

Title: The Market Makers and Violations Accountability: Musical Chairs with Kenny and Friends!

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Body:

\*TL; DR: Shitadel is one of many. Hedgies suck. Market Makers double-suck. They get away with everything. Their fines and penalties are puny. They all need to be held accountable for everything they've done, especially 2008. The End.\*

Market Makers can get away with a lot, but even when they're caught red-handed, they go largely unpunished—often answering for their offenses with a proverbial slap on the wrist—paying paltry sums, fines and payouts as a means to an end rather than a lesson learned. In fact, from what I am seeing, many of the investigations into their shady dealings and practices seem to disappear into thin air. Funny, huh? Wait, it gets better.

Since their inception, there have been questions about the integrity and ethical underpinnings of Market Makers. Since then...they've learned and changed absolutely NOTHING. These are the people who control the entire financial world—people who should epitomize ethics, transparency, and integrity, and they're still taking advantage of their position and power, still hurting investors (and everyone else) in every sector, still keeping a low profile and avoiding true accountability for their roles in the financial disasters of yesteryear. And the SEC largely seems to be letting it happen. Let me put it this way—If this were a school, they would have been expelled and refused at the door of every other school in the country, but it's not a school. It's America—where if you "know a guy" or can pay enough people off you can LITERALLY get away with murder. Ain't life grand? Sigh...God, this shit is depressing...

Anyway, with what feels like an impending squeeze on the horizon, I decided Kenny was probably lonely at the top. You know, with all the attention we've been giving him. And I thought, hey, you know what, this man probably wants to share the spotlight because that's just who he is—he's a sharer. A synthetic sharer! Get it?! Sorry, I'm delirious after diving down this particular rabbit hole, and I've only just scratched the surface. So, in the spirit of sharers like Ken, I thought I, too, would share a little research on his buddies in the market making business. This is not a comprehensive list, but it is a significant and important one. So, pull up a chair and read on if you if you dare. And if you're too retarded to read this many words, there's always the TL;DR!

PS: If there are any mistakes or issues with this DD, please let me know so I can correct it. Cheers!

\*\*Common Market Makers List (Source:\*\* <https://www.investorsunderground.com/level-2/market-makers/>\*\*) (\*\*<https://www.investorsunderground.com/level-2/market-makers/>\*\*)\*\*) \*\*

\*\*VFIN-VFinance\*\*

"Vfinance investments is a market maker in over 6,000 stocks across all the exchanges including NYSE, NASDAQ, OTCBB and Pink Sheets. They generate over 15 billion shares of monthly trading [volume](<https://www.investorsunderground.com/stock-volume/>)."

Source: [<https://www.goodjobsfirst.org/violation-tracker/>](<https://www.goodjobsfirst.org/violation-tracker/>)

\*\*Information Pertaining to Aforementioned Violations:\*\*

2005: "1. vFinance Investments, Inc. ("Vfinance") is a registered broker-dealer with its main office located in Boca Raton, Florida and offices of supervisory jurisdiction ("OSJ") in New York, New Jersey and Florida. It is a wholly-owned subsidiary of Vfinance, Inc., a publicly held Delaware corporation that files periodic reports with the Commission. Vfinance is a member of the National Association of Securities Dealers ("NASD"). During November and December 2001, Vfinance conducted an investment advisory and

general securities business through approximately 65 registered representatives and traders. The NASD and the Commission have sanctioned Vfinance and/or one of its predecessor firms for failing to maintain adequate supervisory policies and procedures.

