BEFORE THE BUSINESS CONDUCT COMMITTEE
OF THE
CBOE EXCHANGE, INC.

In the Matter of:	
Lek Securities Corporation 1 Liberty Plaza, 165 Broadway 52nd Floor New York, NY 10006	
and	File No. USRI-8671 STAR No. 20120336673-04
Samuel Frederik Lek 212 East 61st Street New York, NY 10065	
Subjects	

DECISION ACCEPTING LETTER OF CONSENT

This proceeding was instituted by the Business Conduct Committee (the "Committee") of the Cboe Exchange, Inc. (the "Exchange") as a result of an investigation by the staff of the Exchange. In order to resolve this matter, the Subjects, Lek Securities Corporation and Samuel Frederik Lek have submitted a Letter of Consent. Such Letter of Consent was submitted solely for the purposes of this proceeding without admitting or denying that a violation of Exchange Rules and/or the Exchange Act has been committed. With due regard to the stipulated facts and findings and the proposed sanction contained therein, the Committee believes it is appropriate to accept the Letter of Consent for File No. USRI-8671 (STAR No. 20120336673-04) which is attached to and made a part of this Decision.

SO ORDERED
FOR THE COMMITTEE

Dated: 11-13-19

By: [redacted]
Richard Bruder
Chairman
Business Conduct Committee

BEFORE THE BUSINESS CONDUCT COMMITTEE
OF THE
CBOE EXCHANGE, INC.

STAR No. 20120336673-04
File No. USRI-8671

In the Matter of:

Lek Securities Corporation
1 Liberty Plaza, 165 Broadway, 52nd Floor,
New York, NY 10006

and

Samuel Frederik Lek
212 East 61st Street
New York, NY 10065,

Subjects

LETTER OF CONSENT

In order to resolve these proceedings pursuant to Cboe Exchange, Inc. ("Cboe" or the "Exchange") Rule 17.3 – Expedited Proceedings, the Subjects, Lek Securities Corporation ("LSCI" or the "Firm") and its former CEO, Samuel Frederik Lek ("Lek"), hereby submit this Letter of Consent in the above captioned matter. Only for purposes of this proceeding, and without admitting or denying that a violation of Cboe Rules and/or the Securities Exchange Act of 1934, as amended ("Exchange Act") has been committed, the Subjects consent to the Stipulation of Facts and Findings and Sanction set forth below.

Stipulation of Facts and Findings

BACKGROUND

1. During the period between August 1, 2012 and June 30, 2015 (the "Review Period"), LSCI was a Delaware corporation headquartered in New York, NY, and was registered with FINRA. LSCI operated as an independent order-execution and clearing firm providing customers direct market access to numerous exchanges. LSCI is a member of the Cboe, FINRA, and the following exchanges relevant to this Letter of Consent: The NASDAQ Stock Market LLC ("Nasdaq"); NASDAQ BX, Inc. ("BX"); NASDAQ PHLX LLC ("PHLX"); NYSE LLC ("NYSE"); NYSE Arca, Inc. ("NYSE Arca"); NYSE American LLC ("NYSE American"); Cboe BZX Exchange, Inc. ("BZX"); Cboe BYX Exchange, Inc. ("BYX"); Cboe EDGX

Exchange, Inc. ("EDGX"); Cboe EDGA Exchange, Inc. ("EDGA"); and International Securities Exchange, LLC ("ISE"). Cboe has jurisdiction over LSCI because it is currently registered as a Trading Permit Holder of the Cboe and it committed the misconduct at issue while a Trading Permit Holder.

2. Lek has been employed in the securities industry since August 1986, and founded the Firm in January 1990. At all times during the relevant period, Lek was the owner, CEO, and Chief Compliance Officer ("CCO") of LSCI. Cboe has jurisdiction over Lek because he was associated with LSCI, a Trading Permit Holder of Cboe, and committed the misconduct at issue while registered with LSCI.

3. FINRA's Department of Market Regulation, on behalf of Cboe, conducted an investigation of LSCI and its Chief Executive Officer ("CEO"), Lek, who are in the business of providing direct market access to multiple exchanges, including Cboe.

4. Between August 1, 2012 and June 30, 2015, LSCI and Lek provided direct market access to non-registered options market participants to multiple market centers, including Cboe. While providing such access, LSCI and Lek aided and abetted manipulative options trading by "Avalon," a customer of the Firm whose account was known as "the Avalon account."

5. Additionally, LSCI committed, and Lek caused, violations of Rule 15c3-5 (or the "Market Access Rule") promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and LSCI and Lek committed supervisory violations. In addition, both LSCI and Lek failed to observe just and equitable principles of trade. These violations also occurred on numerous exchanges, including Cboe.

6. Taken together, the various violations demonstrate that LSCI and Lek knowingly or with extreme recklessness aided and abetted the misconduct occurring in the Avalon account throughout the Review Period. LSCI and Lek committed these violations because the Avalon account brought in sufficient business to the Firm to make it profitable, notwithstanding numerous red flags and ongoing investigations into the activity by FINRA, the Securities and Exchange Commission ("SEC"), Cboe and other exchanges.

VIOLATIVE CONDUCT

7. During the relevant period, the following Cboe Rules were in full force and effect: 4.1 – Just and Equitable Principles of Trade, 4.2 – Adherence to Law, and 4.24 – Supervision. Further, during all relevant periods herein, Exchange Act Rule 15c3-5 – Risk Management Controls for Brokers or Dealers with Market Access, was in full force and effect.

8. During the relevant period, Cboe Rule 4.1 stated, in relevant part that "[n]o Trading Permit Holder shall engage in acts or practices inconsistent with just and equitable principles of trade."

9. During the relevant period, Cboe Rule 4.2 stated, in relevant part, that "[n]o Trading Permit Holder shall engage in conduct in violation of the [Securities Exchange Act of 1934, as amended, or] the rules or regulations thereunder ... Every Trading Permit Holder shall so supervise persons associated with the Trading Permit Holder as to assure compliance therewith."

10. During the relevant period, Cboe Rule 4.24 provided that each Trading Permit Holder shall establish, maintain and enforce written procedures, and a system for applying such procedures, to supervise the types of business in which the Trading Permit Holder engages and to supervise the activities of all associated persons and to assure their compliance with applicable securities laws and regulations, and with Exchange Rules.[1]

11. During the relevant period, Cboe Rule 4.24 provided that each Cboe Trading Permit Holder was required to designate a general partner or principal executive officer to assume overall authority and responsibility for internal supervision and control of the organization and compliance with applicable securities laws and regulations, and with applicable Exchange Rules.

12. During the relevant period, Exchange Act Rule 15c3-5(b) required, among other things, a broker-dealer with market access, as defined by that rule, to "establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks" of its market access activity and to preserve a copy of such supervisory procedures and a written description of its risk management controls as part of its books and records.[2]

13. During the relevant period, Rule 15c3-5(c) required such broker dealers to have in place appropriate regulatory risk management controls and supervisory procedures so as to: (i) prevent the entry of orders unless there was compliance with all regulatory requirements; (ii) prevent the entry of orders if the customer or trader is restricted from trading; (iii) restrict access to trading systems and technology to persons pre-approved and authorized; and (iv) assure appropriate surveillance personnel receive immediate post-trade execution reports that result from market access.

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[1] Exchange Rule 4.24 became effective in March 2014.

[2] 17 C.F.R. § 240.15c3-5; *Risk Management Controls for Brokers or Dealers With Market Access*, 75 Fed. Reg. 69792, 69792 (Nov. 15, 2010).

14. During the relevant period, Rule 15c3-5(d) required such broker dealers to ensure that their regulatory risk management controls and supervisory procedures were under their direct and exclusive control. Rule 15c3-5(e) required firms to establish, document and maintain a system for regularly reviewing the effectiveness of their risk management controls and supervisory procedures.

Master-Sub Account Structure

15. In the master-sub account trading model, a top-level customer typically opens an account with a registered broker-dealer (the "master account") that permits the customer to have subordinate accounts for different trading activities (the "sub-accounts"). The master account is usually subdivided into sub-accounts for the use of individual traders or groups. In some instances, the sub-accounts are further divided to such an extent that the master account customer and the registered broker-dealer with which the master account is opened may not know the actual identity of the underlying traders.[3]

16. Although master-sub account arrangements may be used for legitimate business purposes, some customers who seek to use master-sub account relationships structure their account with a broker-dealer in this fashion in an attempt to avoid or minimize regulatory obligations and oversight.[4]

17. A sub-account trader may, for example, open multiple accounts under a single master account and proceed to effect trades on both sides of the market to manipulate a stock price by entering orders to drive the price up, mark the close, or engage in other manipulative activity. Such conduct may create the false appearance of activity or volume and, as a result, may fraudulently influence the price of a security.[5]

Origins of the Avalon Account at LSCI

18. Genesis Securities, LLC ("Genesis") was previously a broker-dealer and a member of FINRA and certain other exchanges. Sergey Pustelnik a/k/a Serge Pustelnik ("Pustelnik") was previously a registered representative at Genesis.

19. Pustelnik handled the Regency Capital ("Regency") account at Genesis, which was a focus of a FINRA investigation into the operation of unregistered broker-dealers through master-sub accounts. The Regency account was a master-sub account that

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[3] SEC Office of Compliance Inspections and Examinations ("OCIE") National Exam Risk Alert, Vol. 1, No. 1, pp. 1-2 (Sept. 29, 2011).

[4] *Id.*

[5] *Id.*, pp. 6-7.

provided market access to foreign traders. One of its sub-accounts was called "Avalon."

