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FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2017056224801

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: tastytrade, Inc. (Respondent)
Member Firm
CRD No. 277027

Pursuant to FINRA Rule 9216, Respondent tastytrade, Inc. 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, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

tastytrade has been a FINRA member since March 2016. In February 2023, the firm changed its name from tastyworks, Inc. to tastytrade, Inc. Headquartered in Chicago, Illinois, the firm employs over 80 registered representatives in its one office. tastytrade provides brokerage and trading, execution, and, through an unaffiliated clearing broker, clearing services to self-directed retail customers through its app and website portal.[1]

OVERVIEW

From January 2020 to January 2023, tastytrade failed to conduct reasonable regular and rigorous reviews to ensure its customers' equities orders obtained best execution. During this period, the firm routed all customer equity orders exclusively to five market makers that paid for order flow. However, the firm failed to compare the execution quality of its routing arrangements to the execution quality available from competing markets to which it did not route orders. Additionally, the firm failed to review all relevant execution quality factors, including price disimprovement, and failed to review orders on a type-of order basis. As a result, tastytrade violated FINRA Rules 5310(a), 5310 Supplemental Material .09 (Rule 5310.09), and 2010.

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[1] For more information about the firm, visit BrokerCheck® at www.finra.org/brokercheck

During this same period, tastytrade violated FINRA Rules 3110 and 2010 by failing to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with its best execution obligations.

For these violations, tastytrade is censured and fined $850,000.

FACTS AND VIOLATIVE CONDUCT

tastytrade failed to conduct reasonable regular and rigorous reviews of its customers' equities orders as required by FINRA Rule 5310.09.

Broker-dealers have a longstanding and fundamental obligation to seek "best execution" of their customers' orders—that is, to seek the most favorable terms for their customers' orders that are reasonably available under the circumstances.

FINRA codified this best execution obligation in FINRA Rule 5310 and its Supplementary Material. FINRA Rule 5310(a)(1) provides that, "[i]n any transaction for or with a customer or a customer of another broker-dealer, a member . . . shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions." FINRA Rule 5310(a)(1) identifies certain factors to consider in determining whether a member has used reasonable diligence, including (1) the character of the market for the security (*e.g.*, price, volatility, relative liquidity, and pressure on available communications); (2) the size and type of transaction; (3) the number of markets checked, (4) accessibility of the quotation; and (5) the terms and conditions of the order which result in the transaction, as communicated to the member and persons associated with the member. Under FINRA Rule 5310.09(a), if a member does not conduct an "order-by-order" review of execution quality, it must conduct "regular and rigorous" reviews of the execution quality of customer orders. The review must be conducted on a security-by-security, type-of-order basis (*e.g.*, limit order, market order, and market on open order).

FINRA Rule 5310.09(a) requires that, at a minimum, the member conduct regular and rigorous reviews on a quarterly basis and that firms consider whether, based on their business, more frequent reviews are needed. FINRA Rule 5310.09(b) provides that, "[i]n conducting its regular and rigorous review, a member must determine whether any material differences in execution quality exist among the markets trading the security and, if so, modify the member's routing arrangements or justify why it is not modifying its routing arrangements." Each member must "compare, among other things, the quality of the executions the member is obtaining via current order routing and execution arrangements . . . to the quality of the executions that the member could obtain from competing markets."

FINRA Rule 5310.09(b) identifies certain factors that should be considered in reviewing and comparing the execution quality of the member's current order routing and execution arrangements to the execution quality of competing markets, including: (1) price

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improvement (i.e., the difference between the execution price and the best quotes prevailing at the time the order is received by the market); (2) differences in price disimprovement (i.e., situations in which a customer receives a worse price at execution than the best quotes prevailing at the time the order is received by the market); (3) the likelihood of execution of limit orders; (4) the speed of execution; (5) the size of execution; (6) transaction costs; (7) customer needs and expectations; and (8) the existence of internalization or payment for order flow arrangements.

A violation of FINRA Rule 5310 also constitutes a violation of FINRA Rule 2010, which requires a member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.

From January 2020 to January 2023, tastytrade relied on a smart order router to direct all customer equity orders exclusively to five market makers, all of which paid the firm for the order flow. Between 2020 and 2022, tastytrade routed over 8.8 million equity orders totaling over 1.7 billion executed shares.

tastytrade's reviews of customer execution quality failed to meet the reasonable diligence standard of FINRA Rule 5310(a) and the regular and rigorous review requirement of FINRA Rule 5310.09.

During the relevant period, tastytrade's best execution committee met on a quarterly basis to review the firm's order routing practices and the execution quality of customer orders. However, the committee only reviewed the execution quality received from the five market makers to which the firm routed customer orders. The firm did not review data on the execution quality available at competing market centers to which tastytrade did not already route its order flow.

Additionally, in reviewing the execution quality provided by its existing routing venues, the firm's best execution committee reviewed the firm's equities execution quality using a report that included certain execution quality factors specified under the FINRA Rule 5310.09, such as price improvement, fill rates, and speed of execution. However, the review included only aggregate data for total shares routed to each of the five market makers. The firm did not review all relevant execution quality factors, including price disimprovement, and failed to review orders on a type-of-order basis, including by failing to differentiate marketable from non-marketable orders.

By failing to conduct reasonable regular and rigorous reviews of execution quality for customers' equities orders, tastytrade violated FINRA Rules 5310(a), 5310.09, and 2010.

tastytrade's supervisory system was not reasonably designed to achieve compliance with its best execution obligations.

FINRA Rule 3110(a) requires each member to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and applicable FINRA rules.

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FINRA Rule 3110(b) requires each member to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

From January 2020 to January 2023, tastytrade failed to establish and maintain a supervisory system, including WSPs, reasonably designed to comply with its best execution obligations. The firm relied upon the reviews of its best execution committee as its supervisory system for compliance with its best execution obligations. However, as described above, those reviews failed to consider whether the firm could have obtained better execution quality from competing markets and failed to reasonably consider all relevant aspects of the execution quality provided by the firm's existing routing arrangements. In addition, tastytrade's WSPs lacked procedures for comparing the execution quality available at competing markets and reviewing orders on a type-of-order basis.

The firm improved its supervisory systems, including its WSPs, in January 2023.

By failing to establish and maintain a supervisory system reasonably designed to comply with its best execution obligations, tastytrade violated FINRA Rules 3110 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and
- a $850,000 fine.

Respondent agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

The sanctions imposed in this AWC shall become effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

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

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A. To have a complaint issued specifying the allegations against it;

B. To be notified of the 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 National Adjudicatory Council (NAC) 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 prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, 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.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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 NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

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3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and

4. 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 FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

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 FINRA, nor does it reflect the views of FINRA.

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The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

June 26, 2026
Date

tastytrade, Inc.
Respondent

Print Name: Joseph Corso

Title: Head of Brokerage and President

Reviewed by:

Susan Schroeder, Esq.

Susan Schroeder, Esq.
Counsel for Respondent
WilmerHale
7 World Trade Center
250 Greenwich Street
New York, NY 10007

Accepted by FINRA:

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

July 21, 2026
Date

Luis A. Prieto
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Barred in DC and MD
FINRA
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