



## **Notice of Disciplinary Action against Lime Brokerage LLC, Member Organization**

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**To:** Members, Member Organizations, Participants and Participant Organizations

**From:** John C. Pickford, Assistant General Counsel, NASDAQ PHLX LLC<sup>SM</sup>

**DATE:** December 19, 2016

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### **Enforcement No. 2016-15 FINRA No. 20130362578-03**

On December 19, 2016, the Business Conduct Committee (the "Committee") of the NASDAQ PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against Lime Brokerage LLC ("Lime" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, Lime submitted an Offer of Settlement. Solely to settle this proceeding, and without admitting or denying the charges, Lime consented to findings that during the period between March 13, 2013 and April 12, 2013 (the "Relevant Period"), Lime violated Exchange Rules 707, 748(h), and 1025(a), and Rule 15c3-5 under the Securities Exchange Act of 1934. Specifically, Lime consented to findings that the during the Relevant Period, a customer of the Firm appeared to have engaged in trading whereby it effected purchases or sales of equity securities to create a false, misleading or artificial appearance in the price of those securities and options overlying those securities. Those transactions triggered activity and price movement in the equity securities, which in turn impacted the price of the overlying equity options, and enabled the Firm's customer to purchase or sell the overlying equity options at more favorable prices. Depending on the economic rationale for effecting these transactions, they could have constituted a cross-product or mini-manipulation. This same customer engaged in potential spoofing activity in equity options by entering, and quickly cancelling, non-bona fide options orders for one options contract and, thereafter, the customer entered and had executed, larger orders on the opposite side of the market, which were apparently effected at an advantageous price benefiting from the change in the national best bid or offer that had occurred as result of the customer's entry of the one-lot orders. Furthermore, during the Relevant Period and through December 2014, Lime failed to establish, maintain and enforce written supervisory procedures that addressed manipulative cross-product trading or options spoofing, and during the Relevant Period and through the present, the Firm did not have an adequate electronic surveillance to detect cross-product trading or options spoofing activity.

The Committee found that Lime had violated Exchange Rules 707, 748(h), and 1025(a), and Rule 15c3-5 of the Exchange Act, and ordered the imposition of the following sanctions against Lime: (i) a censure; (ii) a fine in the amount of \$90,000, of which \$15,000 shall be paid to the Exchange; and (iii) an undertaking to revise its supervisory systems. The Firm will pay the balance of the fine to each of the following self-regulatory

organizations: BOX Options Exchange LLC; Chicago Board Options Exchange, Incorporated; International Securities Exchange, LLC; The NASDAQ Options Market LLC; and NYSE MKT LLC.

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For more information, contact:

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