



DISCIPLINARY DECISION

Cboe BZX Exchange, Inc.

Star No. 20150480375/File No. USRI-5765

Citadel Securities LLC

Pursuant to Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rule(s)

- BZX Rules 3.1 – Business Conduct of Members, 5.1 – Written Procedures, 22.12 – Order Exposure Requirements

Sanction

A censure and a monetary fine in the amount of \$70,000.

Effective Date

July 1, 2019

By: /s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

Cboe BZX Exchange, Inc.
LETTER OF CONSENT
Star No. 20150480375

In the Matter of:

Citadel Securities LLC
131 South Dearborn Street, 32nd Floor
Chicago, IL 60603,

Respondent

Pursuant to the provisions of Cboe BZX Exchange, Inc. ("BZX Options" or the "Exchange") Rule 8.3, Citadel Securities LLC (the "Firm") submits this Letter of Consent for the purposes of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies the findings for Star No. 20150480375 and the stipulation of facts and findings described herein do not constitute such an admission.

BACKGROUND

1. During all relevant periods herein, the Firm was acting as a registered Broker-Dealer and was a member of the Exchange. The Firm's registrations remain in effect.
2. This matter originated from surveillances by the Cboe Regulatory Department on behalf of BZX Options.

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: Exchange Rules 22.12 – Order Exposure Requirements, 5.1 – Written Procedures, and 3.1 – Business Conduct of Members.
4. During all relevant periods herein, Exchange Rule 22.12 required options participants to expose customer orders before executing as principal. Specifically, Exchange Rule 22.12 provided that, with respect to orders routed to BZX Options, Options Members may not execute as principal orders they represent as agent unless: (a) agency orders are first exposed on BZX Options for at least one (1) second or (b) the Options Member has been bidding or offering on BZX Options for at least one (1) second prior to receiving an agency order that is executable against such bid or offer.

5. During all relevant periods herein, Exchange Rule 5.1 provided that each Member shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.

Order Exposure Violations

6. On at least 41 occasions from March 2013 through December 2014 (the "Relevant Period"), the Firm routed agency orders to BZX and executed those orders as principal by pairing and crossing them with principal orders without first exposing those agency orders on BZX for at least one second, or without having been bidding or offering on the BZX for at least one second prior to receiving the agency orders that were executable against such bids or offers. The acts, practices and conduct set forth in this paragraph constitute separate and distinct violations of BZX Rule 22.12.¹

Inadequate Written Supervisory Procedures

7. During the Relevant Period, the Firm did not establish, maintain or enforce written procedures to assure compliance with Exchange Rule 22.12. Specifically, the Firm's written supervisory procedures did not address its obligations under Exchange Rule 22.12.
8. The acts, practices and conduct described in Paragraph 7 constitute violations of Exchange Rules 5.1 and 3.1 by the Firm, in that the Firm failed to establish, maintain and enforce written procedures to assure compliance with Exchange Rule 22.12.

SANCTIONS

9. The Firm does not have any prior relevant disciplinary history specifically related to the Exchange order exposure rule.
10. In light of the alleged rule violations described above, the Firm consents to the imposition of the following sanctions:
 - a. A censure; and
 - b. A monetary fine in the amount of \$70,000

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 8.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

¹ There was no evidence that client orders were disadvantaged in this matter.

The Firm waives any right to claim bias or prejudgment of the Chief Regulatory Officer ("CRO") in connection with the CRO's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent. The Firm further waives any claim that a person violated the ex parte prohibitions of Exchange Rule 8.16, in connection with such person's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including its acceptance or rejection.

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 sanction(s) imposed in this matter.

The Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 8.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by BZX Options or any other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange in accordance with Exchange Rule 8.18.

The Firm understands that it may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm 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 the Exchange, nor does it reflect the views of the Exchange or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this Letter of Consent and has been given a full opportunity to ask questions about it; that it has 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 the Firm to submit it.

Date: June 26, 2019

Citadel Securities LLC

By: 

Name: Michael G. Felty

Title: CCO, Core Compliance