

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

**Certified, Return Receipt Requested**

**TO: Lime Brokerage LLC  
Mr. William St. Laurent  
Chief Compliance Officer  
625 Broadway  
12<sup>th</sup> Floor  
New York, NY 10012**

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

**DATE: December 20, 2016**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20130362578-04**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **December 20, 2016** 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 are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, a registered principal of the firm is required to notify the Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions, and Nasdaq's Finance Department will send you an invoice regarding the payment of any fine.

Lime Brokerage LLC  
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If you have any questions concerning this matter, please contact Steven Tanner, Senior Counsel, at 646-430-7059.



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Eric S. Brown  
Chief Counsel, Legal Section  
Department of Market Regulation

Signed on behalf of NASDAQ

Enclosure

FINRA District 10 – New York  
Michael Solomon  
Senior Vice President and Regional Director  
(Via email)

Lime Brokerage LLC  
Mr. Andrew Koslow, Counsel  
625 Broadway  
12th Floor  
New York, NY 10012

**THE NASDAQ OPTIONS MARKET LLC**

**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

**NO. 20130362578-04**

**TO: The NASDAQ Options Market LLC  
c/o Department of Market Regulation  
Financial Industry Regulatory Authority ("FINRA")**

**RE: Lime Brokerage LLC, Respondent  
Broker-Dealer  
CRD No. 104369**

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq")<sup>1</sup> Code of Procedure, Lime Brokerage LLC (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, 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. 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**

The firm is a broker-dealer based in New York, New York. The firm became a member of The NASDAQ Options Market LLC ("NOM") on March 12, 2008, and became a member of FINRA on February 21, 2001. Its registrations remain in effect.

**RELEVANT PRIOR DISCIPLINARY HISTORY**

In December 2014, The NASDAQ Stock Market LLC, BATS Exchange, Inc., and BATS Y-Exchange accepted AWCs in which the firm was censured and fined a total of \$130,000 for, during the period between April 2010 and July 2012, failing to maintain a supervisory system reasonably designed to achieve compliance with respect to the applicable securities laws and exchange rules concerning potential marking-the-close or marking-the-open activity by its Direct Market Access customers.

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<sup>1</sup> All NASDAQ Options Market LLC disciplinary matters are governed by the Nasdaq Code of Procedure.

## SUMMARY

1. In connection with matter 20130362578, FINRA's Department of Market Regulation Options Regulation staff ("staff"), on behalf of multiple options exchanges, including NOM, conducted a review of potentially manipulative trading by a customer of the firm during the period between March 13, 2013 and April 12, 2013 (the "Relevant Period"), in equities and the overlying options. Based on the review, the firm violated Rule 15c3-5 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Nasdaq Rules 2010A and 3010, and NASDAQ Options Market Rules Chapter V, Section 1(b)(iv) and Chapter XI, Section 8(a).

## FACTS AND VIOLATIVE CONDUCT

2. This matter involves trading activity conducted during the Relevant Period within subaccounts of a domestic customer of the firm engaged in day trading.
3. During the Relevant Period, this customer of the firm, on multiple occasions and on multiple trade dates, 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 the 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, some of which were executed on the Exchange, they could have constituted a cross-product or mini-manipulation.
4. In addition, during the Relevant Period, the same customer, on multiple occasions and on multiple trade dates, engaged in potential spoofing activity in equity options. In those instances, the customer entered, and quickly cancelled, non-bona fide options orders for one options contract, which in many instances narrowed the national best bid and offer ("NBBO"). Thereafter, the customer entered, and had executed, larger orders on the opposite side of the market; these transactions were apparently effected at an advantageous price, benefiting from the change in the NBBO that had occurred as a result of the customer's entry of the one-lot orders.
5. Shortly after being contacted by staff to inquire about the aforementioned trading activity, the firm contacted its customer in an effort to secure the requested information. Soon thereafter, on May 31, 2013, the customer closed its account at the firm.
6. During the Relevant Period and through December 2014, the firm failed to establish, maintain and enforce written supervisory procedures that addressed manipulative cross-product trading or options spoofing activity such as that described in Paragraphs I.A.3 and I.A.4.

7. 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 such as that described in Paragraphs I.A.3 and I.A.4.
8. Although subsequent to the Relevant Period the firm added surveillances in an effort to detect cross-product manipulation and options spoofing activity, such surveillances were not adequate. Specifically, the surveillance to detect cross-product manipulation was not adequate to detect instances where the relevant positions were not closed out within a short period of time, and the surveillance to detect spoofing was not adequate to detect instances where the non-bona fide option order was entered within the NBBO.
9. The conduct described in paragraphs I.A.6, I.A.7, and I.A.8 constitutes violations of Rule 15c3-5 under the Exchange Act, Nasdaq Rules 2010A and 3010, and NASDAQ Options Market Rules Chapter V, Section 1(b)(iv) and Chapter XI, Section 8(a).

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

- (i) a censure,
- (ii) a total fine of \$90,000, of which \$15,000 shall be paid to NOM,<sup>2</sup> and
- (iii) an undertaking to revise the firm's supervisory systems with respect to the areas described in paragraphs I.A.3, I.A.4, and I.A.8. Within 60 days after the date of the Notice of Acceptance of this AWC becoming final, the Chief Executive Officer, a registered principal of the Respondent, shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to [MarketRegulationComp@fiara.org](mailto:MarketRegulationComp@fiara.org), providing the following information: (1) a reference to this matter; (2) a detailed representation that the Firm has revised its supervisory systems to address the above-described deficiencies, and the steps taken to address such deficiencies; and (3) the date the revised systems were implemented.

Additionally, acceptance of this AWC is conditioned upon acceptance of parallel settlement agreements in related matters between the firm and the following exchanges: (i) International Securities Exchange, LLC; (ii) BOX Options Exchange LLC; (iii) NYSE MKT LLC; (iv) NASDAQ PHLX LLC; and (v) Chicago Board Options Exchange, Incorporated.

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 an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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<sup>2</sup> The balance of the sanction shall be paid to the self-regulatory organizations referenced in the following paragraph.

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 prejudice 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 Market Regulation 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.

9/26/2016  
Date

Lime Brokerage LLC  
Respondent

By:   
Name: William St Laurent  
Title: CCO

Reviewed by:

  
Counsel for Respondent  
Firm Name Andrew Kostan  
Address 625 Broadway  
City/State/Zip NY NY 10012  
Phone Number 212 469 1531

Accepted by The NASDAQ Options Market LLC:

12/20/2016  
Date



Eric S. Brown  
Chief Counsel, Legal Section  
Department of Market Regulation

Signed on behalf of The NASDAQ Options  
Market LLC, by delegated authority from  
the Director of ODA



**ELECTION OF PAYMENT FORM**

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer;
- The installment payment plan.<sup>3</sup>
  - Monthly
  - Quarterly

Respectfully submitted,

Respondent

Lime

Brokerage LLC

9/26/2016

Date

By [Signature]  
Name: William St. Laurent  
Title: CCO

**Billing and Payment Contact**

Please enter the billing contact information below. Nasdaq MarketWatch will contact you with billing options and payment instructions. *Please DO NOT submit payment until Nasdaq has sent you an invoice.*

Billing Contact Name: Daniel Billings, CRO  
Billing Contact Address: 625 Broadway, 12th Fl. NY NY  
Billing Contact Email: dbillings@limebrokerage.com  
Billing Contact Phone Number: 212-824-5542

<sup>3</sup> The installment payment plan is only available for a fine of \$50,000 or more. Certain requirements apply.