#### **\*\*Market Manipulation\*\***

1. 2. During November and December 2001, a trader then associated with Vfinance assisted a stock promoter in manipulating the market for Gateway International Holdings, Inc. ("Gateway") stock, without the knowledge of Vfinance. During the relevant period, Gateway was a shell company known as Gourmet Gifts, Inc., with no reported significant operations, assets, or revenues. Gateway's stock was quoted on the OTC Bulletin Board (a quotation service operated by the NASD).
2. 3. Between November 8, 2001 and December 6, 2001, the closing price of Gateway stock increased from \$.19 to \$4.55 per share. The price increase was not due to corporate developments, since there was only one press release during this period, which was issued on November 11. On December 7, the closing price of the stock dropped to \$.95, due in part to a forward stock split.
3. 4. During the relevant period, the trader made a market in Gateway stock on behalf of Vfinance. During that time, the promoter repeatedly contacted the trader at Vfinance's offices. The trader admitted that, in response to instructions received from the promoter, he repeatedly raised Vfinance's quoted inside bid price for Gateway stock to as high as \$3.65 by December 6, 2001.
4. 5. Gateway stock traded on 14 days during the relevant period, during which the trader caused Vfinance to place 71% of all inter-dealer orders, which represented approximately one-half of the shares traded through such orders. On five days during the relevant period, trading by Vfinance represented between 65% and 100% of total reported volume.

#### **\*\*Vfinance's Supervisory Failures\*\***

1. 6. During the relevant period, Vfinance had written procedures requiring the performance of certain supervisory duties relating to trading activities. These procedures included reviewing daily trading reports, monitoring telephone conversations of traders, monitoring quotations and volume of Vfinance's trading, and maintaining a log of all supervisory reviews. However, Vfinance did not have a system in place to adequately communicate or implement its supervisory procedures or ensure enforcement of such procedures.

1. 7. Vfinance's system for implementing its written supervisory procedures was deficient because, among other things, it failed to adequately (1) identify the person(s) responsible for supervising traders; (2) identify steps to be taken by supervisors to prevent market manipulation; and (3) communicate the procedures to Vfinance's supervisory staff. If Vfinance had implemented an adequate system of supervision, it is likely that it would have detected and prevented the trader's securities law violations."

Source: [<https://violationtracker.goodjobsfirst.org/violation-tracker/-vfinance-investments-inc-0>](<https://violationtracker.goodjobsfirst.org/violation-tracker/-vfinance-investments-inc-0>)

#### **2008: Summary**

"From September 2002 through June 2003, a registered representative then associated with vFinance violated Section 5 of the Securities Act of 1933 ("Securities Act") when he engaged in the illegal distribution of the securities of SHEP Technologies, Inc. ("SHEP") and Sedona Software Solutions, Inc. ("Sedona") by offering and selling restricted shares of the two issuers through the Over-the-Counter Bulletin Board ("OTCBB"). No registration statement was in

effect as to those offers and sales, and no valid exemptions from registration were applicable to them. Sedona and SHEP were thinly-traded issuers at the time of the illegal distributions, and had little or no operations or assets. Prior to offering and selling the Sedona and SHEP securities, the registered representative failed to conduct a reasonable inquiry regarding these securities to determine whether vFinance's customer was an underwriter or was otherwise engaged in an illegal distribution of securities.

vFinance failed reasonably to supervise its registered representative's conduct with a view to preventing and detecting his Section 5 violations. vFinance had inadequate procedures in place during the relevant period to require that its registered representative conduct the appropriate due diligence concerning the origin and ownership of thinly-traded securities that vFinance offered and sold on behalf of its customers. vFinance also did not establish reasonable procedures or systems for training its registered representative with regard to compliance with the registration provisions of the Securities Act."

Source: <https://violationtracker.goodjobsfirst.org/violation-tracker/-vfinance-investments-inc>

**\*\*VNDM-Vandham Securities\*\***

"Vandham Securities was founded in 1990. This market makers specializes in small cap and illiquid securities as well as makes markets in all major exchanges and U.S. options markets."

Source: [<https://www.goodjobsfirst.org/violation-tracker>](<https://www.goodjobsfirst.org/violation-tracker>)

**\*\*Information Pertaining to Aforementioned Violations:\*\***

**\*\*SUMMARY\*\***

"1. From at least January 2016 through April 2017 ("relevant period"), Vandham was a registered broker-dealer whose customers were primarily other broker-dealers engaged in the liquidation of large volumes of shares in thinly traded, low priced over-the-counter stocks held by their customers. Vandham derived the majority of its revenue during this period from the trading profits it generated by facilitating the sale of such shares into the market for two such broker-dealer customers, Broker-Dealer A and Broker-Dealer B. While doing so, Vandham repeatedly violated the federal securities laws in three different ways.

