities business includes acting as agency broker for security futures products; IBL’s other non-securities business includes foreign exchange trading as a broker for customers. *Id.* at p. 2.

²¹ See Exhibit 7 at p. 1.

²² Membership in these organizations was verified by FINRA staff through a search of public member directories, last performed on July 8, 2024.

A. FINRA Routine Examinations of IBC

In January 2023, FINRA completed a routine examination on behalf of Cboe and C2 that resulted in a CAL being issued to IBC for one exception.²³ The exception pertained to IBC's failure to timely file a Form U5 for three terminated individuals.²⁴ In its response, IBC acknowledged the exception and stated that it took measures to improve its notification process and mitigate the late filings by implementing enhancements to the Firm's payroll system which would generate termination reports to ensure timely Form U5 reporting.²⁵

In September 2022, FINRA completed a routine examination of IBC that resulted in a CAL being issued for two exceptions.²⁶ IBC was not in compliance with FINRA By-Laws Article IV Section 1(c) when it failed to amend its Form BD Schedule D to include four affiliates within 30 days of each affiliate becoming effective.²⁷ Additionally, IBC was not in compliance with FINRA Rule 3110(b) because the Firm failed to establish written supervisory procedures ("WSPs") related to keeping its membership application current.²⁸ The Firm responded that it updated its WSPs to ensure timely Form BD filings related to affiliates and the accuracy of its membership application.²⁹

IBL

In the past two years, FINRA completed two routine examinations of IBL (one of which was conducted on behalf of several SROs pursuant to an RSA), and both examinations resulted in CALs. FINRA completed nine non-routine examinations of IBL that resulted in CALs.

A. FINRA Routine Examinations of IBL

In December 2022, FINRA completed a routine examination on behalf of BOX, BYX, BZX, EDGA, EDGX, IEX, LTSE, MIAX Emerald, MIAX, MIAX PEARL, GEMX, ISE, MRX, NYSE American, NYSE Arca, NYSE Chicago, and NYSE National.³⁰ There were

²³ See Disposition Letter for Examination No. 20220732991 dated January 13, 2023, Examination Report dated September 29, 2022 and the Firm's Response dated October 6, 2022, collectively attached as Exhibit 9.

²⁴ *Id.* at FINRA p. 6.

²⁵ *Id.* at FINRA. pp. 7-8.

²⁶ See Disposition Letter for Examination No. 20220732990 dated September 23, 2022, Examination Report dated September 9, 2022, and the Firm's Response dated September 20, 2022, collectively attached as Exhibit 10.

²⁷ *Id.* at FINRA p. 5.

²⁸ *Id.*

²⁹ *Id.* at FINRA pp. 7-8.

³⁰ See Disposition Letter for Examination No. 20210693164 dated December 5, 2022, Examination Reports

no exceptions noted in relation to BOX, BYX, BZX, EDGA, GEMX, ISE, MRX, NYSE Chicago, and NYSE National.³¹ However, one exception was referred to FINRA's Department of Enforcement ("Enforcement") for further investigation and disposition.³² The other two exceptions resulted in a CAL issued on behalf of LTSE, MIAX Emerald, MIAX, and MIAX PEARL (Exception 1) and NYSE American (Exceptions 1 and 2).³³ The exceptions pertained to IBL's failure to timely file a Form U5 for 23 terminated individuals, to have adequate procedures to ensure timely filing of Form U5s,³⁴ to have WSPs and other written policies that set forth the timeframe in which individuals must complete Firm Element CE, and procedures for those who fail to meet the deadline to complete it within a reasonable timeframe.³⁵ In its response, IBL acknowledged the exceptions and stated that it took measures to improve its notification process and mitigate the late filings by implementing enhancements to ensure timely Form U5 reporting and has implemented a new vendor to remediate and enhance its Firm Element program.³⁶

In September 2022, FINRA completed a routine examination that resulted in 12 exceptions; two of these exceptions were referred Enforcement for further investigation and disposition and the Firm was issued a CAL for the remaining 10 exceptions.³⁷ The 10 exceptions pertained to IBL's failures to maintain adequate supervisory systems to identify aged balances in the Firm's Reorganization and Redemption accounts for manual clean up; maintain Option Clearing Corporation ("OCC") records in the proper OCC format; establish and maintain adequate supervisory policies and procedures to ensure compliance with SEC Rule 15c3-5; accurately calculate its Reference Price Filter; establish and implement policies and procedures reasonably expected to detect and report suspicious crypto currency transactions; maintain accurate books and records for 18 municipal transactions; issue accurate account statements and trade confirmations when commission errors occurred; update and affirm Form A-12 during the Annual Affirmation Period; and have a sufficient software to satisfy the MSRB disclosure obligations.³⁸ In its response,

dated December 5, 2022 and September 27, 2022 (amending the June 1, 2022 Examination Report), and Firm Response dated June 15, 2022, collectively attached as Exhibit 11.