20. The Avalon sub-account, in turn, was a master-sub account with sub-accounts in which Russian and Ukrainian individuals traded. The Avalon group of traders was originally brought to the Regency account by "NF," who was a close friend of Pustelnik, and "AL," who was Pustelnik's brother-in-law.

21. While at Genesis, Pustelnik had an assistant, "SVP," who received paychecks from Avalon.

22. On September 8, 2010, in the midst of ongoing investigations by FINRA, the SEC, and various exchanges, Pustelnik's registration with Genesis was terminated.

23. On September 16, 2010, Genesis closed the Regency account, including the Avalon sub-account.

24. In October 2010, Pustelnik brought the Avalon traders to LSCI, followed by AL and SVP, who were hired by LSCI in December 2010 and January 2011, respectively. The Avalon account at LSCI was opened under the name Avalon FA, Ltd.

25. SVP was hired to be Pustelnik's assistant, and AL was hired to be the registered representative on the Avalon account.

26. On March 11, 2011, Pustelnik became a registered representative with LSCI.

27. Following the departure of Avalon from Genesis, Genesis withdrew its application for membership with NYSE LLC on January 20, 2011; was terminated from the Nasdaq Stock Market LLC and Nasdaq BX, Inc. on August 8, 2011; was expelled from Bats BZX Exchange, Inc. and Bats BYX Exchange, Inc. on May 14, 2012; and had its membership revoked from Bats EDGA Exchange, Inc. and Bats EDGX Exchange, Inc.[6] on May 16, 2012 for various supervisory violations, including failing to conduct adequate reviews for potentially manipulative trading activity; failing to subject to heightened review accounts that posed increased risk, either because of the accountholder's regulatory history, country of origin, employment status, or because of trading in the account that was the subject of regulatory inquiries; and for failing to supervise and establish adequate Written Supervisory Procedures ("WSPs") to address, *inter alia*, master sub-account arrangements, and review of transactions for suspicious activity.

28. On May 21, 2012, Genesis was expelled from FINRA for, *inter alia,* willful violations of Section 15(A)(1) of the Securities Exchange Act of 1934 (the

[6] Currently known as Cboe BZX Exchange, Inc. Cboe BYX Exchange, Inc., Cboe EDGA Exchange, Inc., and Cboe EDGX Exchange, Inc., respectively.

"Exchange Act"), aiding and abetting such violations, willful violations of Exchange Act Rule 17a-4, and supervisory violations based upon findings that the firm and its CEO operated two unregistered broker-dealers through master and sub-account arrangements at the firm, even though the firm and its CEO were aware that the sub-accounts had different beneficial owners, that the master accounts charged the sub-accounts transaction-based compensation, and that the master account profited by charging commission rates that were higher than the rates they paid to the firm.

29. On January 21, 2015, Pustelnik was barred from the industry by FINRA for violating FINRA Rule 8210 when he refused to provide a copy of emails in his personal email account – an account he used for business purposes at LSCI – in response to a FINRA Market Regulation request in this matter.

30. On June 12, 2015, AL was barred from the industry by FINRA for refusing to testify in this matter after asserting his Fifth Amendment privilege against self-incrimination.

Cross-Product Manipulation ("Mini-Manipulation") and Spoofing

31. "Cross-product manipulation," or "mini-manipulation," is a disruptive and manipulative practice whereby a trader engages in the manipulation of option prices through trading in the underlying equities in a short time period. A trader enters trades and ultimately effects transactions in equity securities to create a false, misleading, or artificial appearance in the price of the securities and options overlying those securities. Those transactions trigger activity and price movement in the equity securities, which in turn impacts the price of the overlying equity options, and enables the trader to purchase or sell the equity options at more favorable prices than would have been available had the triggering transactions not been entered.

32. "Spoofing" is a form of manipulative trading that involves a market participant placing non-bona fide orders, generally inside the existing National Best Bid or Offer ("NBBO"), with the intention of briefly triggering some type of response from another market participant, followed by cancellation of the non-bona fide order, and the entry of an order on the other side of the market.[7]

33. LSCI and Lek profited from the cross-product manipulation and spoofing schemes through receipt of commissions from Avalon's trading, as described below.

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[7] Dodd-Frank Wall Street Reform and Consumer Protection Act §747(5) states: "DISRUPTIVE PRACTICES.—It shall be unlawful for any person to engage in any trading, practice, or conduct on or subject to the rules of a registered entity that … (C) is, is of the character of, or is commonly known to the trade as, 'spoofing' (bidding or offering with the intent to cancel the bid or offer before execution)."

MANIPULATIVE TRADING IN THE AVALON ACCOUNT

LSCI's Customer Avalon Engaged in Cross-Product Manipulation

34. During the Review Period, Avalon, as a customer of LSCI, in hundreds of instances, engaged in activity that constituted cross-product manipulation.

35. In these instances, Avalon engaged in a significant volume of equity trading on one side of the market in a short period of time, usually in less than three minutes.

36. Avalon's equity activity caused price movements in the equity and overlying options. Immediately after triggering this price movement, and within seconds of concluding the equity trades, the Avalon traders effected option transactions that were more favorably priced as a result of the traders' own prior equity trade activity.

37. Avalon's equity activity created a false, misleading or artificial appearance in the price of the securities and options overlying those equities.

38. As an example of the trading that constituted cross-product manipulation, on August 26, 2013, from 10:14:06 to 10:15:41, Avalon sold 22,616 equity shares of "DDDD," representing approximately 47% of the total trading volume in that stock during that time period.

39. During that 95-second time window, the share price of DDDD decreased from $243.00 to $241.84. Avalon's selling was a significant factor that contributed to depressing the price of equity shares of DDDD, and had a corresponding impact on the price of the overlying options as a result.

40. Immediately before, and during the time that Avalon was selling equity shares of DDDD, the NBBO of certain DDDD options series was as follows:

Option NBBO Time	Aug 30 2013/240 calls		Aug 30 2013/235 calls		Aug 30 2013/245 calls		Sep 13 2013/230 calls		Sep 6 2013/230 calls	
	NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO
10:13:57	5.50	5.65	9.00	9.25	2.93	3.10	15.30	15.60	14.25	14.55
10:14:06	5.50	5.60	8.95	9.25	2.92	3.05	15.30	15.55	14.20	14.55
10:14:29	5.05	5.35	8.45	8.90	2.69	2.87	14.80	15.20	13.70	14.15
10:15:00	4.85	5.15	8.30	8.60	2.62	2.76	14.65	15.00	13.55	13.90
10:15:41	4.70	4.90	8.00	8.35	2.46	2.59	14.30	14.65	13.25	13.55

41. Using the Sep 6 230 calls as reflected in the last column as an example, as Avalon sold DDDD equity shares, the National Best Offer ("NBO") decreased from $14.55 to $13.55.

42. Next, at 10:15:42, one second after its last sale of DDDD equity shares had been completed, Avalon effected the following DDDD options transactions:[8]

Avalon Transactions	Option NBBO Time	Aug 30 2013/240 calls		Aug 30 2013/235 calls		Aug 30 2013/245 calls		Sep 13 2013/230 calls		Sep 6 2013/230 calls	
		NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO
buy 33 Sep 13/230 calls @ $14.65	10:15:42							14.40	14.65		
buy 71 Oct 19/220 calls @ $26.615											
buy 63 Oct 19/225 calls @ $ 22.95											
buy 96 Sep 6/230 calls @ $13.55	10:15:42									13.15	13.55
buy 27 Sep 21 /230 calls @ $15.7											
buy 18 Oct 19/230 calls @ $19.55											
buy 172 Sep 6/235 calls @$9.75											
buy 8 Sep 13/235 calls @$11.05											
buy 1 Sep 21/235 calls @ $12.3											
buy 20 Aug 30/240 calls @ $4.9	10:15:42	4.75	4.90								
buy 36 Aug 30/235 calls @ $8.3	10:15:42			8.05	8.30						
buy 8 Aug 30/245 calls @ $2.58	10:15:42					2.47	2.58				

43. As set forth above, at 10:15:42, Avalon purchased 96 Sep 6 230 DDDD calls at $13.55, $1.00 less than the price of those call options prior to Avalon's equity sales.

44. This $1.00 decrease in the call price was, in large part, attributable to Avalon's concentrated sales activity (22,616 equity shares in the underlying stock) within a short period of time preceding its option activity.

45. In total, after Avalon sold 22,616 equity shares prior to 10:15:42, Avalon purchased 553 calls in 12 different DDDD options series, which represented approximately 40,891 equivalent equity shares.9 While Avalon was selling the shares of DDDD, the NBO of all 12 DDDD option series showed a movement similar to the Sep 6 230 calls, in that the price declined, enabling Avalon to purchase the options at a more favorable price.

46. Shortly after effecting these transactions, Avalon engaged in additional transactions that had the effect of reversing much of its prior DDDD activity. Between 10:33:46 and 10:36:27, Avalon purchased 7,703 equity shares of DDDD, representing approximately 18% of the total volume traded during that time period, and the price of equity shares of DDDD rose from $244.60 to $244.88.

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[8] For the sake of brevity, the activity does not show the NBBO of all 12 option series in which Avalon effected transactions during the trading sequence.

[9] Equivalent equity shares are based on the end of day option series as calculated by the Options Clearing Corporation.