2. First, Vandham violated Rule 203(b)(1) of Regulation SHO promulgated under the Exchange Act. To facilitate the sale of shares into the market by its broker-dealer customers, Vandham routinely executed a series of short sales throughout the day for its own account in the stocks being sold by the other firms on behalf of their customers, and then later purchased those shares at a lower price from the other firms, also in its own account, to cover Vandham's short positions, thereby realizing a trading profit on each short sale. However, for at least several thousand short sales executed in this manner during the relevant period, Vandham never located shares of those stocks as required by Rule 203(b)(1) of Regulation SHO.

3. In other instances, Vandham also violated Rule 15c2-11 under the Exchange Act while facilitating the liquidation of low priced stocks for its broker-dealer customers. In some cases, rather than placing short

sales, Vandham first purchased the shares being sold by its broker-dealer customers for its own account, creating a long position, and then sold those shares into the public trading market. In order to sell the shares, Vandham often published offers to sell those shares at a specific price ("quotations") on OTC Link's electronic quotation service ("EQS"), which was a recognized quotation medium. However, Vandham violated Rule 15c2-11 when it published these quotations, in a quotation medium, to sell its principal position without first obtaining and reviewing the documents and information about the issuers that it was required by Rule 15c2-11 to obtain and review before publishing those quotations.

4. Finally, although Vandham was engaged in facilitating high volume liquidations of low priced, thinly traded, over-the-counter stocks, Vandham did not implement its anti-money laundering ("AML") policies and procedures so as to reasonably address the risks of its business model. Due to the deficiencies in Vandham's implementation of its AML policies and procedures detailed below, Vandham failed to adequately investigate its customers' transactions and failed to file timely Suspicious Activity Reports ("SARs") for numerous transactions that it had reason to suspect involved possible fraudulent activity or had no business or apparent lawful purpose. As a result, Vandham violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder."

Source: [<https://violationtracker.goodjobsfirst.org/violation-tracker/-vandham-securities-corp>](<https://violationtracker.goodjobsfirst.org/violation-tracker/-vandham-securities-corp>)

**\*\*PERT-\***Pershing Securities Ltd.

"Pershing Securities Ltd. is a market maker based out of London, United Kingdom. Founded in 1990 as a subsidiary of Pershing Ltd and makes markets in all U.S. exchanges as well as London Exchange."

Source: [<https://www.goodjobsfirst.org/violation-tracker>](<https://www.goodjobsfirst.org/violation-tracker>)

**\*\*Information Pertaining to Aforementioned Violations:\*\***

2017 (a) "In a case brought by the Ohio AG on behalf of the state teachers retirement system and other investors, Pershing Square Capital Management and Valeant Pharmaceuticals agreed to pay a total of \$290 million to resolve allegations that they violated insider-trading laws and harmed Allergan investors during an effort to take over that company. A public pension fund in Iowa was a co-lead plaintiff in the case. The announcement did not indicate how much each company would pay. Here we assume the total was divided equally between them."

Man, that's one hefty penalty. One of very few I've seen in my travels. I wonder who was in charge of that or whose sister, cousin, mother got fucked with her Pershing investments. I guess we'll never know...

Source: [<https://www.ohioattorneygeneral.gov/Media/News-Releases/December-2017/Lawsuit-Settlement-on-Insider-Trading-Case>](<https://www.ohioattorneygeneral.gov/Media/News-Releases/December-2017/Lawsuit-Settlement-on-Insider-Trading-Case>)

2017 (b) "The Securities and Exchange Commission announced that 10 investment advisory firms agreed to pay penalties ranging from \$35,000 to \$100,000 to settle charges that they violated the SEC's investment adviser pay-to-play rule by receiving compensation from public pension funds within two years after campaign contributions made by the firms' associates."

Source: [<https://www.sec.gov/news/pressrelease/2017-15.html>](<https://www.sec.gov/news/pressrelease/2017-15.html>)

**\*\*ETRF-Susquehanna International (Please note ETRF seems to have changed hands, so I'm a bit shaky on if this one is exactly correct)\*\***

G1 Execution Services LLC, was formerly the market making unit of E\*Trade Financial Corporation. The firm was sold to Susquehanna International in 2013. The firm specializes in market making on all exchanges and facilitating trades for retail customers.

Source: <https://www.sec.gov/litigation/admin/2009/34-59506.pdf>

**\*\*Summary\*\***

1. 1. "This matter involves violations by SIG of its basic obligation as a specialist to serve public customer orders over its own proprietary interests. As a specialist firm on each of the Exchanges,<sup>2</sup> SIG had a general duty to match executable public customer or "agency" buy and sell orders and not to fill customer orders through trades from the firm's own account when those customer orders could be matched with other customer orders. From 1999 through 2005 (the "Relevant Period"), SIG violated this obligation by filling orders through proprietary trades rather than through other customer orders, thereby causing customer orders to be disadvantaged by approximately \$6.37 million.

2. 2. By effecting proprietary transactions that were not part of a course of dealings reasonably necessary to maintain a fair and orderly market, SIG violated Section 11(b) of the Exchange Act and Rule 11b-1 thereunder. SIG also violated the following Exchange rules in effect during the Relevant Period: AMEX rules 150(a), 150(b), 155 and 170(d); CBOE rules 8.80 and 8.85; and PHLX rules 1020(c), 1019 and 707."

Source: [<https://www.sec.gov/litigation/admin/2009/34-59506.pdf>](<https://www.sec.gov/litigation/adm>)

**\*\*ADTF\*\***

"Automated Trading Desk LLC, was a pioneer in automated trading since 1988. This firm utilizes HFT and complex algorithm programs to make markets on all U.S. exchanges. The firm is a subsidiary of Citigroup."

I found a lot of info. on Citigroup, but it's hard to trace what goes back to ADTF exactly. Still digging on this one...check back as I focus more on Citigroup.

**\*\*ARCA\*\***

"Archipelago was an ECN developed by TerraNova Trading LLC, that went live on January 20, 1997. In 2001, the Archipelago Exchange (ArcaEx) was launched on U.S. stock exchanges to quickly and efficiently execute stock trading transactions. ArcaEx purchased the Pacific Exchange in 2005. Archipelago Holdings, parent company of ArcaEx, merged with NYSE in April 2006 changed its name to NYSEArca."

**\*\*(Source:\*\* [[investorsunderground.com](http://investorsunderground.com)])(<http://investorsunderground.com/>))\*\***

Terra Nova LLC gave me this violation. Nothing under Archipelago or ArcaEx. I imagine there are many that go unnoticed or intentionally ignored. Again, please take note of the ridiculously small sum of money they pay for not protecting their own investors. Most individual citizens would go to prison or pay far more for this kind of behavior. But if you're a market maker...nothing matters.

Source: [<https://www.goodjobsfirst.org/violation-tracker>](<https://www.goodjobsfirst.org/violation-tracker>)

**\*\*Information Pertaining to Aforementioned Violations:\*\***

**\*\*FINDINGS OF FACT\*\***

"1. The Tennessee Securities Act of 1980, as amended, T.C.A. § 48-2-101, et seq. (the "Act"), places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance ("Commissioner"). The Division is the lawful agent through which the Commissioner discharges this responsibility. T.C.A. § 48-2-115.

2. Terra Nova Trading, LLC ("Terra Nova") (CRD #3771) has been registered with the

Division as a broker-dealer since December 5, 1997. Terra Nova maintains its principal place of business in Chicago, Illinois. Terra Nova maintains an office in the State of Tennessee located at 1801 West End Avenue, Suite 200, Nashville, Tennessee 37203.

3. M.A. Jabbar Malik ("Malik") (CRD #2278456) is a Tennessee resident and employed as the supervisor of Terra Nova's Nashville, Tennessee business location. Malik has been registered with the Division as an agent of Terra Nova since February 17, 1998.

4. Were the Division to pursue the administrative proceeding currently pending against Terra Nova and Malik, evidence would be offered for the purpose of establishing that:

- a. Terra Nova failed to reasonably supervise its agent in the Nashville, Tennessee business location\~ and
- b. Malik lacked training and experience as a supervising agent of a brokerdealer business location.

5. Were the administrative proceeding currently pending against Terra Nova and Malik pursued, Terra Nova and Malik would offer evidence for the purpose of establishing that Terra Nova properly supervised its agent in the Nashville, Tennessee business location and that Malik was a suitable supervising agent of a broker-dealer business location."

The fucking proofreading, am I right?

Anyway, moving on...

**\*\*NITE\*\***

"Knight Capital Group was founded in 1995 and quickly became the largest independent market maker in the U.S. equity markets responsible for up to 17% of all volume on the NYSE and Nasdaq making a market in over 19,000 securities and generating over \$21 billion of daily dollar volume and nearing 4 billion shares traded daily in 2012. Knight also developed the DirectEdge ECN. Knight specialized in making markets in all U.S. equities including small-caps and OTCBB stocks servicing retail customers through TD Ameritrade and Etrade. As an early pioneer in [high frequency trading](<https://www.investorsunderground.com/high-frequency-trading/>), the company suffered a \$440 million single day loss due to an algorithm trading glitch on August 1, 2012. The firm lost \$10 million per minute during the 45-minute fiasco that blasted out 4 million executions on 154 stocks and over 397 million shares of activity. The firm desperately sought financing and strategic options to stay solvent and eventually was acquired by Getco LLC to form KCG Holdings in 2013."

Bear with me on this one, apes, as I had to investigate each individual entity.

Source: [<https://www.goodjobsfirst.org/violation-tracker>](<https://www.goodjobsfirst.org/violation-tracker>)

**\*\*Information Pertaining to Aforementioned Violations:\*\***

**\*Knight Securities/Capital Americas/Financial Products\***

**\*\*\*FOR IMMEDIATE RELEASE\*\***

**\*\*2004-173\*\***

**\*\*Knight Settles and Agrees to Pay \$79 Million in Disgorgement and Penalties\*\***

**\*\*Washington, D.C., Dec. 16, 2004\*\* \-** The Securities and Exchange Commission today announced the settlement of civil fraud charges against Knight Securities, L.P. The Commission issued an Order that found that Knight defrauded its institutional customers by extracting excessive profits out of its customers' orders while failing to meet the firm's duty to provide "best execution" to the institutions that placed those orders. Without admitting or denying the SEC's findings, Knight, now known as Knight Equity Markets, L.P., agreed to pay more than \$41 million in disgorgement of illegal profits, over \$13 million in prejudgment interest and \$12.5 million in civil penalties. Knight will also pay an additional \$12.5 million in fines to settle a parallel NASD proceeding."

Source: [<https://www.sec.gov/news/press/2004-173.htm>](<https://www.sec.gov/news/press/2004-173.htm>)

"On August 1, 2012, Knight Capital Americas LLC ("Knight") experienced a significant error in the operation of its automated routing system for equity orders, known as SMARS. While processing 212 small retail orders that Knight had received from its customers, SMARS routed millions of orders into the market over a 45-minute period, and obtained over 4 million executions in 154 stocks for more than 397 million shares. By the time that Knight stopped sending the orders, Knight had assumed a net long position in 80 stocks of approximately \$3.5 billion and a net short position in 74 stocks of approximately \$3.15 billion. Ultimately, Knight lost over \$460 million from these unwanted positions. The subject of these proceedings is Knight's violation of a Commission rule that requires brokers or dealers to have controls and procedures in place reasonably designed to limit the risks associated with their access to the markets, including the risks associated with automated systems and the possibility of these types of errors."

Source: [<https://www.sec.gov/litigation/admin/2013/34-70694.pdf>](<https://www.sec.gov/litigation/admin/2013/34-70694.pdf>)

"1. This matter involves violations by KFP of its basic obligation as a specialist to serve public customer orders over its own proprietary interests. As a specialist firm on each of the Exchanges,<sup>2</sup> KFP had a general duty to match executable public customer or "agency" buy and sell orders and not to fill customer orders through trades from the firm's own account when those customer orders could be matched with other customer orders. From 1999 through 2004 (the "Relevant Period"), KFP violated this obligation by filling orders through proprietary trades rather than through other customer orders, thereby causing customer orders to be disadvantaged by approximately \$1.7 million.

