

**CBOE BZX EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20130364720-02**

TO: Cboe BZX Exchange, Inc.  
c/o Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

RE: Barclays Capital Inc., Respondent  
Broker-Dealer  
CRD No. 19714

Pursuant to Rule 8.3 of the Rules of Cboe BZX Exchange, Inc. ("BZX"), Barclays Capital Inc. ("BCAP" or the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, BZX will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

**ACCEPTANCE AND CONSENT**

- A. The Firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of BZX, or to which BZX is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by BZX:

**BACKGROUND**

BCAP became a member of BZX on February 16, 2010, and became a member of FINRA on October 19, 1987, and its registrations remains in effect. The Firm does not have a relevant disciplinary history.

**SUMMARY**

In connection with Matter No. 20140423662, the Options Regulation Staff of FINRA's Department of Market Regulation, on behalf of BZX, commenced a review to determine the accuracy of the Firm's reporting of options positions to the Large Options Positions Reporting ("LOPR") system between February 16, 2010 and December 31, 2013 (the "Relevant Period").<sup>1</sup>

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<sup>1</sup> The Options Regulation Staff also conducted a review of the accuracy of the Firm's reporting of options positions to the LOPR under Matter Nos. 20130364720 and 20150472919 on behalf of FINRA, and under Matter No. 20150444593 on behalf of the Miami International Securities Exchange, LLC, during various periods collectively between at least January 19, 2010 and December 31, 2015.

LOPR data is used extensively by self-regulatory organizations to identify holders of large option positions who may be, among other things, attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for the analysis of potential violations, including insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.

As a result of its review of Matter No. 20140423662, FINRA determined that during the Relevant Period, the Firm failed to report and inaccurately reported positions to the LOPR in thousands of instances.<sup>2</sup> In addition, the Firm failed to establish and maintain adequate supervisory procedures, including written supervisory procedures, by failing to implement an adequate system of follow-up and review reasonably designed to ensure compliance with LOPR reporting obligations.

### FACTS AND VIOLATIVE CONDUCT

1. During the Relevant Period, the Firm failed to report options positions to the LOPR in approximately 59,884 instances due to a failure to aggregate positions for acting-in-concert purposes in certain non-U.S. and hedge fund accounts.<sup>3</sup> The conduct described in this paragraph constitutes a violation of BZX Rule 18.10.
2. During the Relevant Period, the Firm failed to establish and maintain an adequate supervisory system, including a system of follow-up and review, that was reasonably designed to achieve compliance with the rules governing the reporting of options positions to the LOPR system. In addition, the Firm's supervisory system did not include sufficient written supervisory procedures ("WSPs") to ensure the proper reporting of positions to the LOPR during the Relevant Period and continuing through at least November 2017. Prior to November 2014, the Firm's procedures, including its WSPs, failed to adequately establish a review to ensure that accounts acting in-concert would be accurately reported. While the Firm's review verified that accounts already identified as acting in-concert were being reported as such, there was no initial review to ensure that in-concert accounts were properly identified. The conduct described in this paragraph constitutes a violation of BZX Rules 3.1, 5.1, 5.2, and 5.3.

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

1. A censure;
2. A total fine in the amount of \$400,000, of which \$90,000 is payable to BZX<sup>4</sup> for the violations of BZX Rule 18.10; and BZX Rules 3.1, 5.1, 5.2, and 5.3; and
3. An undertaking requiring the Firm to address the LOPR deficiencies described in this AWC and to ensure that it has implemented controls and procedures that are

<sup>2</sup> An "instance" is a single failure to report, or inaccurate report, for a given options position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position had been reported inaccurately.

<sup>3</sup> The Firm provided information to FINRA from which the total number of instances was able to be estimated.

<sup>4</sup> The balance of the sanction will be paid to the self-regulatory organizations listed in Paragraph B.4.

reasonably designed to achieve compliance with the rules and regulations cited herein.

- a. Within 60 days of the date of the issuance of the Notice of Acceptance of this AWC, BCAP shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a written representation from a senior management Firm executive, to [MarketRegulationComp@finra.org](mailto:MarketRegulationComp@finra.org) that provides the following information:
    - i. A reference to this matter;
    - ii. A representation that the Firm (a) has revised its written supervisory procedures as indicated above, and (b) for those deficiencies requiring technology and/or system changes, has implemented such changes; and
    - iii. The date(s) this was completed.
  - b. The Department of Enforcement may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.
4. Acceptance of this AWC is conditioned upon acceptance of parallel settlement agreements in related matters between the Firm and each of the following self-regulatory organizations: FINRA and the Miami International Securities Exchange, LLC.

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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 sanctions imposed herein shall be effective on a date set by BZX.

## II.

### WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under BZX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the Firm;
- B. To be notified of the Statement of Charges and have the opportunity to answer the allegations in writing;

- C. To defend against the allegations in a disciplinary hearing before a Hearing Panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the Appeals Committee of BZX's Board of Directors and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily 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 AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of BZX Rule 8.16, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### III.

#### OTHER MATTERS

The Firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to BZX Rule 8.3;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
  - 1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by BZX or any other regulator against the Firm;
  - 2. this AWC will be published on a website maintained by BZX in accordance with BZX Rule 8.18. In addition, this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm's disciplinary record; and
  - 3. The Firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The Firm may not take any position in any proceeding brought by or on behalf of BZX, or to which BZX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which BZX is not a party.

- D. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by BZX, nor does it reflect the views of BZX or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

4/10/18  
Date

Respondent  
Barclays Capital Inc.

By: Megda Jimenez Train

Name: Megda Jimenez Train

Title: Director, Legal

Reviewed by:

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5/8/2018  
Date

Greg Hoogasian  
Greg Hoogasian  
Senior Vice President & Chief Regulatory Officer  
Cboe BZX Exchange, Inc.

ELECTION OF PAYMENT FORM

The Firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A Firm check or bank check for the full amount;
- Wire transfer;

Respectfully submitted,  
Respondent  
Barclays Capital Inc.

4/10/18  
Date

By: Magda Jimenez Train  
Name: Magda Jimenez Train  
Title: Director, Legal