47. Immediately before, and during the time that Avalon was purchasing equity shares of DDDD, the NBBO of certain DDDD options series was as follows:

Option NBBO Time	Aug 30 2013/240 calls		Aug 30 2013/235 calls		Aug 30 2013/245 calls		Sep 13 2013/230 calls		Sep 6 2013/230 calls	
	NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO
10:33:43	6.35	6.80	10.10	11.00	3.70	3.80	16.40	17.20	15.40	16.25
10:33:46	6.35	6.80	10.10	11.00	3.70	3.80	16.40	17.10	15.40	16.15
10:34:10	6.20	6.50	10.00	10.60	3.50	3.70	16.25	16.85	15.35	15.85
10:34:55	6.30	6.60	10.10	10.60	3.55	3.70	16.40	16.85	15.40	15.85
10:35:35	6.50	6.85	10.30	10.85	3.70	3.85	16.60	17.05	15.65	16.05
10:36:27	6.65	6.90	10.40	10.80	3.75	3.95	16.70	17.10	15.75	16.15

48. Again using the Sep 6 230 calls as an example, as Avalon was purchasing equity shares of DDDD, the National Best Bid ("NBB") increased from $15.40 to $15.75.

49. Next, at 10:36:30, three seconds after its last purchase of DDDD equity shares had been completed, Avalon effected the following DDDD options transactions:[10]

Avalon Transactions	Option NBBO Time	Aug 30 2013/240 calls		Aug 30 2013/235 calls		Aug 30 2013/245 calls		Sep 13 2013/230 calls		Sep 6 2013/230 calls	
		NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO
sell 33 Sep 13/230 calls @ $16.718	10:36:30							16.70	17.10		
sell 63 Oct 19/225 calls @ $24.85											
sell 96 Sep 6/230 calls @ $15.75	10:36:09									15.75	16.15
sell 27 Sep 21/230 calls @ $17.65											
sell 18 Oct 19/230 calls @ $21.30											
sell 172 Sep 6/235 calls @ $11.65											
sell 8 Sep 13/235 calls @ $12.931											
sell 16 Aug 30/240 calls @ $6.65	10:36:30	6.65	6.80								
sell 35 Aug 30/235 calls @ $10.48	10:36:30			10.45	10.80						
sell 2 Aug 30/245 calls @ $3.80	10:36:30					3.80	3.95				

50. In summary, as set forth above, at 10:36:30, Avalon sold 96 Sep 6 230 DDDD calls at $15.75, $0.35 higher than the price of those call options prior to the equity sales.

[10] Again, for the sake of brevity, the activity shown does not show the NBBO of all ten option series in which Avalon effected transactions during the trading sequence.

51. The $0.35 increase in the bid of the Sep 6 230 calls was, in large part, attributable to Avalon's concentrated purchase activity (7,703 equity shares in the underlying stock) within a short period of time preceding its option activity.

52. In total, after Avalon had purchased the 7,703 equity shares at 10:36:30, Avalon sold 470 calls in 10 different DDDD options series, which represented approximately 34,725 equivalent equity shares, offsetting almost all of the options purchases that it had effected at 10:15:42. While Avalon was purchasing equity shares of DDDD, the NBB of each DDDD option series shows a movement similar to the Sep 6 230 calls, in that the price increased, enabling Avalon to sell the options at a more favorable price.

53. The options transactions effected in paragraphs 42 and 49 included transactions effected on Cboe.

LSCI's Customer Avalon Engaged in Spoofing

54. During the Review Period, in more than a hundred instances, Avalon also engaged in activity that constituted "spoofing."

55. In several instances, another customer of the Firm also engaged in this activity.

56. For example, Avalon entered one-lot contract option orders, which were cancelled prior to entering a larger options trade on the opposite side of the market.

57. In many instances, Avalon first entered one-lot orders electronically on several options exchanges, which typically had the effect of changing the NBBO, and of attracting other market participants.

58. The one-lot orders entered by Avalon created a false, misleading or artificial appearance in the price of the options, and would usually be cancelled before execution. After cancelling the orders, Avalon would enter larger orders on the opposite side of the market.

59. As an example of Avalon's spoofing activity, on February 26, 2014, at 12:24:04, Avalon entered 18 separate buy orders, each for one contract, across six "FFFF" options series, as follows:

Options Info	Order Price	NYSE MKT Order Size	CBOE Order Size	ISE Order Size	Feb 28 2014/103 calls		Mar 7 2014/102 calls		Mar 7 2014/103 calls		Mar 28 2014/103 calls		Mar 28 2014/104 calls		Mar 28 2014/105 calls	
					NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO	NBB	NBO
NBBO at 12:24:02					1.55	1.90	2.85	3.20	2.10	2.40	3.30	3.60	2.75	3.00	2.20	2.45
Feb 28 2014/103 calls	1.70	1	1	1	1.70	1.90										
Mar 7 2014/102 calls	3.00	1	1	1			3.00	3.20								
Mar 7 2014/103 calls	2.20	1	1	1					2.20	2.40						
Mar 28 2014/103 calls	3.40	1	1	1							3.40	3.60				
Mar 28 2014/104 calls	2.80	1	1	1									2.80	3.00		
Mar 28 2014/105 calls	2.25	1	1	1											2.25	2.45

60. In summary, at 12:24:04, Avalon entered 18 buy-side orders, each for one call contract across six options series and across three exchanges. Each of these orders raised the NBB in an amount ranging from $0.05 to $0.15. For example, after Avalon entered the three one-lot orders to buy the Feb 28 103 calls, the NBB of those options increased from $1.55 to $1.70.

61. Next, at 12:24:06, only two seconds after Avalon entered the orders, all 18 were cancelled.

62. Then, at 12:24:15, nine seconds after cancelling its buy-side orders, Avalon executed orders in which it sold a total of 986 option contracts across ten FFFF call option series, six of which were in the same series as the cancelled one-lot orders, as follows:

Option Contract	# of Contracts Executed	Execution Price
Feb 28 2014/103 calls	122	1.70
Mar 7 2014/102 calls	7	2.95
Mar 7 2014/103 calls	12	2.20
Mar 7 2014/ 104 calls	52	1.60
Mar 14 2014/ 102 calls	97	3.30
Mar 14 2014/ 103 calls	409	2.60
Mar 22 2014/ 105 calls	44	1.90
Mar 28 2014/103 calls	41	3.40
Mar 28 2014/104 calls	117	2.801
Mar 28 2014/105 calls	85	2.289

63. The options transactions effected in paragraph 65 included approximately 136 contracts executed on Cboe.

64. Thus, when Avalon entered the orders to sell the FFFF call contracts, it was able to do so at an advantageous price, benefiting from the increase in the NBB from the entry of the one-lot buy orders. Although Avalon had cancelled its one-lot buy orders, market participants who joined in the new NBBO did not cancel their orders, enabling Avalon to benefit from the increased NBB. In the example of the Feb 28 103 calls, Avalon sold 122 contracts at $1.70, $0.15 higher than the NBB before Avalon entered the one-lot buy-side orders.

Manipulative Intent of Avalon

65. The nature of the cross-product and spoofing activity, and the frequency with which it occurred, and the lack of a legitimate economic purpose for such activity, shows manipulative intent by Avalon.

66. Avalon's website, as of March 2013, indicated Avalon's intent to permit its traders to engage in illicit trading by implying that it was a safe haven for traders wishing to do so, notwithstanding regulatory risks. For example, Avalon stated on the English-language version of its website that it would not "blindly shut down anything we don't necessarily like" and that "[t]here isn't a time where our traders are 'kicked out' just because someone somewhere doesn't understand or like something. That's the power of trading with a leader."[11]

[11] http://www.avalonfaltd.com captured on the English version of the website 2013.03.21. The statement appears in the Professional Compliance section of the web page.

67. Avalon also stated on its website in August 2013 that "Our compliance team works hard every day to ensure that our traders are able to trade the way they need. When our internal team our [sic] not enough, we do not hesitate to employ outside law firms to help us defend or promote a certain trading strategy. Many of our attorneys are on retainer and we are ready to fight for what we believe is just and compliant trading."

68. Avalon did not disclose on its website, however, the identity of its "compliance team." In fact, Avalon had no compliance team and relied on LSCI and Lek for all compliance issues.

69. Thus, Avalon touted on its website that it had a compliance team that would defend and promote its traders' unlawful trading strategies, rather than a team that would ensure compliance with applicable laws and regulations. In fact, it had no compliance team at all. This is also consistent with Avalon's intent to permit manipulative trading through LSCI.

LSCI and Lek Provided Substantial Assistance

70. During the Review Period, both LSCI and Lek provided substantial assistance to Avalon in furtherance of its manipulative activities by providing Avalon access to U.S. markets and permitting it to use an LSCI Market Participant Identifier to transmit orders to Cboe and other exchanges.

71. LSCI and Lek further provided Avalon with office space, computer servers, trading software, and the services of Pustelnik and SVP to essentially manage all aspects of the Avalon account, including setting up new accounts, negotiating terms for commissions and deposits, acting as the primary contact on the account, maintaining all Avalon paperwork, tracking profits, performing back-office and accounting functions, and handling expenses and billing for Avalon. By providing such market access, office space, personnel, equipment and services, LSCI and Lek provided substantial assistance to Avalon traders in furtherance of their manipulative trading activity.

72. For more than two years after the start of the Review Period, LSCI and Lek continued to enable Avalon to trade directly on Cboe and other exchanges despite numerous red flags that had specifically identified Avalon as having engaged in manipulative trading.