³¹ *Id.* at FINRA p. 2.

³² This exception is now closed and FINRA issued IBL a Minor Rule Violation (MRV) on behalf of NYSE Arca. *See infra* note 67.

³³ *See* Exhibit 11 at FINRA p. 2.

³⁴ *Id.* at FINRA pp. 7-8.

³⁵ *Id.* at FINRA pp. 8-9.

³⁶ *Id.* at FINRA pp. 22-23.

³⁷ *See* Disposition Letter for Examination No. 20210693162 dated September 30, 2022, Examination Report dated August 26, 2022, and the Firm Response dated September 16, 2022, collectively attached as Exhibit 12.

³⁸ *Id.* at FINRA pp. 5-9, 11-15.

IBL stated that it has taken several measures to address the issues identified in the relative exceptions, including updating its policies and procedures.³⁹ The two exceptions referred to Enforcement pertain to failures to timely file Form U5s and comply with possession or control requirements in deficit scenarios.⁴⁰

B. FINRA Non-Routine Examinations of IBL

On March 7, 2024, FINRA completed a non-routine examination that resulted in a CAL being issued to the Firm for one exception.⁴¹ The exception pertained to IBL's failure to maintain accurate books and records related to fully paid lending program with foreign correspondents.⁴² The Firm responded in writing that it would change its procedures with respect to borrowing securities from such correspondents.⁴³

On January 11, 2024, FINRA completed a non-routine examination that resulted in a CAL being issued to the Firm for one exception.⁴⁴ The exception pertained to IBL releasing a system enhancement in its order management system without completing the required quality assurance tests, which resulted in coding errors; IBL also failed to supervise and mitigate risks for certain GTC orders and failed to notify its customers of the system errors.⁴⁵

On December 12, 2023, FINRA completed a non-routine examination that resulted in a CAL being issued to the Firm for two exceptions.⁴⁶ The exceptions pertained to the Firm's non-compliance with required Form CRS instructions, in which the Firm provided additional commentary beyond the "yes" or "no" answer and permitted website hyperlinks in violation of the Form CRS instructions.⁴⁷ Additionally, the Firm's language on its Form CRS materially differed between its June 30, 2022 and its May 3, 2023 versions, however, the Firm did not provide its customers with a summary of the changes as required.⁴⁸

³⁹ *Id.* at FINRA pp. 16-21, 24-29.

⁴⁰ *Id.* at FINRA pp. 10-11. The exceptions referred to Enforcement remain open.

⁴¹ *See* Disposition Letter for Examination No. 20220758344 dated March 7, 2024, Examination Report dated February 14, 2024, and Firm Response dated February 28, 2024, collectively attached as Exhibit 13.

⁴² *Id.* at FINRA p. 5.

⁴³ *Id.* at FINRA p. 8.

⁴⁴ *See* Disposition Letter and Examination Report for Examination No. 20220742824 dated January 11, 2024, attached as Exhibit 14. The Firm was not required to provide a response.

⁴⁵ *Id.* at p. 3.

⁴⁶ *See* Disposition Letter for Examination No. 20230782282 and Examination Report dated December 12, 2023, attached as Exhibit 15. The Firm was not required to provide a response.

⁴⁷ *Id.* at p. 3.

⁴⁸ *Id.* at pp. 3-4.

On September 8, 2023, FINRA completed a non-routine examination that resulted in a CAL being issued to the Firm for one exception.⁴⁹ The exception pertained to IBL's failure to send notifications to customers when address or name changes were made to their account.⁵⁰

On June 2, 2023, FINRA completed a non-routine examination that resulted in a CAL being issued to the Firm for its failure to maintain a second backup copy of its books and records in a non-rewritable, non-erasable format.⁵¹

On May 3, 2023, FINRA completed a non-routine examination that resulted in a CAL being issued to the Firm for one exception.⁵² The exception pertained to the Firm's failure to establish and maintain a system to supervise its third-party vendor that provides proxy voting and material distribution corporate actions services to its customers.⁵³

On January 12, 2023, FINRA completed a non-routine examination that resulted in a CAL being issued to the Firm for its failure to timely report 826 OTC securities transactions to the Over-the-Counter Trade Reporting Facility ("ORF") and failure to create, maintain, and/or enforce WSPs reasonably designed to achieve compliance with FINRA Rule 6622(a).⁵⁴ The Firm responded that although it had procedures in place to identify transactions that were reported late, it has enhanced its electronic order route and the functionality of its internal tools for orders that require manual facilitation, and it has created or revised its WSPs to address the deficiencies.⁵⁵

