

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 94830 / May 2, 2022

INVESTMENT ADVISERS ACT OF 1940
Release No. 6011 / May 2, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-20837

In the Matter of

Maplelane Capital LLC,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), against Maplelane Capital LLC (“Maplelane” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934 and Section 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. From November 2016 to June 2021, SEC-registered investment adviser Maplelane caused violations of Rules 200(g) and 203(b) of Regulation SHO. The violations resulted from at least 358 sell orders Maplelane submitted to three executing brokers in the common stock of at least 29 public companies. At various times during which its net aggregate position in the securities of each of these companies was not net long at the time that it submitted sell orders to its executing brokers for execution, Maplelane incorrectly identified short sale orders to its executing brokers as long sale orders. Maplelane's incorrect identification of these sell orders as long sales, instead of short sales, caused Maplelane's executing brokers to violate Regulation SHO Rules 200(g) and 203(b) (Regulation SHO's marking and locate requirements). Based on Maplelane's incorrectly identified orders, Maplelane also committed books and records violations under Section 204 of the Advisers Act and Rules 204-2(a)(3) and 204-2(a)(7)(iii) thereunder by creating inaccurate order tickets and retaining inaccurate trade confirmations. Further, Maplelane violated Advisers Act Section 206(4) and Rule 206-4(7) thereunder by failing to implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and its rules.

Respondent

2. Maplelane is organized in Delaware and based in New York, New York. Maplelane has been registered with the Commission as an investment adviser since March 30, 2012. Maplelane is the investment manager to two private funds, Maplelane Master Fund Ltd. and NRMA LLC. Maplelane employs 20 people. According to its Form ADV filed in July 2021, Maplelane had regulatory assets under management of approximately \$5.6 billion.

Background

A. Maplelane Caused Regulation SHO Violations

3. From at least November 2016 to June 2021 (the "Relevant Period"), Maplelane misidentified 358 short sale orders as long sale orders. In each instance, Maplelane's net aggregate position in the relevant common stock was net flat (consisting of equal sized long and short positions) or net short at the time that Maplelane submitted such sell order to its executing broker.

4. Rule 200(g) of Regulation SHO requires a broker or dealer to mark orders in all equity securities "long," "short," or "short exempt." The broker or dealer may mark the sell order "long" only if the seller (1) is deemed to own the security being sold pursuant to Rule 200(a) through (f), and (2) the broker or dealer either has possession or control of the security to be delivered or it is reasonably expected that the security will be in the physical possession or control of the broker or dealer no later than the settlement of the transaction. Rule 200(c) provides that a

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

person shall be deemed to own a security only to the extent that he has a net long position in such security.

5. Under Regulation SHO Rule 200(g), these 358 misidentified sale orders should have been identified by Maplelane to its executing brokers as short sales because Maplelane had a net flat or net short position in the relevant security at the time that Maplelane submitted the relevant sell order to its executing broker.

6. For instance, from November 18, 2016 to March 9, 2021, Maplelane sold short Issuer A common stock in 21 trades, misidentifying each of these trades as long sales on trade orders to Maplelane's executing brokers. One of these misidentified trade orders were when the common stock of Issuer A was undergoing high market volatility in early 2021.

7. Similarly, for instance, from September 26, 2019 to January 25, 2021, Maplelane sold short Issuer B common stock in ten trades, misidentifying each of these trades as long sales on trade orders to Maplelane's executing brokers. One of these misidentified trade orders was when the common stock of Issuer B was undergoing high market volatility in early 2021.

8. Similarly, from May 31, 2021 to June 29, 2021, Maplelane sold short Issuer C common stock in sixteen trades, misidentifying each of these trades as long sales on trade orders to Maplelane's executing brokers. Each of these misidentified trade orders was when the common stock of Issuer C was undergoing high market volatility in 2021.

9. Based on information from Maplelane, its executing brokers then mismarked these sell orders as long, not as short, in trade confirmations and on their trade blotters.