LSCI and Lek Acted With Scienter

LSCI and Lek Were Aware that Cross-Product Manipulation and Spoofing Constituted Manipulation

73. On September 13, 2010 – prior to the Avalon account being transferred to LSCI – FINRA announced in a press release that it had censured and fined Trillium

Brokerage Services, LLC ("Trillium") for engaging in an "illicit" trading strategy that involved the entry of "numerous layered, non-bona fide market moving orders to generate selling or buying interest in specific stocks." FINRA further explained that "[b]y entering the non-bona fide orders, often in substantial size relative to a stock's overall legitimate pending order volume, Trillium traders created a false appearance of buy- or sell-side pressure."[12]

74. On February 8, 2012, Lek sent an email to an LSCI employee, "NL," who, in turn, forwarded the email to Pustelnik. The subject line in the email was "HF Trading" and it included the following statement by Lek, showing awareness of regulatory concern over cross-product trading strategies:

> FINRA continues to be concerned about the use of so-called "momentum ignition strategies" where a market participant attempts to induce others to trade at artificially high or low prices. Examples of this activity [include] layering strategies where a market participant places a bona fide order on one side of the market and simultaneously "layers" non-bona fide orders on the other side of the market (typically above the offer or below the bid) in an attempt to bait other market participants to react to the non-bona fide orders and trade with the bona fide orders on the other side of the market. . . . FINRA has observed several variations of this strategy in terms of the number, price and size of the non bona fide orders, but the essential purpose behind these orders remains the same, to bait others to trade at higher or lower prices…….**FINRA also is concerned with abusive cross-product HFT strategies and other algorithms where stock transactions are effected to impact options prices and vice versa.** [emphasis added].

75. In an email dated September 17, 2012, NL forwarded to Lek an email he received from LSCI's Compliance Officer, AS. In the email, AS included a website link to an article in *Traders Magazine* concerning "layering-spoofing," with the notation, "Read article below . . . talks about trillium, genesis, Master-sub." The article in *Traders Magazine* described recent FINRA cases in which Trillium and nine traders settled to a censure and fine of more than $2 million for layering and in which Genesis agreed to an expulsion and its CEO agreed to a bar for allowing master-sub account owners to operate as unregistered broker-dealers.[13]

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[12] FINRA Press Release (Sept. 13, 2010) (**"**FINRA Sanctions Trillium Brokerage Services, LLC, Director of Trading, Chief Compliance Officer, and Nine Traders $2.26 Million for Illicit Equities Trading Strategy").

[13] Traders Magazine Online News, May 24, 2012 "Regulators Finishing Probes on 'Layering,' 'Spoofing' of Trades" (Tom Steinert-Threlkeld). http://www.tradersmagazine.com/news/layering-spoofing-trades-equities-110033-1.html. The article provides the following description: "In layering, the trading firm or firms involved send out waves of false

76. On September 25, 2012, Lek received notice of an SEC press release regarding the *Hold Brothers* settlement with both the SEC and FINRA, pursuant to which Hold Brothers was fined more than $5.9 million for manipulative trading and anti-money laundering and other violations. The SEC press release defined layering as an illegal manipulation.[14]

77. In November, 2013, a NYSE Hearing Board found that LSCI had violated numerous exchange rules including supervisory failures related to spoofing and that the Firm did not have a system to enable it to monitor for irregular trading, wash sales or marking the close.[15] In addition, FINRA issued Wells' notices to the Firm beginning in July 2014 advising of potential manipulative trading taking place through the Avalon account. Thus, LSCI and Lek were aware that cross-product manipulation and spoofing constituted illicit trading strategies.

LSCI and Lek Knew that FINRA Suspected Potential Cross-Product Manipulation Trading in the Avalon Account

78. Industry-wide notices and discussions between Lek and FINRA staff put Lek and LSCI on notice that trading in the Avalon account potentially constituted cross-product manipulation, and posed regulatory and compliance risks. For example, FINRA's 2012 Annual Regulatory and Examination Priorities Letter (Jan. 31, 2012) set forth FINRA's concern with abusive cross-product high frequency trading strategies where stock transactions are effected to impact options prices.

79. FINRA staff first discussed trading in the Avalon account with Lek on or about August 20, 2012, when they requested that he review the trading to determine whether it was manipulative.

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orders intended to give the impression that the market for shares of a particular security at that moment is deep…The traders then take advantage of the market's reaction to the layering of orders."

[14] SEC Press Release no. 2012-197 (Sept. 25, 2012) further defines layering:

> In layering . . . [t]raders placed a bona fide order that was intended to be executed on one side of the market (buy or sell). The traders then immediately entered numerous non-bona fide orders on the opposite side of the market for the purpose of attracting interest to the bona fide order and artificially improving or depressing the bid or ask price of the security. The nature of these non-bona fide orders was to induce other traders to execute against the initial, bona fide order. Immediately after the execution against the bona fide order, the overseas traders canceled the open non-bona fide orders, and repeated this strategy on the opposite side of the market to close out the position. . . Traders and the firms that provide them market access should not labor under the illusion that illegally layering orders amidst voluminous trading data will somehow allow them to evade detection by the SEC.

See also FINRA Press Release (Sept. 25, 2012) ("FINRA Joins Exchanges and the SEC in Fining Hold Brothers More Than $5.9 Million for Manipulative Trading, Anti-Money Laundering, and Other Violations").

[15] *Department of Market Regulation v. Lek Securities Corp.*, Proceeding No. 20110270056 (NYSE Hearing Board Nov. 14, 2013) (on appeal).

80. Staff had follow-up discussions with Lek about the trading activity on or about November 27, 2012 and January 10, 2013, in which staff articulated their concerns to the Firm that the trading by Avalon was potentially manipulative.

81. On multiple occasions in response to regulatory inquiries to LSCI about the trading, LSCI identified Avalon as the responsible customer.

82. Lek and LSCI knew that cross-product manipulative trading was suspected to be occurring in the Avalon account. Regulatory discussions with Lek, and inquiries that were sent to the Firm, put both Lek and LSCI on notice of the suspicious trading activity.

83. The manipulative trading activity by Avalon continued unabated despite LSCI's receipt of various regulatory inquiries that identified such activity as potentially violative.

84. LSCI and Lek knew or recklessly disregarded information that constituted red flags that should have alerted them that potentially manipulative trading may have been taking place in the Avalon account.

85. Because LSCI and Lek knowingly, or with extreme recklessness, rendered substantial assistance to Avalon in connection with its manipulative trading activity, LSCI and Lek aided and abetted the manipulation.

LSCI and Lek Were Aware of Red Flags
Indicating the Potential for Manipulative Activity in the Avalon Account

86. LSCI and Lek knew or recklessly disregarded information that constituted red flags alerting them to the potential for manipulative trading in the Avalon account.

87. LSCI and Lek disregarded red flags arising from Pustelnik's prior employment at Genesis when Pustelnik introduced Avalon to LSCI. As set forth above, Pustelnik managed the Regency account at Genesis through which the Avalon trading group traded. SVP was his assistant at Genesis, and AL was associated with the Avalon trading group. Pustelnik left Genesis in September 2010, when Genesis shut down the Regency account, and Pustelnik simply migrated the Avalon account to LSCI. Shortly thereafter, AL and SVP were both hired by LSCI, followed by Pustelnik in March 2011.

88. LSCI and Lek also disregarded red flags associated with FINRA's press release in July 2012 regarding the Genesis settlement, which resulted in expulsion of the firm and a bar for its CEO, with findings that Genesis had allowed unregistered broker-dealers to operate through master-sub accounts. Lek testified that he read about the Genesis settlement when it was announced, and knew that Pustelnik had testified in the Genesis investigation.

89. LSCI and Lek also disregarded red flags raised by the business use of personal email accounts by the same LSCI employees who brought, and then handled, the Avalon account. Pustelnik used a personal email account for LSCI business purposes after he was hired, a fact known to the Firm but contrary to Firm policies. Similarly, SVP used a personal email account for LSCI business purposes after she was hired, a fact also known to the Firm.

90. Other red flags arose from LSCI's installation of three separate Avalon servers in its New York office, only one of which was accessible to LSCI officers. By allowing the installation of non-firm servers for Avalon-related business, LSCI and Lek disregarded the red flag related to the use of such technology which was not accessible to supervisors of LSCI.

91. Finally, on August 30, 2013, the Executive Vice President of FINRA Market Regulation, on behalf of FINRA and eight client exchanges, issued a warning letter to LSCI and Lek. The letter advised both LSCI and Lek that:

> Market Regulation continues to have serious concerns with the Firm's supervision of its direct market access customers, its regulatory risk management controls, its ability to detect and prevent violative activity, and its supervisory procedures in connection with the market access it provides. In addition to these concerns, Market Regulation is particularly concerned with orders, executions and cancellations relating to Lek customers, **specifically including, but not limited to, Avalon FA, Ltd** … Market Regulation expects the Firm to act promptly to address the foregoing. (Emphasis in original).

Although the letter was not issued in connection with this matter, and does not specifically address cross-product or mini-manipulation, it nevertheless put the Firm and Lek on notice of FINRA's significant concerns relating to its supervision of Avalon.

LSCI and Lek Were Aware the Firm had a Reputation for Permitting Manipulative Trading

92. Both LSCI and Lek were also aware that the Firm had a reputation for allowing persons and entities, outside United States regulatory oversight, to engage in manipulative trading, including layering[16] (which is similar to spoofing), within United States markets.

[16] Layering is a form of market manipulation that typically involves placement of multiple limit orders on one side of the market at various price levels at or away from the NBBO to create the appearance of a change in the levels of supply and demand. In some instances, layering involves placing multiple limit orders at the same or varying prices across multiple exchanges or other trading venues. An order is then executed on the opposite side of the market, and most, if not all, of the multiple limit orders are immediately cancelled.

93. In an email sent to Lek and other LSCI officials on October 26, 2012, by BW, on behalf of a Chinese trading group, BW inquired "about your open polic[y] with layering[,]" indicating that LSCI had a reputation for allowing customers to engage in such manipulative trading:

> [W]e are a group having many Chinese traders would approach for the last few months by many US and Canadian affiliates who clear through you. They ALL say the especially Mr. [SL] in Montreal and others who clears with you have that LEK is the only clearing firm and compliance department that allows layering and quote stuffing. [W]e are writing you and SEC, asking if it's true that LEK's policy is to allow this type of practice. A lot of Chinese traders recently have been thrown out of most US clearing firms because of [H]old [B]rothers' 6 million fine for this type of exact practice. . . We hear all of [the] layers and quote stuffers going to [SL] WTS and the other firms with LEK because of your open policy and weak enforcement policy, they said. [O]nce you ok this to us, we'll be happy and honored to trade with your company. [W]e are just not sure if this is true in this biz as other clearing firms are staying away of this type of trading. Please give me GO AHEAD and we start as we know it goes [o]n at your firm as we have been watching it daily live.

