



Andy Hubbart
Senior Counsel

Department of Enforcement

FINRA | 55 West Monroe Street
Suite 2600
Chicago, IL 60603
Phone: 312-899-4603
Email: andy.hubbartt@FINRA.org

Via Certified Mail, Return Receipt Requested (7021 1970 0002 3047 7848), First Class Mail and Email (jaclvn.butler@iongroup.com; Derek.Lacarrubba@srz.com)

June 22, 2022

Ms. Jaclyn Butler, Chief Compliance Officer
Dash Financial Technologies, LLC
200 S. Wacker Drive, Suite 2450
Chicago, IL 60606

RE: Payment of Fine in Connection with Executed Letter of Consent
FINRA Matter No. 20180601179

Dear Ms. Butler:

Enclosed is an executed copy of the Letter of Consent (“LOC”), signed by Jaclyn Butler, Chief Compliance Officer at Dash Financial Technologies, LLC (the “Firm”), and countersigned by Edward Deitzel, Executive Vice President and Chief Regulatory Officer, for the Business Conduct Committee, at the MIAX Emerald, LLC (“MIAX Emerald”) on **June 22, 2022**. Please consider this correspondence as notice to the Firm that this LOC has been accepted, and as a result, the Firm must promptly remit payment of the agreed upon sanction. Please make the payment to MIAX Emerald, LLC.

By Wire:

If payment is by wire, wiring instructions are as follows:

Pursuant to Miami International Securities Exchange, LLC Rule 1011, made applicable to MIAX Emerald in Chapter X of the MIAX Emerald Rulebook, after seven calendar days’ notice in writing, the Exchange may summarily suspend a Member that fails to pay promptly a fine when such fine becomes finally due and payable.

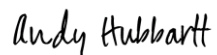
Jaclyn Butler, Chief Compliance Officer

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If you have any questions regarding this matter, please contact me at 312-899-4603.

Sincerely,



Andy Hubbartt

Senior Counsel

Enclosure

cc: Larry O'Leary, VP Regulation, Miami International Securities Exchange, LLC
(via e-mail to loleary@miaoptions.com)

This letter is issued on behalf of the MIAX Emerald, LLC, by FINRA Department of Enforcement pursuant to a grant of authority to FINRA. Accordingly, this constitutes a letter by the MIAX Emerald, LLC.

**MIAX EMERALD, LLC
LETTER OF CONSENT
NO. 2018060117909**

TO: MIAX Emerald, LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Dash Financial Technologies LLC, Respondent
Broker-Dealer
CRD No. 104031

Pursuant to Rule 1003 of the Rules of the MIAX Emerald, LLC (“MIAX Emerald”), Dash Financial Technologies LLC (“Dash” or the “Firm”) submits this Letter of Consent (“LOC”) for the purpose of proposing a settlement of the alleged rule violations described below. This LOC is submitted on the condition that, if accepted, MIAX Emerald will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Dash 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 MIAX Emerald, or to which MIAX Emerald 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 MIAX Emerald:

BACKGROUND

1. Dash became a member of MIAX Emerald in March 2019, and its registration remains in effect. Dash is an agency-only broker-dealer that provides routing and execution services to institutional customers for options and equities. The Firm offers various algorithmic trading products to its customers and does not domicile accounts or engage in proprietary trading. Dash has approximately 55 registered representatives and three branches, and its principal place of business is Chicago, IL. The Firm has no relevant disciplinary history.

SUMMARY

2. This matter arises from a referral by an options exchange to FINRA’s Department of Market Regulation (“Market Regulation”) involving Dash’s execution of certain call options on February 21, 2020. Market Regulation reviewed Dash’s Market Access Rule controls and procedures to determine if they were reasonably designed to limit the financial exposure that arises as a result of market access by, among other things, preventing erroneous orders by rejecting orders that exceed price parameters.