On November 3, 2022, FINRA issued two CALs to IBL, on behalf of BOX, MIAX, MIAX Emerald, and MIAX PEARL, in connection with IBL's supervision of mini-manipulation during the period of June 5, 2019 through December 2020.⁵⁶ FINRA determined that IBL's

⁴⁹ See Disposition Letter and Examination Report for Examination No. 20230785317 dated September 8, 2023, attached as Exhibit 16. The Firm was not required to provide a response.

⁵⁰ *Id.*

⁵¹ See CAL for Matter No. 20190607431 dated June 2, 2023, attached as Exhibit 17. This action stems from a routine examination which was referred to Enforcement and resulted in this CAL. The Firm was not required to provide a response.

⁵² See Disposition Letter for Examination No. 20210727521 dated May 3, 2023 and Examination Report dated April 10, 2023, collectively attached as Exhibit 18. The Firm was not required to provide a response.

⁵³ *Id.* at FINRA p. 5.

⁵⁴ See CAL for Examination No. 20210735894 dated January 12, 2023 and the Firm's Response dated February 9, 2023, collectively attached as Exhibit 19.

⁵⁵ *Id.* at FINRA pp. 4-5.

⁵⁶ See CALs for Matter No. 20190628126, each dated November 3, 2022, collectively attached as Exhibit 20.

supervisory systems, reviews, and written supervisory procedures were not reasonably designed to detect or prevent potential mini-manipulation.⁵⁷

Regulatory Actions

IBC

In the past two years, IBC has been the subject of one disciplinary action besides the SEC Order that led to the instant Application: an order issued by the Commodity Futures Trading Commission (“CFTC”).

CFTC Action

On September 29, 2023, the CFTC issued an order finding that IBC violated Section 4g of the Commodity Exchange Act (7 U.S.C. § 6g) and Regulations 1.31, 1.35, and 166.3 (17 C.F.R. §§ 1.31, 1.35, 166.3 (2022)).⁵⁸ These violations were based on the same misconduct underlying the SEC Order that is the subject of the Firms’ Applications.⁵⁹ The Firm was ordered to cease and desist from violating the cited sections of the Commodity Exchange Act and Commission Regulations, to pay (jointly and severally) a civil monetary penalty in the amount of \$20,000,000, and to comply with various undertakings as set forth in the CFTC order.⁶⁰

IBL

In the past two years, IBL has been the subject of several disciplinary matters resulting in the following: one Letter of Acceptance, Waiver, and Consent (“AWC”) with FINRA; one AWC with Nasdaq; one minor rule violation and one AWC with NYSE Arca; one order issued by the CFTC; one Notice of Summary Action issued by the CME Group; and one parallel action resulting in AWCs with NYSE American, NYSE Arca, and a Disciplinary Decision with EDGX.

A. FINRA Action

On December 22, 2023, IBL entered into an AWC with FINRA in connection with the Firm’s failure to comply with its best execution and related supervision obligations, to reasonably assess its routing practices for marketable and non-marketable customer orders; reasonably supervise for best execution, and to disclose material aspects of its relationships

⁵⁷ *Id.* at FINRA pp. 1, 3.

⁵⁸ *See* CFTC Order, *In re Interactive Brokers Corp., and Interactive Brokers LLC*, CFTC Docket No. 23-56 (Sept. 29, 2023) attached as Exhibit 21. FINRA has determined that this is not a disqualifying event.

⁵⁹ *Id.* at p. 3.

⁶⁰ *Id.* at pp. 7-10. The Firm represented that the required civil monetary penalty was paid on October 6, 2023 and it is in compliance with the ordered undertakings. *See* Exhibit 4 at FINRA p. 3.

with venues.⁶¹ IBL also interjected two other-broker-dealers between itself and the best market for the subject security for millions of customer transactions.⁶² IBL consented to a censure and a \$3.5 million fine.⁶³

C. Nasdaq Action

On April 25, 2024, IBL entered into an AWC with Nasdaq in connection with findings that the Firm incorrectly processed five corporate actions due to a combination of system and supervisory deficiencies, in violation of Nasdaq Rule General 9, Sections 20(a) and 1(a).⁶⁴ Additionally, in certain scenarios, IBL's risk management controls and supervisory procedures were not reasonably designed to prevent the entry of erroneous orders, in violation of Section 15(c)(3) of the SEA, Rules 15c3-5(b) and 15c3-5(c)(1)(ii), and Nasdaq Rule General 9, Sections 20(a) and 1(a).⁶⁵ IBL consented to a censure and fine of \$475,000.⁶⁶