LSCI and Lek Required Avalon to Pay the Firm's Legal Fees

94. In September 2012, in response to LSCI and Lek's receipt of FINRA requests for information, LSCI's CFO, DH, contacted Pustelnik on multiple occasions regarding expenses incurred in responding to regulatory inquiries related to Avalon's trading activities. For example, on September 7, 2012, DH sent an email with the subject line: "we need to talk about avalon's rate...please call me Monday." In the body of the email, DH states: "We may have a regulatory case against us that will cost us hundreds of thousands of dollars to defend."

95. On September 20, 2012, DH sent an email to Pustelnik, with the subject line entitled Avalon or you" and containing the following inquiry: "Can they or you give us $50,000 that we can put in a separate account as a hold back against real legal fees." DH confirmed that he sent the email because Lek had told him that he had been devoting more time to responding to regulatory inquiries and that it was a good idea to create a so-called "good faith" deposit account for Avalon.

96. DH created the "good-faith" account and funded it in 2012 and 2013 with transfers from Avalon's trading account. Subsequent transfers of funds from Avalon's account were sometimes made without NF's permission. Through such transfers, LSCI obtained approximately $300,000 to $400,000 from Avalon for legal expenses in 2013 alone.

LSCI and Lek Failed to Establish and Maintain a Supervisory System, Including Written Supervisory Procedures, Reasonably Designed to Achieve Compliance with Applicable Securities Laws, Regulations, and Rules

97. Cboe requires a Trading Permit Holder to establish, maintain, and enforce WSPs reasonably designed to achieve compliance with applicable securities laws, regulations, and Exchange Rules.[17] In order to accomplish such supervisory requirements, a Cboe Exchange member's WSPs must be tailored to supervise the types of business in which it engages.

98. As LSCI's CEO and CCO, Lek was responsible for establishing, maintaining, and enforcing a reasonable supervisory system and WSPs to detect and prevent potentially manipulative trading activity.

99. The Firm's WSPs failed to address key business lines, such as its market access business. Although the Firm provided market access to customers, including Avalon, the Firm's WSPs did not provide for sufficient reviews of trading activity by market access customers, and did not include monitoring for various forms of potentially manipulative activity by customers, including, but not limited to, cross-product manipulation and spoofing.

100. Further, LSCI and Lek failed to establish adequate supervisory procedures to review for potentially manipulative trading activity and, instead, relied upon manual reviews of accounts in real-time by Lek and other desk supervisors, as well as firm "gateways" that contained "certain compliance checks, fat finger checks, or credit checks", and post-trade tracking reports. There were, however, no gateway checks, and no exception reports, for spoofing prior to February 1, 2013.

101. The Firm also relied upon so-called wash sale exception reports, which failed to identify potential or actual wash sales that were separately identified in regulatory inquiries. In fact, both LSCI and Lek acknowledged that, prior to January 2013, the Firm could not determine which trades on the wash sale exception reports were actually wash sales.

102. During the Review Period, LSCI had no systems or WSPs reasonably designed to detect or prevent cross-product manipulation.

103. The Firm's WSPs section 12.13.3.4 on "Market Manipulation," dated both February 2012 and September 2013, and in effect during the Review Period, merely identified the prohibition of a purchase or sale "designed to raise or lower the price of a security or to give the appearance of trading for purposes of inducing others to buy and sell." The only examples of such prohibited manipulative activities

[17] Cboe Rule 4.24.

explicitly referenced were marking the close or open, prearranged trading, painting the tape, and wash sales.[18] The Firm's WSPs section 9.8.4 further states: "[p]atterns of orders that are potentially manipulative (i.e., orders at the close) are to be reviewed by the supervisor for corrective action."

104. Further, despite the previously referenced regulatory inquiries, the Firm's WSPs continued to lack provisions regarding surveillance for potential cross-product manipulation, and the Firm continued to lack an electronic surveillance program to detect potential cross-product manipulation. Thus, neither LSCI nor Lek took reasonable action to prevent and detect instances of cross-product manipulation.

105. Additionally, there were no gateway checks, and no exception reports, for spoofing prior to February 1, 2013, when LSCI's Q6 control was initiated to detect spoofing and layering.[19] However, even this system was limited, for it only applied to some accounts at LSCI.

106. The Firm's system to detect spoofing was limited to a comparison of the number of orders placed on one side of the market relative to the other side of the market. If the difference between the numbers (the "delta") exceeded a pre-set threshold, the order causing the threshold to be exceeded would not go through.

107. However, the system maintained by LSCI to surveil for activity that potentially constituted spoofing was not designed to detect instances of spoofing where the initial order was cancelled prior to entering an order on the opposite side of the market. Thus, the system failed to provide effective supervision.

LSCI Failed to Establish, Document, and Maintain a System of Risk Management Controls and Supervisory Procedures Reasonably Designed to Manage the Financial, Regulatory, or Other Risks of Its Market Access Business; and Lek Caused Such Failures

108. On November 3, 2010, the SEC announced the adoption of Rule 15c3-5 – the Market Access Rule – "to require that broker-dealers with market access 'appropriately control the risks associated with market access, so as not to jeopardize their own financial condition, that of other market participants, the

[18] In subsequent versions of the WSPs, dated December 22, 2014 and later, this section had been renumbered, and added the examples of matched trades, and "[c]irculating, or causing to be published any communication that purports to report any transaction as a purchase or sale of any security unless the trader believes that the transaction was a bona fide purchase or sale of the security."

[19] Q6 is a compliance program used by the Firm.

integrity of trading on the securities markets, and the stability of the financial system.'"[20]

109. Rule 15c3-5 established specific requirements for broker-dealers providing market access, including that such firms "establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, or other risks" of its business.[21]

110. LSCI was required to comply with the Market Access Rule as of July 14, 2011.[22]

111. Consistent with the previously described inadequacies regarding LSCI's WSPs and supervisory procedures, LSCI did not have in place risk management controls and supervisory procedures mandated for broker-dealers by Rule 15c3-5. In particular, LSCI lacked controls and procedures to detect and prevent cross-product manipulation and spoofing by its market access customers, including trading in the Avalon account. Instead, LSCI's risk management controls were primarily focused on credit and financial risks and not on other areas of regulatory compliance risk, *i.e.*, detection and prevention of manipulative trading.

112. As the Firm's CEO and CCO ultimately responsible for supervising all employees and the Firm's supervisory system and controls, Lek was a cause of the Firm's failure to comply with Rule 15c3-5 by negligently or recklessly failing to ensure the Firm had controls and procedures reasonably designed to manage the financial, regulatory, or other risks of market access, including reasonable controls and procedures to detect and prevent cross-product manipulation and spoofing.

113. Despite FINRA staff's communications with LSCI in 2012 and 2013 about repeated regulatory trading alerts of suspicious trading in the Avalon account involving cross-product manipulation, LSCI's controls and procedures continued to fail to detect or prevent the manipulative activity. Further, Lek negligently or recklessly failed to implement such controls.

114. Lek's negligence or recklessness regarding 15c3-5 controls is consistent with the Firm's reputation as a safe haven for layering, and his disregard of numerous red flags about the Avalon account. It is also consistent with the substantial assistance he provided to Avalon, as described above, to aid and abet the manipulative activity.

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[20] 17 C.F.R. § 240.15c3-5; *Risk Management Controls for Brokers or Dealers With Market Access*, 75 Fed. Reg. 69792, 69792 (Nov. 15, 2010).

[21] 17 C.F.R. § 240.15c3-5(b).

[22] *See* Exchange Act Release No. 34-64748 (June 27, 2011).

115. Moreover, the Firm failed to adequately document its controls and procedures for assuring that surveillance personnel receive immediate post-trade execution reports. Similarly, the Firm failed to adequately document its system and procedures for regularly reviewing the effectiveness of its risk management controls and supervisory procedures, for Rule 15c3-5 purposes, and to the extent they existed at all, such systems and procedures were inadequate, as evidenced by the Firm's failures to identify and address the aforementioned deficiencies in its controls and procedures and the ongoing suspicious and manipulative activity that is the subject of this action.

116. As the Firm's CEO and CCO ultimately responsible for supervising all employees and the Firm's supervisory system and controls, Lek was a cause of the Firm's failure to comply with Rule 15c3-5 by negligently or recklessly failing to ensure the Firm had controls and procedures reasonably designed to manage the financial, regulatory, or other risks of market access, including reasonable controls and procedures to detect and prevent cross-product manipulation and spoofing.

FIRST CAUSE OF ACTION
Aiding and Abetting Manipulation Prohibited Under Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder, Section 9(a)(2) of the Exchange Act, (Violations of Cboe Rule 4.1)
(LSCI and Lek)

117. As set forth above, Avalon, acting through its traders, knowingly or recklessly engaged in manipulative trading in the Avalon account at LSCI during the Review Period.

118. In so doing, Avalon, through the use of the Avalon account at LSCI, in connection with the purchase or sale of securities, directly or indirectly, by the use of a facility of a national securities exchange, knowingly or recklessly, employed a device, scheme or artifice to defraud, or engaged in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, thereby violating Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

119. In addition, Avalon, directly or indirectly, by the use of the mails or any means or instrumentality of interstate commerce, or of a facility of a national securities exchange, effected, alone or with one or more persons, a series of transactions in securities creating actual or apparent active trading in such securities, or raising or depressing the price of such securities, for the purpose of inducing the purchase or sale of such securities by others, in violation of Section 9(a)(2) of the Exchange Act.

