

**Sent via Certified Mail, Return Receipt Requested (9314 8699 0430 0145 6939 32), First
Class Mail and Email (William.Barbera@srz.com)**

February 6, 2026

David Sieradzki, General Counsel - Americas
Instinet, LLC
c/o William Barbera, Esq.
Schulte Roth & Zabel LLP
919 Third Avenue
New York, NY 10022

**Re: Payment of Fine in Connection with Executed Letter of Consent
FINRA Matter No. 2019063047808**

Dear Mr. Barbera:

Enclosed is an executed copy of the Letter of Consent (“LOC”), signed by David Sieradzki, General Counsel – Americas, at Instinet, LLC (the “Firm”), and countersigned by Edward Deitzel, Executive Vice President and Chief Regulatory Officer, for the Business Conduct Committee, at the MIAX PEARL, LLC (“MIAX Pearl” or the “Exchange”) on **February 6, 2026**. 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 PEARL, LLC .

Instinet, LLC
c/o William Barbera, Esq.
February 6, 2026
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Pursuant to MIAX Pearl Rule 1011, 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.

If you have any questions regarding this matter, please contact me at 301-258-8502.

Sincerely,

Luis A. Prieto

Luis A. Prieto
Senior Counsel
Barred in DC and MD

Enclosure

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

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

**MIAX PEARL, LLC
LETTER OF CONSENT
NO. 2019063047808**

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

RE: Instinet, LLC, Respondent
Broker-Dealer
CRD No. 7897

Pursuant to Rule 1003 of the Rules of the MIAX PEARL, LLC (“MIAX PEARL”), Instinet, LLC (“Instinet” 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 PEARL 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 MIAX PEARL, or to which MIAX PEARL 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 PEARL:

BACKGROUND

The firm has been a member of FINRA since January 1980 and of MIAX PEARL since September 2020, and its registrations remain in effect. The firm is headquartered in New York, NY, and employs over 140 registered representatives across nine branch offices. Instinet provides market access, trading support, and execution services to institutional customers.

RELEVANT DISCIPLINARY HISTORY

Instinet has no relevant disciplinary history with respect to MIAX PEARL.

In Matter No. 20130368360 (April 2018), Instinet consented to a censure, a cross-market fine of \$1,575,000, and an undertaking related to market access deficiencies for violations of self-regulatory organizations’ (“SROs”) respective supervision rules, including FINRA Rules 3110 and 2010, and Section 15(c)(3) of the Securities Exchange

Act of 1934 (“Exchange Act”), and Exchange Act Rule 15c3-5.¹ Among other findings, the SROs found that Instinet’s supervisory system, including its written supervisory procedures (“WSPs”), was not reasonably designed to identify potentially manipulative trading by its clients.

SUMMARY

From at least September 2020 through the present, Instinet violated MIAX PEARL Rules 300 and 2300(a) and (b)² by failing to establish, maintain, and enforce a supervisory system, including WSPs, that was reasonably designed to detect and investigate potentially manipulative trading by its clients. Consent to a censure and a \$53,029 fine (resolved simultaneously with similar matters for a total fine of \$1,200,000).³

FACTS AND VIOLATIVE CONDUCT

1. This matter originated from FINRA’s cross market surveillance and from referrals from other SROs.

Instinet’s Business and Surveillance Model

2. From at least September 2020 through the present, Instinet provided market access to domestic and foreign institutional clients and broker-dealers, some of which had multiple authorized traders.
3. Instinet used vendor-provided and proprietary systems to surveil for potentially manipulative trading by clients. The systems had some surveillance overlap (e.g., each of the systems surveilled for wash trades), but each also provided unique surveillances, and in some cases, addressed different types of order flow.

Instinet failed to reasonably supervise for potentially manipulative trading.

4. MIAX PEARL Rule 300, prohibits members from “engag[ing] in conduct in violation of the Exchange Act, the By-Laws or the Rules of the Exchange, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange Transaction, or any written interpretation thereof. Every Member shall so

¹ Matter No. 20130368360 was brought on behalf FINRA, Nasdaq BX, Inc. (“BX”), Nasdaq PHLX LLC (“Phlx”), The Nasdaq Options Market LLC, Cboe BZX Exchange, Inc. (“BZX”), Cboe BYX Exchange, Inc. (“BYX”), Cboe EDGA Exchange, Inc. (“EDGA”), Cboe EDGX Exchange, Inc. (“EDGX”), the New York Stock Exchange LLC (“NYSE”), NYSE Arca Options, Inc., NYSE Arca Equities, Inc. (“NYSE Arca”), NYSE American Equities LLC (“NYSE American”), NYSE American Options LLC, BOX Options Exchange LLC, and Investors Exchange LLC (“IEX”).

