

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 10924 / February 2, 2021**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-20216**

**In the Matter of**

**LIGHTSPEED TRADING,  
LLC**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-  
DESIST PROCEEDINGS, PURSUANT TO  
8A OF THE SECURITIES ACT OF 1933,  
MAKING FINDINGS, AND IMPOSING A  
CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) against Lightspeed Trading, LLC (“Respondent” or “Lightspeed”).

**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 8A of the Securities Act of 1933, Making Findings, and a Cease-and-Desist Order (“Order”), as set forth below.

**III.**

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that:

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<sup>1</sup> 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.

## Summary

These proceedings arise from the misrepresentations and omissions that, Lightspeed Trading, LLC, an introducing broker, made to its customers about how it would direct their orders to trade equity securities and the fees it would charge for executing such orders (“market center fees”). Lightspeed told its customers they could direct their orders to the trading venues of their choice and they would be charged the market center fees that Lightspeed incurred in executing their orders.

In reality, Lightspeed disregarded many of its customers’ directions and instead sent those orders to an affiliated broker-dealer (the “Routing Broker”), which routed the customer orders for execution and generally charged Lightspeed no or low market center fees. Lightspeed failed to disclose the Routing Broker’s involvement and never disclosed to its customers that it routed their orders in contravention of their directions. Despite misdirecting its customers’ orders, Lightspeed still charged its customers the fees for the market centers that they had selected, even though Lightspeed incurred lower fees or no fees at all. As a result, from December 2015 through July 2016, Lightspeed received more than \$300,000 from overcharging its customers in connection with the offer and sale of securities. Lightspeed’s misconduct violated Section 17(a)(2) and 17(a)(3) of the Securities Act.

## Respondent

1. **Lightspeed Trading, LLC** was a New York limited-liability company headquartered in New York, New York. Lightspeed was a wholly-owned subsidiary of Professional Trading Solutions, Inc. Lightspeed was a registered broker-dealer until it filed a Form BDW to withdraw its registration, which went effective in July 2018. On or about December 13, 2018, Lightspeed was dissolved under New York law and is no longer an active entity. During the relevant period, Lightspeed acted as an introducing broker and offered its customers various trading software applications or “trading platforms” through which active retail and institutional customers could place orders to trade equities and options.

## Other Relevant Entity

2. **Routing Broker** was a Delaware limited-liability company headquartered in Boston, Massachusetts. Routing Broker routed orders to buy or sell equities from other brokers to exchanges, trading venues, or market makers for execution. When formed, Routing Broker was affiliated with Lightspeed. Lightspeed’s parent company owned interests in Routing Broker’s parent holding company. Beginning in late 2012, Routing Broker provided order routing services to Lightspeed. Lightspeed ceased sending orders to trade equities to Routing Broker in 2016. Routing Broker was a registered broker-dealer until it filed a Form BDW to withdraw its registration, which went effective in October 2020.

## Facts

3. As of 2012, Lightspeed offered customers “Lightspeed Trader,” a trading platform through which investors could trade equity securities. Lightspeed advertised that it charged its customers a commission on each trade and passed through other fees, such as “market center” fees, to its customers on a per share basis. A market center fee was a fee charged to Lightspeed by an exchange, trading venue, or broker to execute a trade order.

4. Lightspeed sought active traders, including day traders, as customers. To attract traders, Lightspeed offered real-time quote feeds from all the major exchanges on Lightspeed Trader. Lightspeed also displayed the available liquidity at each exchange on Lightspeed Trader.

5. Lightspeed also offered customers who used its Lightspeed Trader platform the ability to select the exchange or trading venue to which their orders would be sent for execution. Lightspeed represented to its customers that they could access the liquidity displayed at a specific exchange to receive the best fill for their orders. Lightspeed created a drop down menu on the Lightspeed Trader platform for customers to specifically direct Lightspeed to route their orders to a particular exchange or trading venue, including, but not limited to, NYSE Arca (“ARCA”), NASDAQ, and EDGX.