3. This review found that, as discussed further below, Dash violated Rule 15c3-5 of the Securities Exchange Act of 1934 (“Market Access Rule”) by failing to establish, document, and maintain erroneous order controls and supervisory procedures applicable to market orders for options. Dash also violated the Market Access Rule by failing to assure that appropriate surveillance personnel receive immediate post-trade execution reports. Finally, Dash violated MIAX Emerald Rules 300, 301, and 500 by failing to establish and maintain written supervisory procedures (“WSPs”) and a supervisory system reasonably designed to ensure compliance with the Market Access Rule in connection with the same.¹

FACTS AND VIOLATIVE CONDUCT

The Market Access Rule

4. Rule 15c3-5(b) requires a broker-dealer with market access to “establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity.”
5. Rule 15c3-5(c)(1) is intended to address these financial risks. To that end, Rule 15c3-5(c)(1)(ii) requires broker-dealers providing market access to maintain controls and supervisory procedures reasonably designed to “[p]revent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters on an order-by-order basis or over a short period of time, or that indicate duplicative orders.” These controls must be reasonably designed to prevent erroneous orders caused by both manual errors and technological malfunctions.
6. Rule 15c3-5(c)(2)(iv) requires risk management controls and supervisory procedures “reasonably designed to assure that appropriate surveillance personnel receive immediate post-trade execution reports that result from market access.” This requirement is designed to assure the broker-dealers with market access have information immediately available to effectively control associated financial and regulatory risks.

The February 21, 2020 Erroneous Order Event

7. On February 21, 2020, a broker-dealer client routed an order to sell 4,000 XYZ March 25 calls to Dash and selected the same algorithm referenced above, which was designed to quickly execute options orders at prevailing market prices. While Dash had implemented a control following a prior erroneous order event that was designed to limit the cumulative price impact that a parent market order could have over a short period of time,² the parameters were insufficiently tailored for low-priced options. As

¹ MIAX Emerald’s jurisdiction over Dash is for conduct beginning on March 1, 2019.

² On November 8, 2018, the Firm implemented a control on its smart order router (“SOR”) to apply a maximum offset based NBBO at the time a market order is received to the limit price setting functionality used by the Firm’s SOR when routing child orders.

a result, the algorithm submitted orders to MIAX Emerald and other options exchanges, without sufficient regard to the impact the orders may have on the price of the XYZ calls, with limit prices ranging from \$0.40 down to \$0.10 and resulting in the execution of 3,358 of the 4,000 contracts on MIAX Emerald and other options exchanges in less than one second at prices ranging from \$0.40 down to \$0.10.

8. Dash first learned of this activity when it was contacted by its broker-dealer client. At the client's request, Dash contacted MIAX Emerald and the other options exchanges to request that the executions be reviewed and adjusted. Following their review, the exchanges declined to do so as the execution prices did not qualify as Obvious or Catastrophic Errors.

Violations of Rules 15c3-5(b) and 15c3-5(c)(1)(ii)

9. In or around November 2018, Dash implemented an "Inbound Market Order Control" that applies a synthetic limit (*i.e.*, an offset) to market orders based on the NBB/NBO at the time the order is received. This synthetic limit is then used as an absolute limit for the prices that Dash's algorithms can use when externally routing orders for execution. Although this control was in place at the time of the February 21, 2020 erroneous order event, its parameters were set such that it applied an offset of \$0.50 to all orders priced up to \$2.00 and was therefore not sufficiently tailored for orders in low-priced options. Thus, this control did not prevent the orders at issue on February 21, 2020 from being routed because the price of those options was under \$0.50. Dash's Inbound Market Order Control was therefore not reasonably designed as it did not reasonably consider the price of the security. Dash subsequently updated this control as of September 2020 to use nine pricing tiers, with offsets ranging from \$0.15 to \$4.00. Dash did not, however, include a description of its Inbound Market Order Control in its WSPs.
10. For the reasons set forth above, Dash violated Rules 15c3-5(b) and 15c3-5(c)(1)(ii).

Violations of Rules 15c3-5(b) and 15c3-5(c)(2)(iv)

11. From March 2019 through March 2022, Dash failed to assure that appropriate surveillance personnel received immediate post-trade execution reports that resulted from its market access. Dash lacked, and its WSPs did not reference, a post-trade execution report that would detect substantial price movements resulting from orders routed by its customers. As a result, Dash did not learn of the February 21, 2020 erroneous order event until it was contacted by the respective clients.
12. For the reasons set forth above, Dash violated Rules 15c3-5(b) and 15c3-5(c)(2)(iv).

