

NYSE ARCA, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2019062979102

TO: NYSE Arca, Inc.
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Susquehanna Securities, LLC, Respondent
Broker-Dealer
CRD No. 35874

Susquehanna Securities, LLC (“Susquehanna” or the “Firm”) violated NYSE Arca, Inc. (“NYSE Arca” or the “Exchange”) Rule 6.8-O by exceeding the applicable position limit in five securities on six occasions between June 2019 and September 2020.

Susquehanna consents to a censure and total fine of \$60,000, of which \$6,000 shall be allocated to NYSE Arca.¹

Pursuant to Rule 10.9216 of the NYSE Arca Code of Procedure, Susquehanna 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. 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 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

Susquehanna has been a member of NYSE Arca since December 2008. Its registration remains in effect. Susquehanna is registered to conduct business as a market-maker.

¹ The remainder of the fine shall be allocated evenly among BOX Options Exchange, LLC, Cboe BZX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe Exchange, Inc., MIAX Emerald, LLC, Miami International Securities Exchange, LLC, MIAX PEARL, LLC, and NYSE American LLC.

RELEVANT DISCIPLINARY HISTORY

Susquehanna was censured and fined a total of \$25,000 by BOX Exchange, LLC, Cboe BZX Exchange, Inc., Cboe Exchange, Inc., Cboe C2 Exchange, Inc., Cboe EDGX Exchange, Inc., Miami International Securities Exchange, LLC, NYSE American LLC, and NYSE Arca, Inc. (\$3,125 was allocated to each exchange) for failing to comply with listed position limits on six occasions between October 2015 through April 2017, as well as related supervisory deficiencies (the latest decision among the aforementioned exchanges was issued on January 31, 2019).²

SUMMARY

1. Between June 2019 and September 2020, the Firm exceeded the applicable position limit on six occasions in violation of NYSE Arca Rule 6.8-O.

FACTS AND VIOLATIVE CONDUCT

This matter resulted from a review conducted by FINRA's Department of Market Regulation concerning Susquehanna's adherence to listed position limits.

2. During all relevant periods, NYSE Arca Rule 6.8-O – Position Limits provided, in relevant part:

Except with the prior written approval of the Exchange in each instance, no OTP Holder or OTP Firm shall effect, for any account in which such OTP Holder or OTP Firm has an interest or for the account of any partner, officer, director or employee thereof or for the account of any customer, an opening transaction in an option contract (i) of any class of options dealt in on the Exchange or (ii) of any class of options dealt in on another exchange (if the OTP Holder or OTP Firm is not a member of that other exchange) if the OTP Holder or OTP Firm has reason to believe that as a result of such transaction the OTP Holder or OTP Firm or partner, officer, director or employee thereof or customer would, acting alone or in concert with others, directly or indirectly, hold or control or be obligated in respect of:

...

- (3) an aggregate position on the same side of the market in the same underlying stock, which position shall be ascertained by combining long call options with short put options and short call options with long put options

3. Further, during all relevant periods, Commentary .07(iii) – Delta-Based Equity Hedge Exemption to NYSE Arca Rule 6.8-O provided, in relevant part:

² See FINRA Matter No. 20150475058.

The Delta-Based Equity Hedge Exemption is in addition to the standard limit and other exemptions available under Exchange rules, commentaries and policies. An equity option position of an OTP Holder or OTP Firm (or affiliate thereof) that is delta neutral shall be exempt from established position limits as prescribed under Commentary .05-.06...subject to the following:

...

(b) An equity option position that is not delta neutral shall be subject to position limits in accordance with this Rule 6.8-O (subject to the availability of other position limit exemptions). Only the option contract equivalent of the net delta of such position shall be subject to the appropriate position limit. The "options contract equivalent of the net delta" is the net delta divided by the number of shares that equate to one option contract on a delta basis. The term "net delta" means, at any time, the number of shares and/or other units of trade (either long or short) required to offset the risk that the value of an equity option position will change with incremental changes in the price of the security underlying the option position, as determined in accordance with a permitted pricing model.