120. Avalon also, through the use of the Avalon master account and its sub-accounts at LSCI, in connection with the offer or sale of securities, directly or indirectly, by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, engaged in a transaction, practice, or course of

business which operates or would operate as a fraud or deceit upon the purchaser, thereby violating Section 17(a)(3) of the Securities Act.

121. As set forth above, Subjects LSCI and Lek, knowingly or recklessly rendered substantial assistance to Avalon in connection with the prohibited manipulative trading described above. In so doing, Subjects LSCI and Lek aided and abetted violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Section 9(a)(2) of the Exchange Act, and thereby violated Cboe Rule 4.1.

SECOND CAUSE OF ACTION
Failure to Establish, Maintain, and Enforce Written Supervisory Procedures
(Violations of Cboe Rules 4.2 and 4.24[23])
(LSCI and Lek)

122. Cboe Rules 4.2 and 4.24 require a Trading Permit Holder to establish, maintain, and enforce WSPs, and a system for applying such procedures, to supervise the types of business in which the Trading Permit Holder engages and to supervise the activities of all associated persons and to assure their compliance with applicable securities laws and regulations, and with Cboe Rules. Cboe Rule 4.24 further provides that each Cboe Trading Permit Holder designate a general partner or principal executive officer to assume overall authority and responsibility for internal supervision and control of the organization and compliance with these rules and regulations and make and keep appropriate records for carrying out the Trading Permit Holder's supervisory procedures.

123. As LSCI's CEO and CCO, Lek was ultimately responsible for the Firm's compliance with supervision requirements.

124. As set forth above, during the relevant period LSCI and Lek failed to establish required WSPs to include sufficient procedures for the Firm's market access business.

125. In so doing, LSCI and Lek violated Cboe Rules 4.2 and 4.24.

THIRD CAUSE OF ACTION
Failure to Establish and Maintain a Reasonable Supervisory System
(Violations of Cboe Rule 4.2)
(LSCI and Lek)

126. As LSCI's CEO and CCO, Lek was ultimately responsible for the Firm's compliance with supervision requirements.

[23] Cboe Rule 4.24 became effective in March 2014. Violations before this date are brought under Cboe Rule 4.2.

127. As set forth above, LSCI and Lek failed to establish and maintain systems that were reasonably designed to detect and prevent manipulative trading.

128. In so doing, LSCI and Lek violated Cboe Rule 4.2.

FOURTH CAUSE OF ACTION
Market Access Rule Violations
(Willful Violations of Section 15(c)(3) of the Exchange Act and Rule 15c3-5 thereunder; and Violations of Cboe Rules 4.1 and 4.2)
(LSCI and Lek)

129. Lek was ultimately responsible for the Firm's risk management controls and supervisory system as the Firm's CEO and CCO.

130. LSCI and Lek failed to appropriately control the risks associated with providing its customers with market access during the relevant period so as not to jeopardize the Firm's and other market participants' financial condition and the integrity of the trading on the securities markets, as required by Rule 15c3-5 under Section 15(c)(3) of the Exchange Act.

131. LSCI and Lek failed to establish, document, and maintain a system of risk management controls and supervisory procedures during the relevant period reasonably designed to manage the financial, regulatory, and other risks of providing market access, as that term is defined in Rule 15c3-5, and as required by Rule 15c3-5(b).

132. LSCI and Lek failed to ensure, as required by Rule 15c3-5(c), that LSCI had in place appropriate regulatory risk management controls and supervisory procedures so as to: (i) prevent the entry of orders unless there was compliance with all regulatory requirements; and (ii) assure appropriate surveillance personnel receive immediate post-trade execution reports that result from market access.

133. That the manipulative trading activity continued throughout the Review Period notwithstanding all of the above demonstrates the inadequacies of such controls and procedures.

134. As detailed above, by failing to establish, document and maintain a system of risk management controls and supervisory procedures reasonably designed to systematically manage the regulatory and other risks of providing market access, LSCI willfully violated Section 15(c)(3) of the Exchange Act and Rule 15c3-5 thereunder, and violated Cboe Rule 4.2.

135. By failing to ensure the Firm had controls and procedures reasonably designed to manage the financial, regulatory, or other risks of market access, including reasonable controls and procedures to detect and prevent cross-product manipulation and spoofing, Lek was a cause of the Firm's willful violations of

Exchange Act Section 15(c)(3) and Rule 15c3-5 thereunder, in violation of Cboe Rule 4.1.

FIFTH CAUSE OF ACTION
Failure to Comply with Just and Equitable Principles of Trade
(Violations of Cboe Rule 4.1)
(LSCI and Lek)

136. Cboe Rule 4.1 requires that a Trading Permit Holder, in the conduct of its business, observe just and equitable principles of trade.

137. By engaging in the conduct described in the paragraphs above, LSCI and Lek failed to observe just and equitable principles of trade, in violation of Cboe Rule 4.1.

Sanction

138. Lek has no disciplinary history; however, LSCI was previously sanctioned by NYSE (No. 20110270056; Feb. 6, 2015, total fine of $775,000; reduced by NYSE Regulation to $575,000; on appeal to SEC) for, in addition to other things, failing to supervise manipulative trading activities during the review period April 2007 through September 2010.[24]

139. In light of the alleged rule violations described above, the Firm and Lek, as applicable, consent to the imposition of the following sanctions:

A. Imposing a permanent bar, in all capacities, against Lek;

B. Imposing on the Firm sanctions of a Censure; a fine of $900,000, of which $69,230.77 shall be paid to Cboe;[25] and the following equitable relief and undertakings:

1) **Business-Line Restrictions Regarding Foreign Intra-Day Trading**

a. ***Definitions.*** For purposes herein, the following definitions shall apply:

(i) ***"Affiliates of the Firm."*** The term "Affiliates of the Firm" includes Lek Securities U.K. Limited ("Lek UK"), Lek Holdings Limited

[24] This decision remains on appeal to the SEC and as such is not considered as prior disciplinary history for sanctions purposes.

[25] The remainder of the fine shall be paid to BZX, BYX, EDGX, EDGA, FINRA, NYSE Arca, NYSE American, NYSE, Nasdaq, BX, PHLX, and ISE. Further, because the Firm is separately being fined by the SEC for the aiding and abetting violations contained in the First Cause of Action herein, to avoid regulatory duplicity and two separate fines for the same rule violations, none of the $900,000 fine is apportioned for the First Cause of Action. Rather, the $900,000 fine is solely for the Second through Fifth Causes of Action herein.

("Lek Holdings"), and any parent, subsidiary, predecessor, successor, entity owned or controlled by, or under common control with, the Firm, Lek UK, or Lek Holdings.

(ii) ***"Customer."*** The term "Customer" shall mean any individual or entity holding an account at or trading through the Firm.

(iii) ***"Foreign Customer."*** The term "Foreign Customer" shall mean any Customer who is not a citizen, national, or resident of the United States or its territories, or is not incorporated or domiciled in the United States or its territories. Any Foreign Customers of Affiliates of the Firm shall be treated as Foreign Customers of the Firm.

(iv) ***"Intra-Day Trading."*** The term "Intra-Day Trading" shall mean executing, through an account at the Firm, more than five buy and more than five sell orders in the same security (equity or option), within a single day.

b. **Business-Line Restrictions.**

(i) The Firm is restricted for a period of three years from the date of entry of the Letter of Consent, from having Foreign Customers that engage in Intra-Day Trading. This shall be referred to as the "Foreign Intra-Day Trading Restriction."

(ii) The Foreign Intra-Day Trading Restriction does not apply where the Firm engages in the following limited non-executing prime brokerage functions: (1) post-execution clearing services; (2) settlement of securities; (3) custody services, including providing technical services necessary to the provision of such custody services; and (4) pre-execution credit checks conducted in connection with (1)-(3) above.

(iii) **Exceptions to the Foreign Intra-Day Trading Restriction.**

Trading Exceptions. Subject to the Time-Out Period described in section 1)b.(iv) below, the Foreign Intra-Day Trading Restriction shall not apply to the following types of trading by Foreign Customers:

(1) instances where the Monitor (defined below) determines that the Intra-Day Trading was solely to unwind specific positions in a single day due to news events, unique changes in market conditions, or to correct a bona-fide error; provided, however, that if the Firm or the Customer does not or cannot provide the Monitor with requested information to determine if the trading falls under this exception, then this exception shall not apply;

(2) instances where the Monitor determines that the Intra-Day Trading was related to hedging that is not part of a manipulative or illegal strategy; provided, however, that if the Firm or the Customer does not or cannot provide the Monitor with requested information to determine if the trading falls under this exception, then this exception shall not apply;

(3) instances where the Monitor determines that the Intra-Day Trading was related to stop loss orders that are not part of a manipulative or illegal strategy; provided, however, that if the Firm or the Customer does not or cannot provide the Monitor with requested information to determine if the trading falls under this exception, then this exception shall not apply;

Foreign Customer Exceptions. The Foreign Intra-Day Trading Restriction shall not apply to Foreign Customers in the following categories:

(4) institutional Customers with assets under management in excess of $50 million; or

(5) pension funds, broker dealers subject to comprehensive regulation in their local jurisdiction, licensed banks, and entities that meet the definition of foreign financial institutions under 26 U.S.C. §§ 1471(d)(4) and (d)(5) and that are subject to comprehensive regulation in their local jurisdiction by a regulatory body applicable to that type of entity.