Supervisory Violations

13. MIAX Emerald Rule 500(b) prohibited Members from engaging in conduct (1) inconsistent with the maintenance of a fair and orderly market; (2) apt to impair

public confidence in the operations of the Exchange; or (3) inconsistent with the ordinary and efficient conduct of business. Activities that may violate this rule include, but are not limited to, the failure of a Member to supervise a person employed by or associated with such Member adequately to ensure that person's compliance with this rule.

14. Chapter III of MIAX Emerald Rules incorporates by reference MIAX Rule 300, which provides that every Member shall supervise persons associated with it to assure compliance with the Securities Exchange Act of 1934 and the Exchange's By-Laws and Rules.
15. Chapter III of MIAX Emerald Rules incorporates by reference MIAX Rule 301, which provides that "[n]o Member shall engage in acts or practices inconsistent with just and equitable principles of trade."
16. From March 2019 through March 2022, Dash failed to establish and maintain a supervisory system, and failed to establish, maintain, and enforce WSPs reasonably designed to achieve compliance with applicable securities laws, regulations and exchange rules relating to its Rule 15c3-5 erroneous order controls for options market orders. Dash's WSPs did not reference its Inbound Market Order Control, or any other control designed to prevent the erroneously priced orders discussed above. Dash's WSPs also did not reference any post-trade surveillance report that would detect substantial price movements resulting from orders routed by its customers.
17. For the reasons set forth above, Dash violated MIAX Emerald Rules 300, 301, and 500.

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

1. Censure; and
2. A total fine in the amount of \$125,000 (\$5,210 payable to MIAX Emerald).¹

The Firm agrees to pay the monetary sanction(s) upon notice that this LOC has been accepted and that such payment(s) are due and payable. The Firm has submitted an Election of Payment 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 MIAX Emerald.

¹The remainder of the fine shall be allocated to NYSE American, LLC, NYSE Arca, LLC, Nasdaq PHLX, LLC, Nasdaq Options Market, LLC, Nasdaq MRX, LLC, Nasdaq ISE, LLC, Nasdaq GEMX, LLC, Nasdaq BX, Inc., Miami International Securities Exchange, LLC, MIAX Pearl, LLC, and BOX Exchange, LLC for similar violations.

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under MIAX Emerald Rules:

- A. To have a Statement of Charges issued specifying the allegations against the Firm;
- B. To be notified of the Statement of Charges 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 MIAX Emerald's Board of Directors 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 ("CRO"), as well as the Business Conduct Committee ("BCC"), in connection with participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including acceptance or rejection of this LOC.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of MIAX Emerald Rule 1006, in connection with such person's or body's participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including its acceptance or rejection.

III.

OTHER MATTERS

The Firm understands that:

- A. Submission of this LOC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO and the BCC, pursuant to MIAX Emerald Rule 1003;
- B. If this LOC 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 LOC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by MIAX Emerald or any other regulator against the Firm;
 - 2. This LOC will be published on a website maintained by MIAX Emerald; 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 LOC or create the impression that the LOC is without factual basis. The Firm may not take any position in any proceeding brought by or on behalf of MIAX Emerald, or to which MIAX Emerald is a party, that is inconsistent with any part of this LOC. Nothing in this provision affects the Firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which MIAX Emerald is not a party.
- D. The Firm may attach a Corrective Action Statement to this LOC 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 LOC in this Statement. This Statement does not constitute factual or legal findings by MIAX Emerald, nor does it reflect the views of MIAX Emerald or its staff.

ELECTION OF PAYMENT FORM

The Firm intends to pay the fine proposed in the attached Letter of Consent by the following method (check one):

- A Firm check or bank check for the full amount
- Wire transfer

Respectfully submitted,
Respondent
Dash Financial Technologies LLC

April 25, 2022

Date

By: 

Name: Jaclyn L Butler

Title: Chief Compliance Officer