6. Lightspeed heavily marketed this option, which it referred to as “direct market access” or “DMA.” It represented that its customers could “direct your order to the destination of your choice.” Lightspeed promoted the benefits of direct market access and advertised direct market access as a distinguishing and material feature of its Lightspeed Trader platform.

7. On its website, Lightspeed stated that direct market access allowed its customers to “choose to route your orders to exchanges which have lower market center fees or in some cases no market center fees at all.”

8. On its “Lightspeed Trader Pricing” webpage, Lightspeed explained that if a customer directed a market order to buy 500 shares of Apple stock to NASDAQ, the customer’s cost “will have two components.” The customer’s total cost would be \$3.75: “[t]his charge is made up of the \$2.25 commission paid to Lightspeed plus the \$1.50 market center fee charged by NASDAQ for taking liquidity.”

9. On its pricing webpage, Lightspeed listed the market center fees for all of the exchanges, venues, and routing destinations that it offered through the Lightspeed Trader platform. Lightspeed stated:

“As you can see, Lightspeed gives you full control over your order routing and the associated execution costs. Keep up to date with current routing fees charged by the exchanges to help you make the best decision about where to send your orders. Minimizing your execution costs = Keeping more of your profits.”

10. Customers used the drop down menu on Lightspeed Trader to direct their orders to specific venues for various reasons, including execution cost, liquidity, and price.

### **Lightspeed Changed Its Routing Practices to Monetize its Order Flow**

11. By January 2012, Lightspeed had decided to change its business model and profit from its order flow. Lightspeed sought to route orders to brokers or trading venues that would either compensate Lightspeed for its customers' orders or reduce Lightspeed's trading costs.

12. In early 2012, Lightspeed's parent company entered into a joint venture with a hedge fund to create a routing broker to monetize its order flow. Routing Broker was formed from a registered broker-dealer Lightspeed's parent no longer utilized. Lightspeed intended to make money by sending its customer orders to the new Routing Broker, which would charge either no market center fees or lower fees than the venues to which Lightspeed's customers could direct their orders using Lightspeed Trader.

13. In 2013, Lightspeed started sending to Routing Broker a significant number of equity orders that customers had placed using its Lightspeed Trader platform. But Lightspeed did so in contravention of its customers' express directions. Lightspeed never listed Routing Broker on its dropdown menu as a trade destination or route. Routing Broker was not an option on Lightspeed Trader, so customers could not select Routing Broker or direct their trades to Routing Broker.

14. To send orders to Routing Broker, Lightspeed treated directed orders as non-directed orders. Lightspeed re-engineered its software protocols so that when a customer in Lightspeed Trader directed an order to NASDAQ, ARCA, or EDGX, Lightspeed redirected the order to Routing Broker. Routing Broker then executed the orders at whatever venue was most advantageous to Routing Broker.

15. At the peak, Lightspeed redirected to Routing Broker more than 10% of the total National Market System ("NMS") orders it received across all of its trading platforms.

### **Lightspeed Failed to Disclose to Customers it Directed Their Orders to Routing Broker**

16. Lightspeed never informed its customers it overrode their routing instructions and sent their orders to Routing Broker. It never informed its customers that their orders were not sent to NASDAQ, ARCA, or EDGX as they had directed. Instead, Lightspeed continued to represent that Lightspeed offered them "direct market access" and customers had "full control over your order routing."

17. Lightspeed failed to disclose to customers the involvement of Routing Broker. Consequently, Lightspeed continued to charge its customers the market center fees charged by NASDAQ, ARCA, and EDGX on trades sent to Routing Broker, which charged less. Routing broker charged Lightspeed either nothing or \$0.0019 per share for marketable trade orders of NMS stocks. In contrast, NASDAQ, ARCA, and EDGX typically charged Lightspeed \$0.0030 per share

to execute marketable orders on their respective exchanges. When Lightspeed routed an order to Routing Broker and charged its customers the fee listed by NASDAQ, ARCA, or EDGX, Lightspeed profited by the difference in fee amounts, which typically ranged from \$0.0011 to \$0.0030 per share.