D. NYSE Arca Actions

On May 5, 2023, IBL was issued a Minor Rule Violation for violation of NYSE Arca Rules 2.23(i), 11.18(b), and 11.18(c) as a result of IBL's failure to file Forms U5 within 30 calendar days after the termination of 28 employees.⁶⁷ Additionally, IBL's WSPs were not reasonably designed to supervise the Firm's compliance with NYSE Arca rules for timely filing the Form U5s.⁶⁸ IBL consented to the imposition of a \$4,500 fine.⁶⁹

On March 23, 2023, IBL entered into an AWC with NYSE Arca pertaining to the Firm's failure to timely process a reverse stock split in violation of NYSE Arca Rule 11.1(b), and failure to have a supervisory system, including WSPs, reasonably designed to ensure the timely and accurate processing of corporate actions, in violation of NYSE Arca Rule

⁶¹ See FINRA AWC No. 2014041809401 dated December 22, 2023, attached as Exhibit 22 at FINRA pp. 3-9.

⁶² *Id.* at FINRA p. 4.

⁶³ *Id.* at FINRA p. 9. The Firm paid the fine on January 11, 2024. See CRD Disclosure Occurrence Composite for Occurrence # 2314174, attached as Exhibit 23 at p. 3.

⁶⁴ See Nasdaq AWC No. 2020.01.0108 dated April 25, 2024, attached as Exhibit 24.

⁶⁵ *Id.* at p. 1.

⁶⁶ *Id.* at p. 5. The Firm represented that it paid the fine on May 20, 2024. See Exhibit 4 at FINRA pp. 6-7, 80.

⁶⁷ See NYSE Arca Minor Rule Violation Plan Letter No. 2021069316401 dated May 5, 2023 with Cover Letter dated May 8, 2023, collectively attached as Exhibit 25.

⁶⁸ *Id.* at FINRA p. 4.

⁶⁹ *Id.* The Firm represented that it paid the required fine on May 10, 2023. See Exhibit 4 at FINRA pp. 3-4, 39.

11.18(b) and (c).⁷⁰ IBL consented to a censure and \$295,000 fine.⁷¹

E. CFTC Action

On September 29, 2023, the CFTC issued an order finding that IBL violated Section 4g of the Commodity Exchange Act (7 U.S.C. § 6g) and Regulations 1.31, 1.35, and 166.3 (17 C.F.R. §§ 1.31, 1.35, 166.3 (2022)).⁷² These violations were based on the same misconduct underlying the SEC Order that is the subject of the Firms' Applications.⁷³ The Firm (with IBC) was ordered to cease and desist from violating the cited sections of the Commodity Exchange Act and Commission Regulations, to pay (jointly and severally) a civil monetary penalty in the amount of \$20,000,000, and to comply with various undertakings.⁷⁴

F. Chicago Mercantile Exchange (CME) Group Action

On September 29, 2023, the CME Group issued a Notice of Summary Action which found that IBL submitted inaccurate Manual Indicator values on Globex messaging, submitted Operator IDs representing multiple Individual users, utilized a Team Operator ID across shifts, submitted an incorrect Operator ID, and failed to demonstrate an effective means to monitor an automated trading system at all times while in operation.⁷⁵ IBL was issued a \$10,000 fine for its violations.⁷⁶

G. NYSE American; NYSE Arca; and EDGX Actions

Between October 19 and November 2, 2022, IBL entered into AWCs with NYSE Arca and NYSE American, and was the subject of a Disciplinary Decision incorporating a Letter of Consent issued by EDGX, related to the Firm's failure to establish and maintain a supervisory system, including WSPs, reasonably designed to supervise for potential mini-manipulation activity.⁷⁷ The Firm consented to a censure and a combined \$40,000 fine to

⁷⁰ See NYSE Arca AWC No. 2021-05-05-00038 dated March 23, 2023, attached as Exhibit 26.

⁷¹ *Id.* at p. 4. The Firm represented that it paid the fine on April 17, 2023. See Exhibit 4 at FINRA p. 4.

⁷² See Exhibit 21, at pp. 2, 6.

⁷³ *Id.* at p. 3.

⁷⁴ *Id.* at pp. 7-10. The Firm represented that the required civil monetary penalty was paid on October 6, 2023 and it is in compliance with the ordered undertakings. See Exhibit 4 at FINRA p. 3.

