

THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2019.10.0074

TO: The Nasdaq Stock Market LLC
Nasdaq Enforcement Department

RE: Keefe, Bruyette & Woods, Inc., Respondent
Member Firm
CRD No. 481

Pursuant to Rule 9216 of The Nasdaq Stock Market LLC (“Nasdaq” or the “Exchange”) Code of Procedure, Keefe, Bruyette & Woods, Inc. (the “Firm” or “Respondent”) 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 Respondent 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 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 AND RELEVANT DISCIPLINARY HISTORY

The Firm became a Nasdaq member on July 12, 2006, and its registration remains in effect. The Firm has no relevant disciplinary history.

SUMMARY

During the period from April 1, 2019 through June 30, 2019 (the “Review Period”), the Firm violated Nasdaq Rules 4613(a), 3010 and 2010A, as set forth below.

FACTS AND VIOLATIVE CONDUCT

Market Making Quoting Obligation

1. Pursuant to Nasdaq Rule 4613(a), for each National Market System (“NMS”) security in which a Nasdaq member is registered as a market maker, the member is required to maintain a continuous two-sided trading interest, during regular market hours, at prices within certain parameters expressed as a percentage referenced from the National Best Bid or Offer (“NBBO”).
2. During the Review Period, the Firm, in 77 instances,¹ failed to maintain a continuous two-sided trading interest during regular market hours at prices within certain percentages

¹ This is the number of validated violations based on a sample of 81 exception alerts reviewed from the Review Period.

away from the NBBO. Further, in 87% of those instances, the Firm failed to maintain a continuing two-sided trading interest during the entire trading day. The violations occurred because of a system issue with the Firm's order management system. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4613(a).

Supervision

3. Nasdaq Rule 3010(a) provides, "Each member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules."
4. Nasdaq Rule 2010A provides, "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."
5. During the Review Period, the Firm's supervisory system was not reasonably designed to achieve compliance with Nasdaq quoting obligations. Specifically, the Firm's written supervisory procedures did not sufficiently describe the specific individual(s) responsible for supervision; (2) the supervisory steps and reviews to be taken by the appropriate supervisor; (3) the frequency of such reviews; and (4) how such reviews shall be documented. Moreover, the Firm relied upon its order management system to ensure compliance with its quoting obligations and therefore did not identify or self-detect the Firm's violations of Nasdaq Rule 4613. The conduct described in this paragraph constitutes a violation of Nasdaq Rules 2010A and 3010.

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

1. A censure; and
2. A fine in the amount of \$10,000 (comprised of \$5,000 for the violations of Nasdaq Rule 4613(a) and \$5,000 for the violations of Nasdaq Rules 2010A and 3010).

Respondent agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

Respondent 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 Nasdaq Enforcement Department staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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, Respondent 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.

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 the Nasdaq Enforcement Department 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 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 Nasdaq or any other regulator against the Respondent;
 - 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. 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 Nasdaq, or to which Nasdaq 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 Nasdaq 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 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 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.

Keefe, Bruyette & Woods, Inc.
Respondent

By: 

Print Name: Mary C. Johnstone

Title: Chief Compliance Officer

October 14, 2020

Date

Accepted by Nasdaq:

October 30, 2020

Date



Erik Wittman
Senior Enforcement Counsel
Nasdaq Enforcement Department

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