18. From December 2015 through the third quarter of July 2016, Routing Broker filled on behalf of Lightspeed's customers more than 900,000 trade orders involving more than 650 million shares of NMS stocks. During this period, Lightspeed misdirected orders from more than 500 customers and improperly overcharged those customers more than \$300,000 in market center fees on orders improperly routed to Routing Broker.

19. Despite sending millions of customer orders entered through Lightspeed Trader to Routing Broker in contravention of its customers' directions, Lightspeed never updated the representations on its website about providing direct market access and passing through market center fees from the exchanges to its customers. Lightspeed continued to misrepresent on its website that it: (1) provided customers with "direct market access" to NASDAQ, ARCA, and EDGX; and (2) charged customers the market center fees it had incurred when its customers' chose NASDAQ, ARCA, or EDGX.

20. Throughout the relevant period, Lightspeed also incorporated the false statements from its website into other marketing materials, such as live webinars conducted by Lightspeed's sales employees and subsequently posted on the internet. The webinars repeated the outdated statements that Lightspeed offered direct market access, customers determined where to route their orders, and Lightspeed disclosed exactly what it paid to fill its customers' orders.

21. Throughout the relevant period, Lightspeed also communicated directly with customers and potential customers via email. In emails to customers and potential customers, Lightspeed again failed to conform its statements to its actual practice. Lightspeed misled recipients by stating that the Lightspeed Trader platform provides "direct market access routing." Lightspeed also misled recipients by including links to its pricing web page, which contained false representations about the basis for market center fees Lightspeed charged its customers.

22. As a result of its misconduct, Lightspeed received approximately \$306,040 in ill-gotten gains representing the amount of market center fees it overcharged its customers for orders sent to Routing Broker. This amount equals the difference between the higher "market center fees" that Lightspeed improperly charged its customers for trades that it misdirected to the Routing Broker and the lower fees that Lightspeed actually incurred by sending the orders to the Routing Broker.

### **Violations**

23. As a result of the conduct described above, Lightspeed violated Section 17(a)(2) and (3) of the Securities Act which prohibits fraudulent conduct in the offer and sale of securities.

## Disgorgement and Civil Penalties

24. 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 is awarded for the benefit of and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to paragraph IV.B. in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

25. Respondent has submitted a sworn Statement of Financial Condition signed September 3, 2020 and other evidence and has asserted its inability to pay full disgorgement, prejudgment interest, and a civil penalty.

### IV.

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

Accordingly, pursuant to Section 8A of the Securities Act, it is hereby ORDERED that:

A. Respondent Lightspeed cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) or 17(a)(3) of the Securities Act.

B. Lightspeed shall, within thirty days of the entry of this Order, pay disgorgement of \$306,400 and prejudgment interest of \$67,026.14 to the Securities and Exchange Commission, but payment of such amount except \$100,000 is waived based upon Respondent's sworn representations in its Statement of Financial Condition signed September 3, 2020 and other documents submitted to the Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

C. Based upon Lightspeed's sworn representations in its Statement of Financial Condition signed September 3, 2020 and other documents submitted to the Commission, the Commission is not imposing a penalty against Respondent.

D. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; (2) seek an order directing payment of disgorgement and pre-judgment interest; and (3) seek an order directing payment of the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in

this Order; (2) assert that payment of disgorgement, interest, or a penalty should not be ordered; (3) contest the amount of disgorgement and interest to be ordered or the imposition of the maximum penalty allowable under the law; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

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 Lightspeed 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 Joseph G. Sansone, Chief, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 200 Vesey Street, Suite 400, New York, NY 10281.

By the Commission.

Vanessa A. Countryman  
Secretary