10. Regulation SHO Rule 203(b)(1) provides that a broker or dealer may not accept a short sale order in an equity security from another person or effect a short sale in an equity security for its own account unless the broker or dealer has borrowed the security, entered into a bona fide arrangement to borrow the security, or has "reasonable grounds" to believe the security can be borrowed so that it can be delivered on the delivery date. This is generally referred to as the "locate" requirement. Rule 203(b)(1) also requires the broker or dealer to document its compliance with the "locate" requirement. To document compliance with the obligations under Regulation SHO, brokers or dealers typically create and maintain a "locate log" that documents the basis for each locate provided.

11. Maplelane misidentified 358 short sale orders as long sale orders. In each instance, Maplelane simultaneously held long and short positions of the relevant security (for each of these short positions, Maplelane borrowed the relevant security and paid borrow fees until the short position was closed), but had a net flat or net short position in such security at the time that it submitted the relevant sell order to its executing broker. As a result, the 358 sell orders should have been submitted as short sale orders as required by Rule 200 of Regulation SHO. Because Maplelane misidentified these 358 sale orders to its executing brokers as long sales, the executing brokers did not perform locates or document compliance with the locate requirement of Regulation SHO.

12. As a result of the conduct described above, Maplelane caused its executing brokers to violate Regulation SHO Rule 200(g) which identifies the circumstances when a broker or dealer may mark a sell order "long," and Rule 203(b)(1) which prohibits a broker or dealer from

accepting a short sale order in an equity security from another person or effecting a short sale in an equity security for its own account unless the broker or dealer satisfies the locate requirement and documents compliance with the locate requirement of Regulation SHO. Scienter is not required to cause a violation of either of these rules.

B. Maplelane's Books and Records Violations

13. Maplelane also committed violations of the Advisers Act by failing to make and keep true and accurate order memoranda sent by such investment adviser relating to the placing or execution of any order to sell any security. Maplelane's books and records reflected the orders as they were, in fact, submitted to the executing brokers. However, for each of the misidentified short sale orders in the common stock of each of the at least 29 issuers, Maplelane failed to make and keep accurate order memoranda that reflected that each such order was a short sale and not a long sale order.

14. As a result, Maplelane violated Section 204 of the Advisers Act and Rules 204-2(a)(3) and 204-2(a)(7)(iii) thereunder, which require registered investment advisers to make and keep true, accurate and current order memoranda for the purchase and sale of any security on behalf of a client, as well as originals of all written communications received by Maplelane regarding the execution of a securities transaction, by failing to make accurate order tickets and by maintaining inaccurate trade confirmations that it received from its executing brokers. Maplelane's order tickets and the trade confirmations inaccurately reflected the short sale orders as long sale orders. Accordingly, Maplelane violated Section 204 of the Advisers Act and Rules 204-2(a)(3) and 204-2(a)(7)(iii) thereunder.

C. Maplelane's Policies and Procedures Violations

15. Maplelane violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder by failing to implement its policies and procedures regarding recordkeeping required by Section 204 of the Advisers Act and Rules 204-2(a)(3) and 204-2(a)(7)(iii) thereunder. Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder require a registered investment adviser to, among other things, "[a]dopt and implement written policies and procedures reasonably designed to prevent violation" of the Advisers Act and its rules. Maplelane failed to implement its policies and procedures concerning the creation and maintenance of accurate books and records, leading to violations of Section 204 of the Advisers Act and Rules 204-2(a)(3) and 204-2(a)(7)(iii) thereunder.

Disgorgement and Civil Penalties

16. The disgorgement and prejudgment interest ordered in paragraph IV.B. is consistent with equitable principles, does not exceed Respondent's net profits from its violations, and returning the money to Respondent would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.B. shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

Maplelane's Remedial Efforts

17. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Maplelane's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act and Section 203(k) of the Advisers Act, Respondent Maplelane cease and desist from committing or causing any violations and any future violations of Regulation SHO Rules 200(g) and 203(b) and Sections 204 and 206(4) of the Advisers Act and Rules 204-2(a)(3), 204-2(a)(7)(iii), and 206(4)-7 thereunder.

B. Respondent shall, within 21 days of the entry of this Order, pay disgorgement of \$554,721, prejudgment interest of \$19,320, and a civil money penalty in the amount of \$250,000, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of the disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of the civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Maplelane as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Glenn S. Gordon, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 801 Brickell Avenue, Suite 1950, Miami, FL 33131.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary