

**NASDAQ PHLX LLC
NOTICE OF ACCEPTANCE OF AWC**

Certified, Return Receipt Requested

TO: ICAP Corporates LLC
John Semler, Compliance Officer
200 Vesey Street, 6th Floor
New York, NY 10285

FROM: Nasdaq PHLX LLC ("Phlx")
c/o Financial Industry Regulatory Authority ("FINRA")
Department of Enforcement
9509 Key West Avenue
Rockville, MD 20850

DATE: December 19, 2019

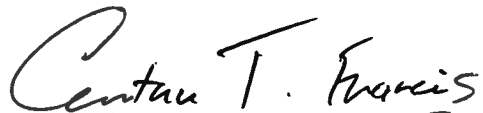
RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2016052030901


Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **December 18, 2019** by the Phlx Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Phlx Review Council, pursuant to Phlx Rule 9216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or Phlx if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by Nasdaq's Finance Department regarding the payment of any fine if a fine has been imposed.

If you have any questions concerning this matter, please call Eustace Francis, Senior Counsel, at 215-209-7002.



Eustace T. Francis 
Senior Counsel
Department of Enforcement, FINRA
Signed on behalf of Phlx

Enclosure

ICAP Corporates LLC
Page 2

FINRA District 10 – New York
William St. Louis – SVP, Regional Director
(email)

Counsel for Respondent:
George Brunelle, Esq.
Brunelle & Hadjikow, P.C.
39 Broadway – 33rd Floor
New York, NY 10006

NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016052030901

TO: Nasdaq PHLX LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: ICAP Corporates LLC, Respondent
Member Firm
CRD No. 2762

Pursuant to Rule 9216 of Nasdaq PHLX LLC ("Phlx") Code of Procedure, ICAP Corporates LLC (the "Firm", "Respondent", or "ICAP") 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, Phlx 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 Phlx, or to which Phlx 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 Phlx:**

BACKGROUND

ICAP has been registered as a broker-dealer with the Securities and Exchange Commission (the "SEC") since January 28, 1966. It became a FINRA member on February 2, 1966, and member of Phlx on April 1, 2013. Its registrations remain in effect. The Firm operates primarily in the interdealer market in, among other things, equities, equity options, and fixed income securities. ICAP is headquartered in New York, New York, and employs approximately 232 registered representatives.

SUMMARY

- 1. On November 1, 2016, ICAP, acting through a floor broker and associated person of the Firm (the "Floor Broker"), matched (that is, "crossed") on the Phlx two orders that it received from one of ICAP's broker-dealer customers. The orders were to purchase for the broker-dealer customer (the "Purchasing Customer"), and to sell for a customer of the Purchasing Customer (the "Selling Customer"), equivalent quantities of the November 39 call options of a certain company ("XYZ"). ICAP's Floor Broker crossed the two orders**

at \$0.79, then cancelled the \$0.79 execution and executed a trade at \$0.77. The Selling Customer thereby received an inferior price without the customer's knowledge and consent, in violation of Phlx Rules 764(a)(1) and 707. Additionally, during the period between November 1, 2016, and April 17, 2018, the Firm's written supervisory procedures ("WSPs") and supervisory system were not reasonably designed to: (i) guide the Firm's floor brokerage personnel in the proper cancellation and adjustment of trades; and (ii) prevent and detect, insofar as practicable, trade cancellations and adjustments that could result in inferior executions to customers, in violation of the Firm's duty of best execution under Phlx Rule 764(a)(1).

FACTS AND VIOLATIVE CONDUCT

2. Phlx Rule 764(a)(1) states, in relevant part, the following:

In any transaction for or with a customer or a customer of another broker-dealer, a member organization and persons associated with a member organization shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.

3. Phlx Rule 707 prohibits members from engaging in conduct inconsistent with just and equitable principles of trade.
4. Phlx Rule 748(h) requires member organizations to establish, maintain and enforce written supervisory procedures, and a system of supervision for applying such procedures, that are reasonably designed to supervise the types of businesses and activities in which they and their associated persons engage, and to prevent and detect, insofar as practicable, violations of applicable securities laws and regulations, including the By-Laws and Rules of Phlx.
5. On November 1, 2016, ICAP received an order from the Purchasing Customer to "clear and cross" 3,000 XYZ November 39 call options between the Purchasing Customer and the Selling Customer, at no less than \$0.74. Between 9:55:41 and 9:56:58, ICAP electronically executed 1,004 of the 3,000 XYZ November 39 call options on another U.S. options exchange at higher and more favorable prices for the Selling Customer. ICAP thereafter sent the remaining 1,996 XYZ November 39 call options to the Floor Broker with instructions to cross the remaining 1,996 XYZ November 39 call options at a price of \$0.77. At approximately 9:57:00, ICAP, acting through the Floor Broker, crossed the 1,996 XYZ November 39 call options with the Purchasing Customer's order to buy an equivalent number of XYZ November 39 call options at a price of \$0.79 on Phlx. At approximately 9:57:38, ICAP, acting through the Floor Broker, crossed another trade with the Selling Customer for 1,996 XYZ November 39 call options at \$0.77, a price inferior to the previous \$0.79 cross but in line with ICAP's previous instructions to the Floor Broker. Shortly thereafter, at approximately 9:59:13, ICAP, acting through the Floor Broker, cancelled the original \$0.79 trade, which had been executed at a price more advantageous to the Selling Customer, without the customer's knowledge and consent.

6. The conduct described in paragraph five constitutes violations of Phlx Rules 764(a)(1) and 707.
7. During the period between November 1, 2016 and April 17, 2018, ICAP's WSPs and supervisory system for cancelling and adjusting options orders were not reasonably designed to prevent, insofar as practicable, violations of Phlx Rule 764(a)(1). Specifically, the Firm's WSPs and supervisory system did not: (i) include reference to a process by which its floor brokerage personnel were permitted to cancel, correct, or adjust previously executed options transactions; (ii) require supervisory review or approval of trade cancellations and corrections to ensure that such actions did not preclude the Firm from obtaining the best execution of customer orders in accordance with applicable Phlx rules; and (iii) require the documentation of such approvals, including a reference to the reason(s) for such approvals.
8. The conduct described in paragraph seven constitute violations of Phlx Rules 748(h) and 707.

OTHER FACTORS

During the investigation of this matter, ICAP paid \$3,992 in restitution to the Purchasing Customer for the benefit of the Selling Customer that had received the inferior execution.

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

- A censure and a fine in the amount of \$25,000 (\$20,000 for the trading violation, and \$5,000 for the supervision violations).

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted a Payment Information 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 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 Phlx'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 prejudgment 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 Phlx 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 Phlx or any other regulator against the Respondent;**
 - 2. Phlx may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Phlx 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 Phlx, or to which Phlx 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 Phlx 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 Phlx, nor does it reflect the views of Phlx 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.

12/3/19
Date

ICAP Corporates LLC
Respondent

By: [Signature]

Name: Stephen Gault

Title: Senior Managing Director
General Counsel

Reviewed by:

[Signature]
12/3/19

George Brunelle, Esq.
Counsel for Respondent
Brunelle & Hadjickow, P.C.
39 Broadway – 33rd Floor
New York, New York 10006

Accepted by Phlx:

12/18/19
Date

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

[Signature]

Eustace T. Francis
Senior Counsel
Department of Enforcement

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

PAYMENT INFORMATION

The fine amount will be reflected on an upcoming invoice and will be direct debited from the account for your firm that Nasdaq currently has on file. ***Please DO NOT submit payment at this time.***

Please inform your finance or applicable department of this forthcoming debit.

If you need to arrange for an alternative method of payment, please contact Nasdaq at (301) 978-8310 by no later than the last business day of the month in which the Notice of Acceptance of the AWC was issued. ***Otherwise, a direct debit will process from the account for your firm that Nasdaq currently has on file.***

Respectfully submitted,

Respondent

ICAP Corporates LLC

12/3/19
Date

By: [Signature]

Name: Stephen Gould

Title: Senior Managing Director
General Counsel