⁷⁵ See CME Notice of Summary Action, CME-DQA-23-1196 (Sept. 29, 2023), attached as Exhibit 27.

⁷⁶ *Id.* The Firm represented that the fine was paid on October 6, 2023. See Exhibit 4 at FINRA pp. 6, 79.

⁷⁷ See NYSE American AWC No. 20190628126-01 dated October 19, 2022; NYSE Arca AWC No. 20190628126-02 dated October 19, 2022; and EDGX Disciplinary Decision and Letter of Consent, *In re Interactive Brokers LLC*, STAR No. 20190628126-03/File No. URE-2-04 (Nov. 2, 2022), collectively attached as Exhibit 28.

be divided amongst the three regulators involved.⁷⁸

H. SEC Actions and Other Statutory Disqualification Matters

In addition to the above, IBL was also the subject of one recent SEC order which also subjected the Firm to statutory disqualification but did not require the filing of a SEA Rule 19h-1 Notice with the Commission.

On August 10, 2020, the SEC issued an order finding that IBL violated the Bank Secrecy Act and willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.⁷⁹ Specifically, from at least July 2016 to June 2017, IBL failed to file Suspicious Activity Reports (SARs) relating to suspicious activity involving certain U.S. microcap securities transactions it executed on behalf of its customers.⁸⁰ The Firm was censured and ordered to cease and desist from committing any future violations of the aforementioned statutes and pay civil penalties of \$11,500,000.⁸¹

V. **Prior SEA Rule 19h-1 Notices**

IBC has not been subject to prior SEA Rule 19h-1 or 19d-1 Notices.

FINRA previously filed two Rule 19h-1 Notices approving IBL's continued membership notwithstanding the existence of its statutory disqualification.

On February 10, 2022, FINRA filed a Rule 19h-1 Notice approving IBL's continued membership notwithstanding the existence of its statutory disqualification stemming from an August 10, 2020 CFTC order.⁸² The Commission acknowledged FINRA's Notice on March 10, 2022.⁸³

On December 17, 2019, FINRA filed a Rule 19h-1 Notice approving IBL's continued

⁷⁸ *Id.* at pp. 4, 12, 20. The Firm represented that the fine was paid on November 10, 2022. *See* Exhibit 4 at FINRA pp. 7-8.

⁷⁹ *See* Order, *In re Interactive Brokers LLC*, Exchange Act Release No. 89510 (Aug. 10, 2020), attached as Exhibit 29. This order subjects the Firm to statutory disqualification as defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(D).

⁸⁰ *Id.* at p. 2.

⁸¹ *Id.* at p. 6. *See also* Evidence of Fine Payment on August 12, 2020, attached as Exhibit 30. FINRA confirmed that the sanctions are no longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership was not required under FINRA rules. *See also* [FINRA Regulatory Notice 09-19](#) (June 15, 2009). As such, a 19h-1 Notice was not filed in connection with this matter.

⁸² *See In re the Continued Membership of Interactive Brokers, LLC*, SD-2288 (FINRA Feb. 10, 2022), and the SEC Letter of Acknowledgement dated March 10, 2022, collectively attached as Exhibit 31.

⁸³ *Id.* at FINRA pp. 14-15.

membership notwithstanding the existence of its statutory disqualification stemming from a December 15, 2014 Enforceable Undertaking issued by the Australian Securities and Investments Commission.⁸⁴ The Commission acknowledged FINRA's Notice on February 13, 2020.⁸⁵

VI. The Firms' Proposed Continued Membership with FINRA and Plan of Heightened Supervision

The Firms seek to continue their membership with FINRA notwithstanding their status as disqualified members. The Firms have agreed to the following Plan of Heightened Supervision ("Supervision Plan" or "Plan") as a condition of their continued membership with FINRA.⁸⁶

Interactive Brokers Corp. and Interactive Brokers LLC (collectively, the "Firms") are subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission dated September 29, 2023, which found that the Firms willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder. The Order also found that the Firms failed to reasonably supervise their employees within the meaning of Section 15(b)(4)(E).

For the purpose of this Supervision Plan, the term "Digital Communication Channels" means all written electronic methods of communication used to conduct the Firms' business, including but not limited to, text message platforms, whether via SMS messaging, iMessage, or other messaging services such as WhatsApp; direct messaging platforms including X f/k/a "Twitter," Instagram, LinkedIn, Slack, or Bloomberg Messaging; non-firm domain email accounts; and any other written electronic business-related correspondence. "Digital Communication Channels" encompass platforms used to exchange messages with internal or external stakeholders using either a personal or Firm-provided device.