(iv) **Applicability of Exceptions.**

(1) **Existing Foreign Customers.** From the date of entry of the Foreign Intra-Day Trading Restriction until the later of (i) 120 days, or (ii) 3 days after the Monitor's first report ("Time Out Period"), the Exceptions to the Foreign Intra-Day Restriction set forth in section 1)b.(iii)(2)-(5) above shall be available only to existing Foreign Customers of the Firm. Attached hereto is a list of existing Foreign Customers of the Firm.

(2) **New Foreign Customers.** At the end of the Time Out Period, subject to review and approval by the Monitor, the Firm may begin excepting new Foreign Customers from the Foreign Intra-Day Trading Restriction pursuant to section 1)b.(iii)(2)-(5) above.

2) **Requirement to Terminate Certain Foreign Customers.** Foreign Customers of the Firm may be deemed Significant Compliance Risks and must be terminated as follows:

   a. **Significant Compliance Risk Designation.** A Foreign Customer is deemed a Significant Compliance Risk if:

      (i) A Foreign Customer that does not fall within the exceptions in section 1)b.(iii)(4)-(5) above engages in Intra-Day Trading twice in a 30-day period; or

      (ii) A Foreign Customer, regardless of whether it falls within any exception set forth in section 1)b)(iii) above, engages in potential manipulative trading or other market manipulation that is flagged by the Monitor, the SEC, FINRA, or another Self-Regulatory Organization ("SRO").

   b. **Significant Compliance Risk Review.** The Firm must cause the Monitor to conduct a review of a Foreign Customer that has been deemed a Significant Compliance Risk within 30 days of the Foreign Customer being so designated, as set forth in section 3)h. below.

   c. **Account Suspension.** The Firm must suspend all trading by the Foreign Customer that is deemed a Significant Compliance Risk during the Significant Compliance Risk review if the Monitor so recommends, as set forth in section 3)h. below.

   d. **Termination.**

      (i) The Firm must terminate a Foreign Customer that is deemed a Significant Compliance Risk if, after the Significant Compliance Risk review, the Monitor determines that the Foreign Customer should be terminated.

      (ii) If the Firm or the Foreign Customer cannot or does not provide information requested by the Monitor to conduct the Significant Compliance Risk review, the Firm must terminate that Foreign Customer, as set forth in section 3)h. below.

3) **Retention of Monitor.** Within 30 days of the execution of this Letter of Consent, retain an Independent Compliance Monitor (the "Monitor"), not unacceptable to FINRA, for a period of three years, to conduct a comprehensive and ongoing review of the Firm concerning the areas and subjects set forth below, and to carry out the tasks set forth herein. The Firm may apply to FINRA for an extension of that deadline before it arrives, and upon a showing of good

cause by the Firm, FINRA, in its sole discretion, may grant such extension for a period of time it deems appropriate.

a. **Terms and Payment of Monitor**. The Monitor shall remain in place for a period of three years from the date of retention, provided, however, that if the Firm fails to implement the Monitor's recommendations and obtain the Monitor's certification of such implementation within that period, the Monitor will remain in place until the Firm complies with all recommendations and the Monitor certifies that such recommendations have been implemented. The Firm shall be solely responsible for payment of the Monitor's fees and expenses.

b. **Independence of Monitor.** The Firm shall require the Monitor to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Monitor shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with the Firm or any of its present or former affiliates, directors, officers, employees, or agents acting in those capacities. The agreement will also provide that the Monitor will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Monitor in performance of his/her duties under this Offer shall not, without prior written consent of FINRA, enter into any employment, consultant, attorney-client, auditing or other professional relationship with the Firm, or any of its present or former affiliates, directors, officers, employees, or agents acting in those capacities for the period of the engagement and for a period of two years after the engagement.

c. **Confirmation.** Within three (3) business days after retaining the Monitor pursuant to the above, the Firm must provide to FINRA a copy of the engagement letter detailing the Monitor's responsibilities.

d. **Cooperation.** The Firm will cooperate fully with the Monitor, including providing the Monitor with access to its files, books, records, and personnel (and the files, books, records, and personnel of Affiliates of the Firm), as reasonably requested for the tasks set forth herein, and the Firm will obtain the cooperation of its employees or other persons under its supervision or control.

e. **Account Information to Provide to Monitor.** In order to facilitate the Monitor's reviews and assessments that are to be performed hereunder, and in addition to any information required below, the Firm shall provide the Monitor with the following information and documents, within such time as the Monitor reasonably requires and on an ongoing basis if and as required by the Monitor:

(i) The identity and full legal name of every Customer, including the account holder and every person authorized by the Firm to trade in the account.

(ii) For each individual identified in subparagraph (i) above, a statement of whether the person is a citizen, national, or resident of the United States or its territories, and if so, identification of the location from which the individual does business, and a copy of the driver's license or U.S. passport of such individual.

(iii) If the individual identified in subparagraph (i) above is not a citizen, national, or resident of the United States or its territories, a statement of the nationality, the location from which the individual does business, and a copy of government-issued identification.

(iv) For each entity identified in subparagraph (i) above, identification of the names of the entity's principals, and a statement of whether it is incorporated or domiciled in the United States or its territories, and if so, the state in which it is incorporated, and the state in which it has its principal place of business.

(v) If the entity identified in subparagraph (i) above is not incorporated or domiciled in the United States or its territories, identification of the country in which it is incorporated, and the country in which it has its principal place of business.

(vi) Such other information as the Monitor requests.

f. **Monitor's Review, Assessment and Recommendations of the Firm's Compliance With Foreign Intra-Day Trading Restriction.**

(i) The Firm shall require the Monitor to review and assess on an ongoing basis whether the Firm is complying with the Foreign Intra-Day Trading Restriction. This shall include but not be limited to requiring the Monitor to: (i) review and assess all Intra-Day Trading by Foreign Customers who are not excepted from such restriction under section 1)b.(iii)(2)-(5) and (iv) above; (ii) review and assess the sufficiency and reasonableness of the Firm's systems, policies, and procedures related to Intra-Day Trading by Foreign Customers; (iii) review and assess the Firm's compliance with the Foreign Intra-day Trading Restriction; and (iv) conduct reviews and make recommendations pursuant to the Significant Compliance Risk provisions below.

(ii) In order to facilitate the Monitor's review required by this section and the Significant Compliance Risk provisions below, the Firm shall

provide the Monitor with the following information for all Intra-Day Trading by Foreign Customers who are not excepted from such restriction under section 1)b.(iii)(2)-(5) and (iv) above:

(1) The date and time, security, quantity, price, and other details requested by the Monitor concerning orders placed and trades executed;

(2) For orders and trades identified under subparagraph (1) above, the identity and location of the Customer, sub-account, or trader who entered each order and trade; and

(3) Such other information as the Monitor requests, including but not limited to the information described in section 3)e. above.

(iii) The Firm shall make the information required by this section 3)f. available to the Monitor beginning no later than 30 days after the date of entry of the Foreign Intra-Day Trading Restriction, and then every 30 days thereafter, or at such other intervals as the Monitor may require.

(iv) The Firm shall require the Monitor to perform and complete the review, assessment and making of recommendations required by this section within 120 days of the date of the Monitor's appointment, and again by the end of each 120-day period thereafter, for so long as the Monitor is engaged.

(v) The Firm shall require the Monitor to submit a report to the Firm and to FINRA on the review, assessment and recommendations required by this section within 120 days of the date of the Monitor's appointment, and again by the end of each 120-day period thereafter, for so long as the Monitor is engaged. The report shall include information concerning review and recommendations regarding Intra-Day Trading by Foreign Customers.

g. **Monitor's Review, Assessment and Recommendations Regarding Firm Supervision and Controls.**

(i) The Firm shall require the Monitor to review and assess the reasonableness of the Firm's supervisory system, including its WSPs, with respect to the areas described in paragraphs 122-128 above, and to recommend actions to be taken by the Firm to ensure the reasonableness of its supervisory system, including its WSPs, to address the risks associated with trading by Foreign Customers, including trading through sub-accounts associated with Foreign Customers;

(ii) The Firm shall require the Monitor to review and assess the reasonableness of the Firm's supervisory system, including its WSPs, with respect to customer identification procedures, and to recommend actions to be taken by the Firm to ensure the reasonableness of its supervisory system, including its WSPs, to address the risks associated with opening or maintaining accounts for Foreign Customers, including sub-accounts associated with Foreign Customers;

(iii) The Firm shall require the Monitor to review and assess the reasonableness of the Firm's market access controls with respect to the areas described in paragraphs 129-135 above, to include but not limited to, credit limits, open order limits, and other pre-trade controls, as well as post-trade controls and reviews, and to recommend actions to be taken by the Firm to ensure the reasonableness of its market access controls to address the risks associated with providing market access to Foreign Customers, including market access through sub-accounts associated with Foreign Customers.

(iv) The Firm shall require the Monitor to submit a report to the Firm and to FINRA on the review, assessment, and recommendations required by this section within 120 days of the date of the Monitor's appointment, and again by the end of each 120-day period thereafter, for so long as the Monitor is engaged. The report shall include information concerning the Monitor's review and recommendations regarding supervision, customer identification procedures, and market access controls. The Firm may apply to FINRA for an extension of the deadline for submitting a report before it arrives, and upon a showing of good cause by the Firm, FINRA, in its sole discretion, may grant such extension for a period of time it deems appropriate.

h. **Monitor's Review and Recommendations Concerning Significant Compliance Risks and Termination.**

(i) The Firm shall require the Monitor to review, assess, and make recommendations on an ongoing basis concerning the Firm's compliance with the Requirement to Terminate Certain Foreign Customers provisions in section 2) above. This shall include but not be limited to requiring the Monitor to: (i) review and assess the sufficiency and reasonableness of the Firm's systems, policies, and procedures for identifying Foreign Customers as Significant Compliance Risks; (ii) review and assess the Firm's compliance with the Requirement to Terminate Certain Foreign Customer provisions in section 2) above; and (iii) conduct reviews and make

recommendations where a Foreign Customer has been designated a Significant Compliance Risk.

