

**THE NASDAQ STOCK MARKET LLC  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2020.01.0095**

TO: The Nasdaq Stock Market LLC  
Nasdaq Enforcement Department

RE: Paulson Investment Company LLC, Respondent  
Member Firm  
CRD No. 5670

Pursuant to Rule 9216 of The Nasdaq Stock Market LLC (“Nasdaq” or the “Exchange”) Code of Procedure, Paulson Investment Company LLC (the “Firm,” “PAUL,” or “Respondent”) submits this Letter of Acceptance, Waiver and Consent (“AWC”) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, Nasdaq will not bring any future actions against the Respondent 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

**BACKGROUND AND RELEVANT DISCIPLINARY HISTORY**

PAUL is headquartered in Chicago, Illinois, employs approximately 60 registered representatives, and has nine branch offices. PAUL has been a Nasdaq member since May 3, 2018, and its membership is still in effect. The Firm has no relevant disciplinary history.

**SUMMARY**

During the period July 1, 2019 through March 31, 2020 (the “Review Period”), the Firm violated Nasdaq Rule 4613(a), Nasdaq Rules 3010 and 2010A (for conduct before December 6, 2019), and Nasdaq Rules General 9, Section 20 and General 9, Section 1(a) (for conduct on or after December 6, 2019), as set forth below.<sup>1</sup>

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<sup>1</sup> Effective December 6, 2019, Nasdaq Rule 3010 (now, General 9, Section 20) and Rule 2010A (now, General 9, Section 1(a)) were respectively renumbered and relocated under the General 9 title (“Regulation”) in the Nasdaq rulebook. See Securities Exchange Act Release No. 34-87778 (December 17, 2019), 84 FR 70590 (December 23, 2019) (SR-NASDAQ-2019-098).

## FACTS AND VIOLATIVE CONDUCT

### Market Maker Quoting Obligations

1. Pursuant to Nasdaq Rule 4613(a), for each National Market System (“NMS”) security in which a Nasdaq member is registered as a market maker, the member is required to maintain a continuous two-sided trading interest, during regular market hours, at prices within certain parameters expressed as a percentage referenced from the National Best Bid or Offer (“NBBO”).
2. During the Review Period, the Firm in 67 instances<sup>2</sup> failed to maintain a continuous two-sided trading interest during regular market hours at prices within certain percentages away from the NBBO. In all 67 instances, the Firm failed to maintain a quote for the entire market hours. The violations occurred because the Firm failed to take a necessary step when it was adding new securities to its vendor’s market maker peg order quoting product. The Firm’s failure to take this step resulted in the vendor not maintaining quotes by the Firm in the securities in which it was registered as a market maker. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4613(a).

### Supervision

3. Nasdaq Rule 3010(a) provides, “Each member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules.” Effective December 6, 2019, Nasdaq Rule 3010(a) was relocated to General 9, Section 20.
4. Nasdaq Rule 2010A provides, “A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.” Effective December 6, 2019, Nasdaq Rule 2010A was relocated to General 9, Section 1(a).
5. During the Review Period, the Firm’s supervisory system was not reasonably designed to achieve compliance with Nasdaq quoting obligations. Specifically, the Firm’s written supervisory procedures did not sufficiently describe the supervisory steps and reviews to be taken by the appropriate supervisor. In addition, the Firm used a deficient report to conduct its supervisory reviews and therefore did not identify or self-detect the Firm’s violations of Nasdaq Rule 4613.<sup>3</sup> The conduct described in this paragraph constitutes a violation of Nasdaq Rules 2010A and 3010 (before December 6, 2019), and Nasdaq Rules General 9, Section 20 and General 9, Section 1(a) (on or after December 6, 2019).

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

1. A censure;
2. A fine in the amount of \$17,500 (comprised of \$10,000 for the violations of Nasdaq

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<sup>2</sup> This is the number of validated violations based on a sample.

<sup>3</sup> Subsequent to the Review Period, the Firm updated its supervisory systems, including implementing a daily review for securities in which the Firm is registered as a market maker but is not issuing quotes. Therefore, the Nasdaq Enforcement Department is not recommending an undertaking.

Rule 4613(a) and \$7,500 for the violations of Nasdaq Rules 2010A, 3010, General 9, Section 20 and General 9, Section 1(a)).

Respondent agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by Nasdaq Enforcement Department staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under Nasdaq's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal Complaint 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 the Nasdaq Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

**III.**  
**OTHER MATTERS**

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the Nasdaq Enforcement Department and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs (“ODA”), pursuant to Nasdaq Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Respondent; and
- C. If accepted:
  - 1. This AWC will become part of the Respondent’s permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the Respondent;
  - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
  - 3. Respondent 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 AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent’s right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by Nasdaq, nor does it reflect the views of Nasdaq 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 AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to the AWC'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.

Paulson Investment Company LLC  
Respondent

By:  \_\_\_\_\_

Print Name: Trent Davis

Title: CEO

11/23/2020  
Date

Accepted by Nasdaq:

12/2/2020  
Date

Signed on behalf of the  
Director of ODA, by delegated authority



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Joanne Pedone  
Senior Enforcement Counsel  
Nasdaq Enforcement Department

Signed on behalf of Nasdaq, by delegated  
authority from the Director of ODA