For the purpose of this Supervision Plan, the term "Off-Channel Communications" means all business-related written electronic messages sent on Digital Communication Channels that are not captured by the Firms' surveillance and record-keeping systems.

In consenting to this Supervision Plan, the Firms agree to the following:

⁸⁴ See *In re the Continued Membership of Interactive Brokers LLC*, SD-2121 (FINRA NAC Dec. 17, 2019) and the SEC Letter of Acknowledgement dated February 13, 2020, collectively attached as Exhibit 32.

⁸⁵ *Id.* at FINRA p. 8.

⁸⁶ See Executed Consent to Plan of Heightened Supervision dated April 1, 2024, attached as Exhibit 33.

1. The Firms shall comply with all of the undertakings outlined in the Securities and Exchange Commission (“SEC” or “Commission”) Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, *In the Matter of Interactive Brokers Corp. and Interactive Brokers LLC*, Exchange Act Release No. 98633 (Sept. 29, 2023) (“SEC Order”).
2. The Firms shall maintain copies of all correspondence between the Firms and Commission staff relating to the SEC Order, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firms shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firms shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified in the SEC Order. The Firms shall maintain copies of all certifications in a readily accessible place for ease of review by FINRA staff.
4. The Firms shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firms shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
5. Within six months of the SEC’s Letter of Acknowledgement (“LOA”) in this matter, to the extent that they have not already done so within the past six months, and on at least an annual basis thereafter, for a term of six years from the date of the LOA, the Firms shall conduct training for all associated persons regarding the Digital Communication Channels that the Firms have approved for business communication, along with the Firms’ current policies regarding retention of business-related electronic communications. The Firms shall maintain a record of individual completion of said training and a copy of said training materials in a readily accessible place for ease of review by FINRA staff.
6. The Firms shall conduct the training described in item number 5 above for all new hires, within 65 days from the date of commencement of new hire training, for a term of six years from the date of the LOA. The Firms shall retain a record of all new hire training, including a copy of all written training materials, and keep said record(s) in a readily accessible place for ease of review by FINRA staff.
7. Within 90 days of the LOA, the Firms shall, to the extent that they have not already done so, establish and maintain a written list(s) of all Digital Communication Channels that their associated persons are permitted to use to communicate about the Firms’ business. The list(s) shall be circulated to all of the Firms’ associated persons at least on a semi-annual basis, for a term of six years from the date of the

- LOA. The Firms shall require that all associated persons obtain written approval for use of any Digital Communication Channels to communicate about the Firms' business that are not already on the approved list(s) maintained by the Firms. The Firms shall maintain a record of all requests and approvals or rejections of each request, including the date of the requests and the Firms' decision. The Firms shall maintain copies of such requests and decisions in a readily accessible place for ease of review by FINRA staff.
8. The Firms shall require all associated persons to disclose on at least a semi-annual basis, for a term of six years from the date of the LOA, any unapproved Digital Communication Channels he/she is using to communicate about the Firms' business. The Firms shall retain records of such disclosures in a readily accessible place for ease of review by FINRA staff.
 9. Subject to Paragraph 7 above, the Firms shall prohibit associated persons from using Off-Channel Communications.
 10. Within 90 days of the LOA, the Firms shall, to the extent that they have not already done so, develop a process whereby, in the event that an associated person sends or receives an Off-Channel Communication, the Off-Channel Communication is submitted to the Firms and retained in compliance with relevant securities laws and regulations. For a term of six years from the date of the LOA, the Firms shall maintain a record of all such Off-Channel Communications, including a record of the Firms' receipt of the communication, in a readily accessible place for ease of review by FINRA staff.
 11. Within 90 days of the LOA, the Firms shall, to the extent that they have not already done so, develop and maintain written supervisory policies and procedures detailing the Firms' process for disciplining associated persons who use Off-Channel Communications to communicate about the Firms' business. When the Firms use the disciplinary process, the Firms shall document each instance. The Firms shall retain records of such written supervisory policies and procedures and records of the disciplinary processes and each outcome.
 12. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.
 13. The Firms shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.
 14. The Firms shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.

VII. Discussion

After carefully reviewing the entire record in this matter, FINRA approves the Firms' request to continue their membership with FINRA, subject to the terms and conditions set forth herein. In evaluating the Firms' Applications, FINRA assessed whether the Firms have demonstrated that their continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See* FINRA By-Laws, Art. III, Sec. 3(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on FINRA's assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firms' regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firms' continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the SEC Order identified serious violations of securities laws, the Firms were not expelled or suspended, nor were any limitations placed on the Firms' securities activities. Although the SEC Order triggered certain disqualifications from exemptions from registration available under the Securities Act, specifically Regulations A, D and E of the Securities Act and Regulation Crowdfunding, the SEC granted the Firms a waiver from the application of the disqualification provisions of Rules 262(a)(4)(ii), 506(d)(1)(iv)(B), and 602(c)(3) of the Securities Act and Rule 503(a)(4)(ii) of Regulation Crowdfunding. Moreover, the Firms represent that the full amount of the civil monetary penalty was paid, and they are in compliance with the undertakings in that they retained a compliance consultant are in the process of adopting and implementing the recommendations set forth in the consultant's report.⁸⁷

Member Supervision also acknowledges that within the SEC Order the Commission considered the Firms' prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement.⁸⁸ Specifically, the Firms revised their policies and procedures, increased training, enhanced surveillance efforts, and implemented technological improvements in an effort to address the risk of staff engaging in off-channel communications; prior to the receipt of the Commission's inquiry, the Firms also made investments in new technologies and took proactive steps to bring onboard and preserve off-channel communications by imaging the personal phones of certain senior custodians.⁸⁹

It is well settled that a firm's regulatory history bears upon the assessment of its ability to

⁸⁷ *See* Exhibit 1 at FINRA p. 3, 28. *See also* Exhibit 4 at FINRA pp. 2-3.

⁸⁸ *See* Exhibit 2 at p. 5.

⁸⁹ *Id.*

comply with securities law and regulations. *See In the Matter of the Continued Association of Craig Scott Taddonio with Meyers Associate, L.P.*, SD-2117, slip op. at 24-25 (FINRA NAC Mar. 8, 2017). However, the corrective measures taken by firms to address deficiencies are weighed in determining whether to approve applications. *See In the Matter of the Association of X with the Sponsoring Firm*, SD11007 (FINRA NAC Jan. 1, 2011) (where a firm's corrective actions negated Member Regulation's assertion that the firm failed to appreciate or respect securities rules and regulations). FINRA has also previously approved applications for continued membership where the firms had extensive regulatory history, including disqualifying events. *See In the Matter of the Continued Membership of Deutsche Bank Securities, Inc.*, SD-2190 (FINRA Jan. 14, 2020) and *In the Matter of the Continued Membership of Citigroup Global Markets, Inc.*, SD-2082 (FINRA May 2, 2017) (approving continued membership where the firms had extensive regulatory history, including recent disqualifying events).

In its evaluation of IBL's Application, FINRA acknowledges the Firm's recent regulatory and disciplinary history, including its additional statutory disqualifying events. Member Supervision also notes that, as of the date of this Notice, the Firm has paid all fines and complied with all undertakings ordered by regulators. None of these matters would prevent the continuance of IBL as a FINRA member. With respect to the Firm's recent examination exceptions, it took corrective action including updating its procedures and processes in several areas.

As for IBC, FINRA notes that its regulatory history is limited and there are no additional disqualifying orders. IBC also took steps to correct areas identified in examination exceptions, including by updating its WSPs. Following the approval of the Firms' continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firms' continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

FINRA is further reassured by the controls set in place by the Firms' Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firms and compliance with their remaining undertakings. In accordance with the Plan, the Firms agreed to conduct annual training for all associated persons, including new hires, regarding the Firms' approved digital communication methods and record retention policies for electronic communications. Further, the Plan calls for the Firms to maintain a list of approved digital communication methods that associated persons are permitted to use for the Firms' business and to circulate that list to their associated persons semi-annually. The Plan requires the Firms' associated persons to obtain written approval to use digital communication channels not already approved. The Plan prohibits the use of off-channel communications and requires associated persons to semi-annually disclose any unapproved digital communication methods they are using for the Firms' business; they must also forward any off-channel communications that may have taken place to the Firms for retention purposes. These provisions will help to ensure that the Firms are aware of the communication methods being used by associated persons so that they can appropriately monitor, capture, and retain those communications. Additionally, the Plan mandates that the Firms develop policies and procedures for disciplining

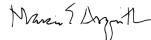
associated persons who use unapproved communication methods for the Firms' business and segregate all certifications, reports, and supporting documentation submitted to the SEC regarding compliance with the undertakings, for ease of review by FINRA staff to ensure ongoing compliance.

Thus, FINRA is satisfied, based on the foregoing and on the Firms' representations made pursuant to the Supervision Plan, that the Firms' continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves IBC's and IBL's Applications to continue their memberships with FINRA.