(ii) Where a Foreign Customer has been designated a Significant Compliance Risk, the Firm shall require the Monitor to undertake reviews and recommendations as follows:

(1) Conduct a review within 30 days of the Foreign Customer being designated a Significant Compliance Risk ("Significant Compliance Risk Review") to determine whether the Foreign Customer has engaged in Intra-Day Trading not subject to the exceptions set forth in section 1)b.(iii) above or has engaged in manipulative trading or other market manipulation.

(2) Recommend whether the Firm should suspend all trading by the Foreign Customer during the period of the Significant Compliance Risk Review.

(3) Determine whether the Firm and the Foreign Customer have provided all information requested to conduct the Significant Compliance Risk Review.

(4) Determine whether the Foreign Customer has engaged in Intra-Day Trading not subject to the exceptions set forth in section 1)b.(iii) above or has engaged in manipulative trading or other market manipulation.

(5) Make a recommendation regarding termination of the Foreign Customer based upon the Monitor's determinations under subparagraphs (3) and (4) above and the Requirement to Terminate Certain Foreign Customer provisions under section 2) above.

(iii) The Firm shall require the Monitor to perform this review, assessment, and making of recommendations on an ongoing basis for so long as the Monitor is engaged.

(iv) The Firm shall require the Monitor to submit a report to the Firm and FINRA on the review, assessment and recommendations required by this section within 120 days of the date of the Monitor's appointment, and again by the end of each 120-day period thereafter, for so long as the Monitor is engaged. The report shall include information concerning the Monitor's review and recommendations regarding any Foreign Customers identified as Significant Compliance Risks.

i. **Monitor's Review and Assessment of Whether Samuel F. Lek Has Any Interest or Role in the Firm.**

(i) The Firm shall require that the Monitor review and assess the Firm's corporate governance structure, ownership, and management, so as to determine whether Samuel F. Lek has any legal or beneficial interest or role in the Firm.

(ii) The Firm shall require the Monitor to perform and complete this review and assessment within 120 days of the date of the Monitor's appointment, and again by the end of each 120-day period thereafter, for so long as the Monitor is engaged.

(iii) The Firm shall require the Monitor to submit a report to the Firm and FINRA on the review, assessment, and recommendations required by this section within 120 days of the date of the Monitor's appointment, and again by the end of each 120-day period thereafter, for so long as the Monitor is engaged.

j. **Implementation of Recommendations.**

(i) Except as set forth in section 3)j.(ii)-(vii) below, the Firm shall have ninety (90) days from the date of receiving any recommendations from the Monitor to adopt and implement such recommendations. The Firm shall notify the Monitor and FINRA in writing when each such recommendation has been implemented.

(ii) Any recommendations that the Monitor makes regarding suspending all trading by the Foreign Customer during a period of Significant Compliance Risk Review must be implemented within one (1) business day of the Monitor's recommendation.

(iii) Any recommendations that the Monitor makes regarding termination of a Foreign Customer must be implemented within two (2) business days of the Monitor's recommendation.

(iv) If the Firm considers any recommendation unduly burdensome, impractical, or costly, or inconsistent with applicable law or regulation, the Firm need not adopt that recommendation at that time, but may submit in writing to the Monitor and FINRA within fifteen (15) days of receiving the recommendation, an alternative policy, procedure, or system designed to achieve the same objective or purpose. This provision shall not apply, however, to recommendations that the Monitor makes regarding (i) suspending all trading by the Foreign Customer during a period of Significant Compliance Risk Review, or (ii) termination of a Foreign Customer.

(v) If the Firm considers any recommendation relating to (i) suspending all trading by the Foreign Customer during a period of Significant Compliance Risk Review, or (ii) termination of a Foreign Customer, to be unduly burdensome, impractical, or costly, or inconsistent with applicable law or regulation, the Firm shall adopt the recommendation at that time, but may submit in writing to the Monitor and FINRA within fifteen (15) days of receiving the recommendation, an alternative policy, procedure, or system designed to achieve the same objective or purpose.

(vi) In the event that the Firm and the Monitor are unable to agree on an acceptable alternative proposal under sections (iv) and (v) above, the Firm shall promptly notify FINRA. The Firm must abide by the Monitor's ultimate determination with respect to any such disputes. Pending such ultimate determination, the Firm shall not be required to implement any contested recommendation(s) except, as set forth above, recommendations regarding (i) suspending all trading by the Foreign Customer during a period of Significant Compliance Risk Review, or (ii) termination of a Foreign Customer.

(vii) With respect to any recommendation that the Monitor determines cannot reasonably be implemented within ninety (90) days after receiving it, the Monitor may extend the time period for implementation, so long as FINRA does not object.

k. **Providing Information to FINRA and other SROs.** For the period of the Monitor's engagement, the Firm shall provide FINRA and other affected SROs[26] with any information reasonably requested by FINRA or the SROs pertaining to the subject matter of this Letter of Consent. The Firm shall require that the Monitor provide FINRA and the SROs with any information that FINRA or the SROs request regarding such matters, including but not limited to the Monitor's review, assessments, recommendations, and any communications and interactions between the Monitor and the Firm.

l. **Requirements Hereunder Do Not Supplant Other Legal Requirements.** The prohibitions and obligations set forth herein do not supplant any obligations that the Firm has under the law or under the rules of any self-regulatory organization or exchange of which the Firm is a member. No determinations by the Monitor, and no provisions herein, shall preclude FINRA or any self-regulatory organization from bringing actions against Subjects.

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[26] *See* SROs listed in para. 1, *supra*.

m. **Certification by the Firm.** Within thirty (30) days after the date of implementation of any recommendation herein, the Chief Executive Officer of the Firm shall certify to the Monitor and FINRA, in writing, compliance with the undertaking(s) set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and the Firm agrees to provide such evidence.[27]

Additionally, acceptance of this Letter of Consent is conditioned upon acceptance of parallel settlement agreements in related matters between Subjects and the following SROs: FINRA, NYSE Arca, NYSE American, Nasdaq, BX, PHLX, BZX, BYX, EDGX, EDGX, and ISE.

Subjects understand and acknowledge that the Business Conduct Committee's decision in this matter will become part of their disciplinary records and may be considered in any future Exchange proceeding.

Should the Business Conduct Committee determine to accept this Letter of Consent, the Subjects acknowledge that they shall be bound by all the terms, conditions, representations, and acknowledgments of this Letter of Consent, and in accordance with the provisions of Exchange Rule 17.3, they may not seek review of the decision rendered by the Business Conduct Committee upon such acceptance in accordance with the provisions of Exchange Rule 17.3.

Subjects state that they have read the foregoing Letter of Consent, that no promise or inducement of any kind has been made to them by the Exchange or its staff, and that this Letter of Consent is a voluntary act on their part. Subjects approve entry of a decision and order embodying the contents of this Letter of Consent.

The Firm agrees to pay the monetary sanction(s) upon notice that this Letter of Consent has been accepted and that such payment(s) are due and payable. The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

LSCI and Lek understand and acknowledge that acceptance of this Letter of Consent will become part of their disciplinary records and may be considered in any future actions brought by Cboe or any other regulator against Lek and the Firm. The Letter of Consent will be published on a website maintained by Cboe.

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[27] In determining the above sanctions, Cboe has taken into account the monetary sanctions imposed by the SEC in its parallel action against the Firm and Samuel Lek for, *inter alia*, aiding and abetting fraudulent trading of Avalon FA Ltd, Nathan Fayyer, and Serge Pustelnik, in violation of Sections 9(a)(2) and 10(b) of the Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, and Section 17(a) of the Securities Act of 1933 (*see S.E.C. v. Lek Secs. Corp.*, No. 17 Civ. 1789 (DLC) (S.D.N.Y.)). As such, the monetary sanctions herein are imposed solely for violations of the Second through Fifth Causes of Action herein, not the First, which alleges aiding and abetting activity similar to the allegations in the SEC action. *See* n.25, *supra*.

LSCI and Lek understand that it/he may not deny the charges or make any statement that is inconsistent with the Letter of Consent. LSCI and Lek may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by Cboe, nor does it reflect the views of Cboe or its staff.

Samuel Frederik Lek, individually and on behalf of the Firm, certifies that he is duly authorized to act on his individual behalf and on the Firm's behalf, has read and understands all of the provisions of this Letter of Consent and has been given a full opportunity to ask questions about it; that LSCI and Lek have agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce LSCI or Lek to submit it.

Date: 10-23-19

Subject, Lek Securities Corporation

By: [redacted]

Name: Charles Lek

Title: Chief Executive Officer

Subject, Samuel Frederik Lek

Samuel Frederik Lek

LSCI and Lek understand that it/he may not deny the charges or make any statement that is inconsistent with the Letter of Consent. LSCI and Lek may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by Cboe, nor does it reflect the views of Cboe or its staff.

Samuel Frederik Lek, individually and on behalf of the Firm, certifies that he is duly authorized to act on his individual behalf and on the Firm's behalf, has read and understands all of the provisions of this Letter of Consent and has been given a full opportunity to ask questions about it; that LSCI and Lek have agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce LSCI or Lek to submit it.

Date: 10-23-19

Subject, Lek Securities Corporation

By: _____

Name: Charles Lek

Title: Chief Executive Officer

Subject, Samuel Frederik Lek

[redacted]

Samuel Frederik Lek