

NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017053131501

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

RE: Nomura Securities International, Inc., Respondent
Member Firm
CRD No. 4297

Pursuant to Rule 9216 of Nasdaq PHLX LLC (“Phlx”) Code of Procedure, Nomura Securities International, Inc. (“Nomura” or the “firm”) 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

The firm has been a member of Phlx and FINRA since October 1969. The firm is a wholly-owned subsidiary of Nomura Holdings, Inc., a Japanese financial holding company. Nomura’s U.S. operations are headquartered in New York, New York, and the firm has approximately 901 registered representatives in six branch offices. The firm provides investment banking and brokerage services to institutional customers and engages in proprietary trading for its own account.

The firm does not have any relevant disciplinary history.

SUMMARY

1. The Financial Industry Regulatory Authority’s (“FINRA”) Trading and Financial Compliance Examinations staff (the “Staff”) within the Department of Market Regulation, on behalf of Phlx and other options exchanges, conducted a review of the manual options order tickets handled by the firm during the period between March 13, 2017 and March 17, 2017 (the “Exam Review Period”).

2. During the Exam Review Period, Nomura failed to accurately record the order receipt and order transmission times, or failed to include any transmission time, on manual options orders it had routed to Phlx and various other national securities exchanges for execution in violation of Exchange Act Rule 17a-3(a)(6)(i) and Phlx Rule 760.
3. From March 2017 through December 2017 (the “Supervisory Review Period”), the firm also violated Phlx Rule 748(h) by failing to establish, maintain and enforce written supervisory procedures (“WSPs”) and a system of supervision that were reasonably designed to achieve compliance with, and to detect and prevent violations of, the applicable federal securities laws and Phlx rules that require the accurate documentation of the order receipt and transmission times of options orders.

FACTS AND VIOLATIVE CONDUCT

4. The recordkeeping provisions of the federal securities laws and Phlx rules are designed to ensure that regulators have access to certain basic information about securities transactions. Access to transaction records serves as an essential component for effective surveillance and examination of broker-dealers by Phlx and other self-regulatory organizations.
5. Section 17 of the Exchange Act and Exchange Rule 17a-3(a)(6)(i) promulgated thereunder require broker-dealers, such as Nomura, to create a brokerage order ticket of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. In relevant part, the rule requires the brokerage order ticket to show, among other things, the terms and conditions of the order or instructions, the time the order was received, the time the order was entered, and the time of execution or cancellation. Such records must be accurate.
6. Phlx Rule 760 requires member firms to make, keep current, and preserve books and records as prescribed by the Exchange Act.
7. Phlx Rule 748(h) requires member organization to establish, maintain and enforce WSPs, 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 in order to achieve compliance with, and to prevent and detect violations of, applicable securities laws and regulations, including the By-Laws and Rules of the Exchange.
8. During 2017, the firm handled approximately 7,920 manual options orders, all of which were manual customer options orders routed to certain option exchanges. Forty-two manual customer options orders routed to these options exchanges during the Exam Review Period were reviewed for timestamp accuracy.
9. From the 42 sampled options orders routed to various options exchanges for execution during the Exam Review Period, the firm did not maintain an accurate

record of the order receipt time for seven (approximately 17%) of the sampled orders. Of these seven orders, three were executed on Phlx.

10. From the 42 sampled options orders routed to various options exchanges for execution during the Exam Review Period, the firm did not maintain an accurate record of the order transmission time for 28 (approximately 67%) of those orders. Of these 28 orders, three were executed on Phlx.
11. From the 42 sampled options orders routed to various options exchanges for execution during the Exam Review Period, the firm did not maintain any record of the order transmission time for three (approximately 7%) of those orders. All three of these orders were executed on Phlx.
12. The conduct described in paragraphs 9 through 11 constitute violations of Rule 17a-3(a)(6)(i) promulgated under the Exchange Act and Phlx Rule 760.
13. During the Supervisory Review Period, the firm failed to establish and maintain WSPs and a supervisory system applicable to the Firm's Equity Derivatives Trading Desk that were reasonably designed to achieve compliance with, and to detect and prevent violations of, the recordkeeping provisions of the federal securities laws and Phlx rules that require the accurate documentation of the order receipt and transmission times on options orders. During the Supervisory Review Period, although the firm's WSPs required entry of the order receipt time, they did not require the entry of the order transmission time. Additionally, although the WSPs required the review of order tickets to confirm the accuracy of the order receipt time, the supervisory review actually conducted was limited to determining whether the timestamp was present. Furthermore, the firm's WSPs and supervisory system provided that it conduct a quarterly review of a sample of its manual options orders that were routed to exchanges, consisting of five randomly selected manual options orders. During 2017, the firm had approximately 7,920 manual options orders routed to exchanges. Given the potential for human error in connection with manual orders, the firm's quarterly sampling of five randomly selected manual orders was not reasonably designed to achieve compliance with, and to detect and prevent violations of, the applicable recordkeeping provisions of the federal securities laws and Phlx rules.
14. The conduct described in paragraph 13 constitutes a violation of Phlx Rule 748(h).

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

1. A censure; and

2. A fine of \$100,000, of which \$33,333.34 (\$28,333.34 for the books and records violations, and \$5,000 for the supervision violations) shall be paid to the Exchange.¹

Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between the firm and NYSE Arca, Inc. and NYSE American LLC.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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

¹ The balance of the fine shall be paid to NYSE Arca, Inc. and NYSE American LLC.

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.

May 21, 2020
Date

Nomura Securities International, Inc.
Respondent

By: Faron Webb

Name: Faron Webb

Title: Managing Director

Reviewed by:
David Sieradzki

Counsel for Respondent
David Sieradzki
Schulte Roth & Zabel LLP
901 15th Street, NW
Suite 800
Washington, DC 20005
202-729-7470

Accepted by Phlx:

June 24, 2020
Date

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

Steven M. Tanner

Steven M. Tanner
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,

Nomura Securities International, Inc.
Respondent

May 21, 2020
Date

By: Faron Webb

Name: Faron Webb

Title: Managing Director