2. By effecting proprietary transactions that were not part of a course of dealings reasonably necessary to maintain a fair and orderly market, KFP violated Section 11(b) of the Exchange Act and Rule 11b-1 thereunder. KFP also violated the following Exchange rules in effect during the Relevant Period: AMEX rules 150(a), 150(b), 155 and 170(d); CBOE rules 8.80 and 8.85; and PHLX rules 1020(c), 1019 and 707."

Source: [<https://www.sec.gov/litigation/admin/2009/34-59504.pdf>](<https://www.sec.gov/litigation/admin/2009/34-59504.pdf>)

#### "D. Knight's Violations of the Limit Order Display Rule

Between October 1997 and August 1999, certain eligible limit orders were not promptly redisplayed, executed, or re-routed in contravention of the limit order display rule. An examination by the staff of all trading through Knight on the single trading day of May 5, 1999, revealed that Knight failed to redisplay promptly eligible limit orders 6,082 times.[6]([https://www.sec.gov/litigation/admin/34-46226.htm%22%20%5CI%20%22P57\\_7558](https://www.sec.gov/litigation/admin/34-46226.htm%22%20%5CI%20%22P57_7558))

Of the eligible limit orders Knight failed to redisplay promptly on May 5, 1999, 1,350 improved the NBBO. Thus, the NBBO reflected an inferior quote and a wider spread between the bid and the ask. Of the undisplayed limit orders that affected the NBBO, 1,144 were executed or re-displayed within a minute. 146 of the NBBO improving customer limit orders remained in Knight's trading system without display, execution, or re-routing for over a minute. The remaining orders that were not redisplayed promptly on May 5, 1999 did not affect the NBBO.

As described above, the Limit Order Display Rule, Rule 11Ac1-4 in relevant part, requires market makers to display customer limit orders that: (1) are \*priced\* better than the market-maker's quote, or (2) add to the \*size\* of a market maker's quote, unless the market maker immediately executes the limit order or routes it to another market maker or ECN. As described above, by failing to redisplay promptly certain improving limit orders Knight violated the Limit Order Display Rule.

Based on the above, the Commission finds that Knight willfully violated Exchange Act Rule 11Ac1-4."

Source :  
[<https://www.sec.gov/litigation/admin/34-46226.htm>](<https://www.sec.gov/litigation/admin/34-46226.htm>)

\*\*\*DirectEdge ECN\*\*\*\No records found.

\*\*\*Getco LLC\*\*\*\- No records found.

\*\*\*KCG Holdings\*\*\*

\*\*\*"These proceedings arise out of Respondent's failure to seek to obtain best execution of\*\*

\*\*certain customer orders. As a result of such failures, Respondent's representations to its customers that their orders were being handled consistent with best execution requirements were inaccurate."\*\*

Source: [<https://www.sec.gov/litigation/admin/2015/33-9996.pdf>](<https://www.sec.gov/litigation/admin/2015/33-9996.pdf>)

\*\*CDEL\*\*

"Citidel Securities appointed Microsoft COO, B. Kevin Turner as the new CEO on July 7, 2016. The firm is massive global market maker in fixed income and securities. They make markets in over 7,000 U.S. listed securities and 18,000 OTC securities worldwide. The firm is largest options market maker in the U.S. responsible for 25% of all the executions on U.S. equity options and up to 13% of all U.S. [stock trading volume.](<https://www.investorsunderground.com/stock-volume/>) The firm is a subsidiary of parent company Citadel Investment Group, LLC, a private asset manager and hedge fund with over \$25 billion of assets under management (AUM)."

Welp, here we are. We've gotten to Shitadel. They've only made two mistakes in the last twenty years? Imagine that! Are you seeing a pattern yet? No? Go grab a box of crayons and look again!

Source: [<https://www.goodjobsfirst.org/violation-tracker>](<https://www.goodjobsfirst.org/violation-tracker>)

2017- Citadel Securities LLC agreed to pay \$22.6 million to settle charges that its business unit handling retail customer orders from other brokerage firms made misleading statements to them about the way it priced trades.

