



**DISCIPLINARY DECISION**

**Cboe C2 Exchange, Inc.**

**Star No. 20180590083/File No. USRI-8681**

**Citadel Securities LLC**

Pursuant to Exchange Rule 13.3, attached to and incorporated as part of this Decision is a Letter of Consent.

**Applicable Rule(s)**

- Exchange Rules 4.2 – Adherence to Law and 4.24 - Supervision
- Regulation SHO Rule 201 – Circuit Breaker, promulgated under the Securities Exchange Act of 1934, as amended

**Sanction**

A censure and a monetary fine in the amount of \$15,000

**Effective Date**

January 23, 2020

/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

**Cboe C2 Exchange, Inc.**  
**LETTER OF CONSENT**  
**Star No. 2018059008302**  
**File No. USRI-8681**

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In the Matter of:

Citadel Securities LLC  
131 South Dearborn Street  
32<sup>nd</sup> Floor  
Chicago, IL 60603

Subject

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Pursuant to the provisions of Cboe C2 Exchange, Inc. ("C2" or the "Exchange") Rule 13.3 – Expedited Proceeding, Citadel Securities LLC (the "Firm") submits this Letter of Consent for the purposes of proposing a settlement of the alleged rule violations described below.<sup>1</sup>

The Firm neither admits nor denies the allegations for Star No. 20180590083/File No. USRI-8681 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 an Exchange Trading Permit Holder registered to conduct business on the Exchange as a Market-Maker. The Firm's registration remains in effect.
2. This matter originated from a 2017 cycle examination conducted by FINRA's Department of Member Regulation that included, among other things, a review of the Firm's compliance with Rule 201 of Regulation SHO, promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

**VIOLATIVE CONDUCT**

**Applicable Rules**

3. During all relevant periods herein, the following rules were in full force and effect: Exchange Rules 4.2 - Adherence to Law and 4.24 - Supervision; and Regulation SHO Rule 201 – Circuit Breaker promulgated under the Exchange Act.<sup>2</sup>

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<sup>1</sup> The rules contained in Cboe Exchange, Inc. ("Cboe") Chapter XVII are incorporated by reference into C2 Chapter 13 and are thus C2 rules and, thereby apply to C2 Members.

<sup>2</sup> The rules contained in Cboe Chapter IV are incorporated by reference into C2 Chapter 4 and are thus C2 rules and, thereby apply to C2 Members.

4. During all relevant periods herein, Regulation SHO Rule 201(b)(1) required trading centers to establish, maintain, and enforce written policies and procedures that are reasonably designed to prevent the execution or display of short sale orders at a prices less than or equal to the current National Best Bid ("NBB") when a covered security experiences a price decline of 10% or more from the prior closing price, triggering a circuit breaker.
5. During all relevant periods herein, Exchange Rule 4.24(e) provided, in relevant part: "Each Trading Permit Holder shall establish, maintain, and enforce written supervisory 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. The written supervisory procedures and the system for applying such procedures shall reasonably be designed to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules."
6. During all relevant periods herein, Exchange Rule 4.2 provided, in relevant part: "No Trading Permit Holder shall engage in conduct in violation of the Securities Exchange Act of 1934, as amended, rules or regulations thereunder, the Bylaws or the Rules of the Exchange...or any written interpretation thereof. Every Trading Permit Holder shall so supervise persons associated with the Trading Permit Holder as to assure compliance therewith."

#### Circuit Breaker

7. During the period of on or about June 12, 2013 through on or about October 17, 2017, systemic issues within two of the Firm's internal systems resulted in the Firm executing between a minimum of approximately 248 transactions and a maximum of approximately 7,698 transactions with execution prices that were at or below the NBB when a circuit breaker was in effect.<sup>3</sup>
8. The acts, practices, and conduct described in Paragraph 7 constitute a violation of Exchange Rule 4.2 and Regulation SHO Rule 201(b)(1) by the Firm, in that the Firm's written policies and procedures did not prevent the execution or display of short sale orders at prices less than or equal to the current NBB when a circuit breaker was in effect.

#### Supervision

9. During the period of on or about June 12, 2013 through on or about October 17, 2017, the Firm failed to establish, maintain, and enforce Written Supervisory Procedures ("WSPs"), and a system for applying such procedures, reasonably designed to prevent and detect violations related to Regulation SHO Rule 201. Although the Firm established and maintained WSPs related to Regulation SHO

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<sup>3</sup> Each transaction involved the execution at the bid of a customer buy limit order routed to the firm for handling and did not occur on an exchange.

Rule 201, the Firm failed to enforce its WSPs because it did not follow the steps outlined in its WSPs. Specifically, the Firm's WSPs called for a review of two reports, but only one report was actually reviewed.<sup>4</sup>

- 10 The acts, practices and conduct described in Paragraph 9 constitute violations of Exchange Rule 4.24 by the Firm, in that the Firm failed to establish, maintain and enforce WSPs, and a system for applying such procedures, reasonably designed to prevent and detect violations related to Regulation SHO Rule 201.

### SANCTIONS

- 11 The Firm does not have any prior relevant disciplinary history (formal) specifically related to Regulation SHO Rule 201 and/or related supervision.
- 12 In light of the alleged rule violations described above, and the Firm's prior disciplinary history, the Firm consents to the imposition of the following sanctions:
- a. A censure; and
  - b. A monetary fine in the amount of \$15,000 that shall be paid to C2.

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 13.3, 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.

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 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 13.3. 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 C2 or any

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<sup>4</sup> The Firm submitted revised WSPs in June 2019 (effective November 2017) that reasonably address the deficiencies identified related to the Firm's Regulation SHO Rule 201 monitoring.

other regulator against the Firm.

The Firm understands that it may not 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: 1/22/20

Citadel Securities LLC

By: 

Name: Steph Liporello

Title: GC