FINRA certifies that the Firms meets all qualification requirements and represents that the Firms are registered with several other SROs. IBC is registered with Cboe and C2. IBL is registered with BOX; BYX; BZX; EDGA; EDGX; IEX; LTSE; MEMX; MIAX; MIAX Emerald; MIAX PEARL; Nasdaq; BX; GEMX; ISE; MRX; PHLX; NYSE; NYSE American; NYSE Arca; NYSE Chicago; NYSE National; DTC; NSCC; and FICC-GOV. These SROs have been provided with the terms and conditions of the Firms' proposed continued membership and concur with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firms will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,



Marcia E. Asquith
Executive Vice President & Corporate Secretary

EXHIBITS
SD-2375 and SD-2376

1. IBC's and IBL's MC-400As and related attachments compiled by CRED, each with a cover memorandum dated October 19, 2023.
2. SEC Order, *In re Interactive Brokers Corp. and Interactive Brokers LLC*, Exchange Act Release No. 98633 (Sept. 29, 2023).
3. *In re Certain Broker-Dealer Practices*, Securities Act Release No. 11249 (Sept. 29, 2023).
4. Discovery Response from the Firms to FINRA dated June 25, 2024.
5. IBC's CRD Excerpt – Organization Registration Status.
6. IBC's CRD Excerpts -- Types of Business and Other Business Descriptions.
7. IBL's CRD Excerpt – Organization Registration Status.
8. IBL's CRD Excerpts: Types of Business and Other Business Descriptions.
9. Disposition Letter for Examination No. 20220732991, dated January 13, 2023, Examination Report dated September 29, 2022, and the Firm's Response dated October 6, 2022.
10. Disposition Letter for Examination No. 20220732990 dated September 23, 2022, Examination Report dated September 9, 2022, and the Firm's Response dated September 20, 2022.
11. Disposition Letter for Examination No. 20210693164 dated December 5, 2022, Examination Reports dated December 5, 2022 and September 27, 2022 (which Amends the June 1, 2022 Examination Report), and Firm Response dated June 15, 2022.
12. Disposition Letter for Examination No. 20210693162 dated September 30, 2022, Examination Report dated August 26, 2022, and the Firm Response dated September 16, 2022.
13. Disposition Letter for Examination No. 20220758344 dated March 7, 2024, Examination Report dated February 14, 2024, and Firm Response dated February 28, 2024.
14. Disposition Letter and Examination Report for Examination No. 20220742824 dated January 11, 2024.

15. Disposition Letter for Examination No. 20230782282 and Examination Report dated December 12, 2023.
16. Disposition Letter for Examination No. 20230785317 dated September 8, 2023.
17. CAL for Matter No. 20190607431 dated June 2, 2023.
18. Disposition Letter for Examination No. 20210727521 dated May 3, 2023 and Examination Report dated April 10, 2023.
19. CAL for Examination No. 20210735894 dated January 12, 2023 and the Firm's Response dated February 9, 2023.
20. CALs for Matter No. 20190628126, each dated November 3, 2022.
21. CFTC Order, *In re Interactive Brokers Corp., and Interactive Brokers LLC*, CFTC Docket No. 23-56 (Sept. 29, 2023).
22. FINRA AWC No. 2014041809401 dated December 22, 2023.
23. CRD Disclosure Occurrence Composite for Occurrence # 2314174.
24. Nasdaq AWC No. 2020.01.0108 dated April 25, 2024.
25. NYSE Arca Minor Rule Violation Plan Letter No. 2021069316401 dated May 5, 2023 with Cover Letter dated May 8, 2023.
26. NYSE Arca AWC No. 2021-05-05-00038 dated March 23, 2023.
27. CME Notice of Summary Action, CME-DQA-23-1196 (Sept. 29, 2023).
28. NYSE American AWC No. 20190628126-01 dated October 19, 2022; NYSE Arca AWC No. 20190628126-02 dated October 19, 2022; and EDGX Disciplinary Decision and Letter of Consent, *In re Interactive Brokers LLC*, STAR No. 20190628126-03/File No. URE-2-04 (Nov. 2, 2022).
29. *In re Interactive Brokers LLC*, Exchange Act Release No. 89510 (Aug. 10, 2020).
30. Evidence of Fine Payment on August 12, 2020.
31. *In re the Continued Membership of Interactive Brokers, LLC*, SD-2288 (FINRA Feb. 10, 2022) and the SEC Letter of Acknowledgement dated March 10, 2022.
32. *In re the Continued Membership of Interactive Brokers LLC*, SD-2121 (FINRA NAC Dec. 17, 2019) and the SEC Letter of Acknowledgement dated February 13, 2020.

33. Executed Consent to Plan of Heightened Supervision dated April 1, 2024.