2018- "According to the SEC's orders, over a period of several years, Citadel Securities LLC, Natixis Securities Americas LLC, and MUFG Securities Americas Inc. each made numerous deficient blue sheet submissions containing inaccurate or missing data; incorrect order execution times that failed to adjust for time zone changes; and incorrect or missing exchange codes, transaction type identifiers, opposing broker number and contra-party identifiers. Citadel, the largest provider of blue sheet data of the firms charged today, submitted incorrect data for nearly 80 million trades while Natixis and MUFG submitted incorrect data for approximately 150,000 trades and 650,000 trades, respectively. These deficiencies largely stemmed from undetected coding errors. None of the firms had adequate processes designed to validate the accuracy of its submissions."

Source:

[<https://www.sec.gov/news/press-release/2018-275>](<https://www.sec.gov/news/press-release/2018-275>)

\*\*Information Pertaining to Aforementioned Violations:\*\*

\*\*EDGA and EDGX\*\*

"Originally founded as Attain ECN in 1998, \*\*Knight Capital Group\*\* purchased the assets and re-launched it as Direct Edge ECN in partnership with \*\*Citadel and Goldman Sachs and ISE\*\*. Direct Edge ECN platforms EDGX provided large rebates for liquidity providers while EDGA offered low-cost fees for liquidity takes. Combined the ECNs grew a 9-12% marketshare of U.S. equities trading volume in 2009 and tied with BATS for the third largest exchange in the United States behind the NYSE and Nasdaq. Direct Edge released On March 12, 2010, The SEC officially approved the conversion of the EDGA and EDGX ECN platforms to become national securities exchanges, which officially launched on July 21, 2010. BATS Global Markets acquired Direct Edge on January 31, 2014."



Oh look, it's our friends Knight Capital, again! Surprise, surprise! And look at the names of their partners! Ain't incest grand??? They probably walk around with their hands in each others' pockets, if you catch my drift. Wink. Wink. Nod. Nod.

Source: [<https://www.goodjobsfirst.org/violation-tracker>](<https://www.goodjobsfirst.org/violation-tracker>)

\*\*\*DirectEdge\*\*\* or Direct Edge ECN\*\*\*\No records found.

\*\*\*BATS\*\*\*\No records found.

Okay, so most of this is pretty accessible and straightforward, right? Yes, to a degree, it seems pretty basic. But it's important to know exactly who is behind the curtain and make sure credit is given where credit is due for the current and previous economic crises. They weasled their slimy, mayonnaise covered market-making selves out from under this for far too long. So, what have we learned, kids?

Well, first, for the most part, nobody pays what they should for their violations. What would potentially result in prison time or huge financial penalties for the average citizen does not shake out the same if you are a market maker living in the bubble of prosperity and power. I mean, that's not really that surprising, right?

Second, there are so few violations listed that it indicates an almost impeccable and flawless performance OVER THE LAST TWENTY YEARS on the part of these market makers, which is simply not plausible by any stretch of the imagination. No way. You couldn't pay me enough to believe that one or two infractions is the extent of their missteps. No fucking way on this planet that's true. I'm retarded, but I'm not stupid.

The last thing I learned that isn't sitting well is the constant changing of hands in some of these situations that I'm sure a lot would claim to be completely normal business transactions, but something about it is uncomfortable. The shell corporations and shadow games are indicative of a deep mistrust we should all have and maintain for the foreseeable future until things start to change) towards these market makers AND the people charged with regulating and investigating them—sorry, not sorry, SEC.

I'm a solutions person, so here's what I think needs to happen. Market making should NEVER be done by those with a vested interest and should instead be done by external not for profit panels of economists who cannot hold securities positions—period. Think Dennis Kelleher and Better Markets type people. People that GENUINELY want us to have the fair market we were promised way back when.

Overall, this is a blip on the proverbial radar, but I've got a problem with the incestual nature of market making. The exclusivity of their little club and how it all centers around personal gain and trading ahead of the markets they create, it's really fucking wrong. Like most everything else big money has done to make this world suck more instead of less because they need more yachts and more real estate and more everything. So, I hope you understand the extent to which they have been allowed to get away with things historically speaking. 2008 NEVER ENDED—it is the infinite money glitch, and the problems started long before that. Things NEED to be different. It's not a choice. It is an ethical imperative.