4. Susquehanna has been approved to utilize the Delta Hedge Exemption since March 19, 2008. For a firm using the Delta Hedge Exemption, any options position that is not delta hedged remains subject to position and exercise limits.³
5. On June 20, 2019, the applicable position limit in "ABC"⁴ was 250,000 options contracts on the same side of the market.
6. During the trading day on June 20, 2019, the Firm maintained a position that was not delta neutral in "ABC" and exceeded the applicable position limit in "ABC" options by 23,476 contracts. The Firm did not correct the position limit overage until the next business day.
7. On March 16, 2020, the applicable position limit in "DEF" options was 250,000 options contracts on the same side of the market.
8. During the trading day on March 16, 2020, the Firm maintained a position that was not delta neutral in "DEF" and exceeded the applicable position limit in "DEF" options by 4,190 contracts. The Firm did not correct the position limit overage until the next business day.

³ The Firm calculated the Options Contract Equivalent of the Net Delta ("OCEND") by using the OCC Permitted Pricing Model. Once calculated, the OCEND must still be below the applicable position limit.

⁴ Generic identifiers have been used in place of the names of the securities referenced throughout this document.

9. On March 18, 2020 and April 7, 2020, the applicable position limit in “GHI” options was 250,000 options contracts on the same side of the market.
10. During the trading day on March 18, 2020, the Firm maintained a position that was not delta neutral in “GHI” and exceeded the applicable position limit in “GHI” options by 13,206 contracts. The Firm did not correct the position limit overage until the next business day.
11. During the trading day on April 7, 2020, the Firm maintained a position that was not delta neutral in “GHI” and exceeded the applicable position limit in “GHI” options by 3,565 contracts. The Firm did not correct the position limit overage until the next business day.
12. On April 9, 2020, the applicable position limit in “JKL” options was 250,000 options contracts on the same side of the market.
13. During the trading day on April 9, 2020, the Firm maintained a position that was not delta neutral in “JKL” and exceeded the applicable position limit in “JKL” options by 3,686 contracts. The Firm did not correct the position limit overage until the next business day.
14. On September 11, 2020, the applicable position limit in “MNO” options was 250,000 options contracts on the same side of the market.
15. During the trading day on September 11, 2020, the Firm maintained a position that was not delta neutral in “MNO” and exceeded the applicable position limit in “MNO” options by 13,121 contracts. The Firm did not correct the position limit overage until the next business day.
16. The acts, practices, and conduct described in Paragraphs 6, 8, 10, 11, 13, and 15 constitute separate and distinct violations of NYSE Arca Rule 6.8-O by the Firm, in that it exceeded the applicable position limits in the referenced securities.

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

1. A censure; and
2. A total fine of \$60,000, of which \$6,000 shall be allocated to NYSE Arca.⁵

⁵ The remainder of the fine shall be allocated evenly among BOX Options Exchange, LLC, Cboe BZX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe Exchange, Inc., MIAX Emerald, LLC, Miami International Securities Exchange, LLC, MIAX PEARL, LLC, and NYSE American LLC.

Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in this matter between the Firm and each of the following self-regulatory organizations: NYSE American LLC, BOX Options Exchange, LLC, Cboe BZX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe Exchange, Inc., MIAX Emerald, LLC, Miami International Securities Exchange, LLC, and MIAX PEARL, LLC.

The Firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payments 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 imposed in this matter. If the Firm fails to make any payments as required in connection with this AWC on a timely basis, the Firm agrees that any amounts owed to it by the Exchange or any of its registered U.S. Securities exchange affiliates may be used to satisfy any payments owed by the Firm pursuant to this AWC.

The Firm agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts. The Firm further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts.

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'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'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 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 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 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, 25 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 the Firm's permanent disciplinary record and may be considered in any future actions brought by NYSE Arca, 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 NYSE Arca, or to which NYSE Arca 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 NYSE Arca 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. This Statement does not constitute factual or legal findings by NYSE Arca, nor does it reflect the views of NYSE Regulation 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.

December 21, 2020

Date

Susquehanna Securities, LLC
Respondent

By: Michael P. Doherty

Name: Michael P. Doherty

Title: Chief Compliance Officer

Reviewed by:

[Attorney Name]
Counsel for Respondent
[Firm Name]
[Address]
[City/State/Zip]

Accepted by FINRA:

December 22, 2020

Date

Kerry Ann Adler
Kerry Ann Adler
Senior Counsel
FINRA
Department of Enforcement
55 West Monroe Street, Suite 2600
Chicago, Illinois 60603

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