


# SEC Charges ITG With Misleading Dark Pool Subscribers

Washington D.C., Nov. 7, 2018 —

The Securities and Exchange Commission today announced that ITG Inc. and its affiliate AlterNet Securities Inc. have agreed to pay \$12 million to settle charges arising from ITG's misstatements and omissions about the operation of the firm's dark pool, POSIT, and ITG's failure to establish adequate safeguards and procedures to protect POSIT subscribers' confidential trading information.

The SEC's order finds that despite assuring subscribers that it ould maintain the confidentiality of their trading information, ITG improperly disclosed the confidential dark pool trading information of firm clients. For example, from 2010 to 2015, ITG sent daily Top 100 Reports for the prior day's trading activity. The reports identified the top 100 stocks for which certain orders were submitted to POSIT and the top 100 stocks for which certain orders were executed. ITG informed some high frequency trading firms that they could use these Top 100 Reports to identify "potential unsatisfied liquidity needs" in the dark pool, despite assuring subscribers that ITG would not signal their trading intentions.

According to the SEC's order, ITG misleadingly omitted important structural features of the dark pool. From 2010 to mid-2014, ITG split the dark pool into two separate pools, which prevented certain orders in the two pools from interacting with one another. ITG failed to disclose the separate pools, which had different performance and fill rates, despite specific questions from subscribers about whether ITG "tiered" or segmented the dark pool in any way. The SEC's order further finds that from mid-2014 to late 2016, ITG failed to disclose that the firm applied a "speedbump" to slow down interactions involving orders from certain high frequency trading firms.

"Contrary to assurances it made to dark pool subscribers, ITG failed to ensure that trading information was protected, and in some instances used this information to attempt to grow its business," said Joseph Sansone, Chief of the SEC Enforcement Division's Market Abuse Unit. "Our agency continues to scrutinize dark pools to ensure they protect client trading information and operate in compliance with the securities laws."

Without admitting or denying the findings, ITG and AlterNet consented to the entry of the SEC's order finding that they violated the antifraud provisions of the securities laws as well as the rules governing the requirements for dark pools. The order directs ITG and AlterNet to cease and desist from committing or causing any future violations of those provisions, censures ITG and AlterNet, and orders them to pay the \$12 million penalty.

These charges are in addition to [charges filed in August 2015](#) against ITG and AlterNet for operating an undisclosed proprietary trading desk that used confidential customer trading information to trade in the POSIT dark pool.

The SEC's investigation has been conducted by Rachael Clarke, Scott Thompson,

Matthew Koop, and Mandy Sturmfelz of the Market Abuse Unit with the assistance of Julia Green of the Philadelphia Regional Office. The case has been supervised by Mr. Sansone.