

News Release

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FINRA, BOX, Cboe, IEX, NASDAQ and NYSE Fine Instinet, LLC for Market Access Rule Violations

WASHINGTON – Instinet, LLC has been censured and fined a total of \$1.575 million for violations of various provisions of Rule 15c3-5 of the Securities Exchange Act of 1934 (known as the Market Access Rule) and related exchange supervisory rules. The action was taken by the Financial Industry Regulatory Authority (FINRA), along with BOX Options Exchange LLC (BOX); the Cboe BZX Exchange, Inc.; Investors Exchange LLC (IEX); The NASDAQ Stock Market LLC; the New York Stock Exchange; and certain of their affiliated Exchanges (collectively, “Exchanges”). The fine was apportioned among FINRA and the Exchanges.

In settling this matter, Instinet neither admitted nor denied the charges but consented to the entry of FINRA’s and the Exchanges’ findings.

The Market Access Rule requires broker-dealers that provide their customers access to an exchange or alternative trading system to adequately control the financial and regulatory risks of providing such access. The rule is designed to ensure that broker-dealers appropriately control the risks associated with market access, so as not to jeopardize their own financial condition, that of other market participants, the integrity of trading on the securities markets, and the stability of the financial system.

Instinet provided market access to numerous clients. FINRA and the Exchanges found that the Firm failed to supervise trading to detect and prevent potentially violative and manipulative activity. Further, FINRA and the Exchanges found that the firm failed to comply with the Market Access Rule by failing to implement financial and regulatory risk management controls and procedures reasonably designed to prevent the entry of erroneous or duplicative orders, orders that exceeded appropriate pre-set credit or capital thresholds, or erroneous messaging activity resulting from malfunctioning customer algorithms and trading systems.

“This case demonstrates the importance of reasonable market access procedures to appropriately monitor for errors and risks that can be harmful to the integrity of our securities markets,” said FINRA and the Exchanges in a joint statement.

When determining the appropriate sanction, FINRA and the Exchanges considered the facts and circumstances particular to this matter, including the erroneous orders that the firm entered on the Exchanges, potentially manipulative trading activity that went undetected by the firm, the market impact (both real and potential) of the underlying violative activity, the extent to which red flags were present, the nature of the supervisory failures, and the breadth and duration of the firm’s overall failures.

The investigations that led to the actions were conducted by the Departments of Enforcement and Market Regulation at FINRA and the Exchanges.

Investors can obtain more information about, and the disciplinary record of, any FINRA-registered broker or brokerage firm by using FINRA’s BrokerCheck. FINRA makes BrokerCheck available at no charge. Investors can access BrokerCheck at www.finra.org/brokercheck or by calling (800) 289-9999. Investors may find copies of this disciplinary action as well as other disciplinary documents in [FINRA’s Disciplinary Actions Online database](#). Investors can also call [FINRA’s Securities Helpline for Seniors](#) at (844) 57-HELPS for assistance or to raise concerns about issues they have with their brokerage accounts and investments.