

**THE NASDAQ STOCK MARKET LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

**TO: ITG Inc. n/k/a Virtu ITG, LLC  
Attn: Mr. Matthew Levine, Chief Compliance Officer  
One Liberty Plaza  
165 Broadway, 4<sup>th</sup> Floor  
New York, NY 10006**

**FROM: The NASDAQ Stock Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Enforcement  
9509 Key West Avenue  
Rockville, MD 20850**

**DATE: February 3, 2020**


**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2017056210702**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **February 3, 2020** by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq 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 NASDAQ 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 Ania Stoklosa, Senior Attorney, at (312) 230-5147.

  
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Ania Stoklosa  
Senior Attorney  
Department of Enforcement, FINRA

Signed on behalf of NASDAQ

Enclosure

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20170562107**

TO: The NASDAQ Stock Market LLC  
c/o Department of Enforcement  
Financial Industry Regulatory Authority (“FINRA”)

RE: ITG Inc., Respondent  
Broker-Dealer  
CRD No. 29299

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC (“Nasdaq”) Code of Procedure, ITG Inc. (“ITGI” or the “Firm”)<sup>1</sup> 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, Nasdaq will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. ITGI 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

**BACKGROUND**

The Firm has been registered with Nasdaq since July 12, 2006, and with FINRA since January 8, 1992, and its registrations remain in effect. ITGI is a broker-dealer headquartered in New York, New York and employs approximately 197 registered individuals among its five branch offices. The Firm offers electronic stock crossing system, decision-support and execution system, and personal computer based execution system services, as well as electronic trading desk services. The Firm has no relevant disciplinary history.

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<sup>1</sup> On March 1, 2019, ITGI became a wholly-owned indirect subsidiary of VIRTU Financial, Inc., and is now known as Virtu ITG, LLC.

## SUMMARY

This matter originated from a review by FINRA's Department of Market Regulation of the Firm's compliance with the National Market System ("NMS") Plan to implement a Tick Size Pilot Program (the "Tick Size Pilot"), relevant Nasdaq rules pertaining to the handling of Trade-at Intermarket Sweep Orders ("TAISOs"), and related supervisory requirements, conducted on behalf of Nasdaq and other self-regulatory organizations,<sup>2</sup> during the period of October 18, 2016 through June 29, 2017 (the "Review Period").

## FACTS AND VIOLATIVE CONDUCT

1. The Tick Size Pilot was approved by the Securities and Exchange Commission (the "SEC") and implemented by the National Securities Exchanges and FINRA (the "Participants"), to assess and evaluate the impact of wider minimum quoting and trading increments (i.e., tick sizes) on the liquidity and trading of certain small-capitalization common stocks (the "Tick Pilot Securities"). The trading and quoting restrictions of the Tick Size Pilot, including TAISO requirements, commenced on October 3, 2016, and ended on September 28, 2018. Market participants were required to adopt rules to enforce the Tick Size Pilot requirements, and collect data to ensure the impact of the Tick Size Pilot could be properly studied.
2. During all relevant periods herein, Nasdaq Rule 4770(a)(3) required each member to establish, maintain and enforce written policies and procedures that were reasonably designed to comply with the applicable quoting and trading requirements of the Tick Size Pilot.
3. Nasdaq Rule 4770(a)(1)(D) defines a TAISO as a limit order for a Tick Pilot Security that meets the following requirements: (i) when routed to a Trading Center, the limit order is identified as a TAISO; and (ii) simultaneously with the routing of the limit order identified as a TAISO, one or more additional limit orders, as necessary, are routed to execute against the full size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the Tick Pilot Security with a price that is better than or equal to the limit price of the limit order identified as a TAISO. These additional routed orders also must be marked as TAISOs.
4. During all relevant periods herein, Nasdaq Rule 3010 required each member to establish, maintain and enforce a supervisory system, including written supervisory procedures ("WSPs"), reasonably design to achieve compliance with the Tick Size Pilot and the terms of TAISO exception in Nasdaq Rule 4770(a)(1)(D).

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<sup>2</sup> The review was conducted on behalf of Nasdaq, Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., Cboe EDGA Exchange Inc., Cboe EDGX Exchange, Inc., New York Stock Exchange, LLC, NYSE Arca, Inc., NYSE American, LLC, Nasdaq BX, Inc., Nasdaq Phlx LLC and The Investors Exchange LLC (collectively, the "Exchanges").

5. During all relevant periods herein, Nasdaq Rule 2010A provided that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

### **Compliance with Tick Size Pilot Requirements**

6. During the Review Period, the Firm failed to take reasonable steps to establish that certain of the TAISOs it routed met the definitional requirements set forth in the Tick Size Pilot and Nasdaq Rule 4770(a)(1)(D). As a result, the Firm routed approximately 17,853 TAISOs to the Exchanges, but failed to simultaneously route additional TAISOs to all other market centers with protected quotations priced better than or equal to the limit price of the subject TAISO sent to the Exchanges. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4770(a)(3).
7. During the Review Period, the Firm failed to retain any of the Market Data Snapshots related to 43,044 “child” TAISOs it routed, and, consequently, was unable to test its compliance with the terms of the TAISO exception in such instances or provide required data to regulatory authorities to enable an evaluation of its compliance with the exception. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4770(a)(3).

### **Supervision**

8. During the Review Period, the Firm failed to establish, maintain and enforce written policies and procedures that were reasonably designed to ensure the Firm’s compliance with the applicable quoting and trading requirements of the Tick Size Pilot and relevant Nasdaq rules. Specifically, ITGI did not establish WSPs with respect to the Tick Size Pilot and relevant Nasdaq rules. Further, ITGI failed to conduct any supervision to ensure compliance with the Tick Size Pilot and related Nasdaq rules. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rules 2010A, 3010, and 4770(a)(3).

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

A censure and a fine of \$34,580 shall be payable to Nasdaq.

Additionally, acceptance of this AWC is conditioned upon acceptance of settlement agreements between the Firm and the following self-regulatory organizations: (i) Cboe BZX Exchange, Inc.; (ii) Cboe BYX Exchange, Inc.; (iii) Cboe EDGA Exchange, Inc.; (iv) Cboe EDGX Exchange, Inc.; (v) The New York Stock Exchange LLC; (vi) NYSE Arca, Inc.; (vii) NYSE American, LLC; (viii) Nasdaq BX, Inc.; (ix) Nasdaq Phlx LLC, and (x) The Investors Exchange LLC.

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted a Payment Information form showing the method by which it proposes to 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(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under Nasdaq'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 Nasdaq Review Council 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, the Nasdaq Review Council, or any member of the Nasdaq 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.

The Firm 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

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 FINRA's Department of Enforcement and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq 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 Firm; and
- C. If accepted:
  - 1. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the Firm;
  - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
  - 3. 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 Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. 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 Nasdaq, nor does it reflect the views of Nasdaq 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.

January 16, 2020  
Date

ITG Inc.  
Respondent

By: Math C

Name: Matthew Louie

Title: Deputy General Counsel

Reviewed by:

Math C  
Counsel for Respondent

Accepted by Nasdaq:

February 3, 2020  
Date

Ania Stoklosa  
Ania Stoklosa  
Senior Attorney  
Department of Enforcement

Signed on behalf of Nasdaq, 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  
ITG Inc.

Dec 24, 2019  
Date

By: Matthew Leach

Name: Matthew Leach

Title: Deputy General Counsel