² Chapter III of the MIAX PEARL Rulebook incorporates by reference the rules contained in Chapter III of the Miami International Securities Exchange, LLC’s Rulebook, including Rules 300 and 301.

³ The remainder of the fine will be paid to FINRA, BZX, BYX, EDGA, EDGX, IEX, Long-Term Stock Exchange, Inc., MEMX LLC, the Nasdaq Stock Market LLC, BX, PHLX, NYSE, NYSE Arca, NYSE American, NYSE Chicago, Inc., and NYSE National, Inc.

supervise persons associated with the Member as to assure compliance therewith.”

5. Effective August 14, 2020, MIAX PEARL Rule 2300(a) requires each member to “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange Rules.”
6. MIAX PEARL Rule 2300(b) further requires each member to “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange Rules.”

Instinet did not reasonably surveil for certain forms of manipulation.

7. From at least September 2020 through the present, Instinet’s surveillance systems were not reasonably designed to supervise for potential manipulative trading.
8. First, from September 2020 through July 2025, Instinet’s surveillance for potentially manipulative trading during the pre-market was unreasonable. Instinet only surveilled for potential pre-market spoofing activity by two clients. Instinet excluded from its pre-market spoofing review the activity of its other clients and did not surveil for any other type of potentially manipulative trading during the pre-market.
9. Second, Instinet implemented marking the close surveillances that included unreasonable parameters at various times during the review period. For example, the firm’s marking the close surveillances failed to account for scenarios where a trader or client entered a single low volume order with the intent to affect the security’s closing price. The firm had a control that tried to identify such orders, but it was limited to orders entered only in the final second before market close, which was unreasonable because marking the close can occur before the final second, particularly in less liquid securities.
10. Third, Instinet implemented ramping⁴ surveillance patterns that were set at unreasonably high thresholds that in certain instances did not consider the fact that ramping could occur with fewer trades.
11. Fourth, Instinet’s surveillance for potential wash trading was unreasonable. Prior to January 2021, Instinet’s surveillance parameters through one of its proprietary systems only identified potential wash sales if both the buy and sell order were routed to the same market destination. However, this surveillance pattern would miss potential wash trades where the buy and sell orders were routed to different market centers but subsequently executed at the same market center.
12. Fifth, from at least September 2020 Instinet’s surveillance systems were not

⁴ Ramping involves trading practices designed to artificially increase or decrease the price of a security, by creating a false impression of trading interest.

reasonably designed to detect potential instances of layering and spoofing. Specifically, since at least September 2020, Instinet's layering surveillance required at least five layered orders to occur within 15 seconds from the start of a layered pattern to trigger an alert. This pattern was unreasonable because layering and spoofing can occur with fewer than five non-bona fide orders over a longer time period.

Instinet failed to reasonably review surveillance alerts.

13. Instinet's review of its surveillance alerts also was not reasonably designed to identify potentially manipulative trading activity. From at least September 2020 through July 2023, Instinet failed to reasonably supervise first-level reviewers who closed substantially all of the pre-market spoofing alerts with a disposition of no further action. However, the first-level reviewers reviewed the report only to verify the number of buys and sells and overall total of the trades, which was not a reasonable review of the alerts. Because the first-level reviewers marked the alerts with a disposition of no further action, the firm's second-level reviewers also did not review the alerts. As a result, the firm failed to reasonably review 98 percent of the pre-market spoofing alerts during this period.
14. Additionally, Instinet failed to have reasonably designed WSPs regarding the appropriate timeframes to complete its supervisory reviews for its surveillance alerts. The firm's WSPs stated that alerts needed to be resolved in a "timely manner," but did not provide guidance about what constituted a timely review of surveillance alerts.
15. Relatedly, Instinet failed to timely perform second-level reviews of thousands of other alerts due to insufficient staffing in the firm's sales and trading supervision department. The firm generated a large volume of alerts but had few individuals to perform second-level reviews of those alerts and, consequently, had significant delays in reviewing alerts. For example, firm records reflect delays of more than 60 business days in the resolution of certain second-level reviews regarding potentially manipulative trading activities.
16. Further, Instinet's process of tracking clients' authorized traders that had been terminated by Instinet for engaging in potentially manipulative or suspicious trading activity was not reasonable because Instinet did not have a reasonable process for confirming such authorized traders' access to Instinet had been terminated. Additionally, through May 2022, the firm did not consider the alerts generated by each of its clients in the aggregate to evaluate the client's overall trading activity.

Instinet failed to reasonably supervise clients placed on heightened surveillance.

17. From at least September 2020 through the present, Instinet recognized that certain clients presented a degree of heightened risk and placed two clients on what it called "heightened surveillance." The firm's WSPs, however, did not explain the criteria or

process the firm used for assigning such a risk rating or for placing a client on heightened surveillance, including how such designations were to be considered when conducting surveillance reviews of the client. Instinet also maintained no documentation supporting its analysis for why these clients presented heightened risk. Moreover, Instinet did not inform its first-level reviewers that the two clients had been placed on heightened surveillance, which would have been important for the reviewers to consider when reviewing the clients' trading activity.

18. Instinet requested that two clients restrict their trading activity generally to securities meeting designated criteria as both clients had generated a high volume of alerts for potentially manipulative trading activity. While both clients agreed to this restriction, Instinet did not take reasonable steps to ensure that the restrictions were properly implemented.

Instinet's WSPs were not reasonably designed.

19. Instinet's surveillance reviews and procedures were unreasonable for several reasons. Instinet's WSPs relating to its surveillance for manipulation were inaccurate or incomplete. For example, from January 2021 through October 2023, Instinet incorrectly listed the parameters of an alert in another system as the parameters for a different alert type in multiple versions of its WSPs.

20. As a result, Instinet violated MIAX PEARL Rules 300 and 2300(a) and (b).

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

Censure,

a total monetary fine in the amount of \$1,200,000, of which \$53,029 is allocated to MIAX PEARL,⁵

and an undertaking that, within 120 days of the date of the notice of acceptance of this LOC, a member of Instinet's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this LOC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with applicable rules. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Instinet's remediation and implementation. MIAX PEARL staff may request further evidence of Instinet's remediation and implementation, and Instinet agrees to provide such evidence. Instinet shall submit the certification to Luis A. Prieto, Senior Counsel, Luis.Prieto@finra.org, with a copy to

⁵ The remainder of the fine will be paid to FINRA, BZX, BYX, EDGA, EDGX, IEX, Long-Term Stock Exchange, Inc., MEMX LLC, the Nasdaq Stock Market LLC, BX, PHLX, NYSE, NYSE Arca, NYSE American, NYSE Chicago, Inc., and NYSE National, Inc.

EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

The firm agrees to pay the monetary sanction upon notice that this LOC has been accepted and that such payment is due and payable.

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 imposed in this matter.

The sanctions imposed herein shall be effective on a date set by MIAX PEARL.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under MIAX PEARL 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 PEARL'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 pre-judgment 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 PEARL 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 PEARL 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 PEARL or any other regulator against the firm;
 - 2. This LOC will be published on a website maintained by MIAX PEARL; 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 PEARL, or to which MIAX PEARL 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 PEARL 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 PEARL, nor does it reflect the views of MIAX PEARL 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 LOC and has been given a full opportunity to ask questions about it; that it has agreed to the LOC'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 23, 2026

Date

Respondent
Instinet, LLC

By: David Sieradzki

Name: David Sieradzki

Title: General Counsel - Americas

Reviewed by:

William Barbera

William J. Barbera, Esq.
McDermott Will & Schulte LLP
919 Third Avenue
New York, NY 10022
212-756-2521
Counsel for Respondent

Accepted by MIAX PEARL, LLC:

February 6, 2026

Date

Edward Deitzel

Edward Deitzel
Executive Vice President and
Chief Regulatory Officer
Miami International Securities Exchange, LLC

Decision of the Business Conduct Committee:

Accept Decline

February 6, 2026

Date

Edward Deitzel

By: Edward Deitzel
For the Business Conduct Committee