



DISCIPLINARY DECISION

Cboe Exchange, Inc.

**Star Nos. 20170555774 and 20180562484/File Nos. USE-1988 and USE-2297
CMZ Trading, LLC**

Pursuant to Exchange Rule 17.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rule(s)

- Cboe Rules 4.2 – Adherence to Law, 4.24 – Supervision, and 13.1 – Minimum Requirements
- Section 15(c) of the Securities Exchange Act of 1934, as amended and Rule 15c3-1 – Net Capital Requirements for Brokers or Dealers, thereunder

Sanction

A censure and a monetary fine in the amount of \$30,000

Effective Date

November 12, 2019

/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

Cboe Exchange, Inc.
LETTER OF CONSENT
Star Nos. 20170555774 and 20180562484
File Nos. USE-1988 and USE-2297

In the Matter of:

CMZ Trading, LLC
141 W. Jackson Blvd.
Suite 826
Chicago, IL 60604

Subject

Pursuant to the provisions of Cboe Exchange, Inc. ("Cboe" or the "Exchange") Rule 17.3 – Expedited Proceeding, CMZ Trading, LLC (the "Firm") submits this Letter of Consent for the purpose of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies that violations of Exchange Rules or the Securities Exchange Act of 1934, as amended ("Exchange Act") have been committed, 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 ("TPH") registered to conduct business on the Exchange as a Market Maker. In addition, during all relevant periods, the Firm conducted a proprietary trading business. The Firm's Designated Examining Authority ("DEA") was Cboe. The Firm terminated its Exchange TPH status effective July 31, 2019, and filed a full Broker-Dealer Withdrawal, which was effective as of September 29, 2019.
2. This matter originated from two examinations conducted by FINRA's Trading and Financial Compliance Examinations group ("TFCE") that included, among other things, a review of the Firm's net capital compliance and timely notification of capital withdrawals.

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 13.1

– Minimum Requirements; and Section 15(c) of the Exchange Act and Rule 15c3-1 – Net Capital Requirements for Brokers or Dealers thereunder.

4. During all relevant periods herein, Rule 15c3-1, promulgated under the Exchange Act, set forth the net capital requirements for brokers and dealers.
5. Pursuant to the notification requirements set forth in Exchange Act Rule 15c3-1(e)(1), a broker-dealer must provide notice to the Securities and Exchange Commission (“SEC”) and to its DEA within two business days of any capital withdrawal that is over \$500,000 and exceeds 20% of the firm’s excess net capital. Such notice must be provided two days prior to any withdrawal of capital that, aggregated with other capital withdrawals within the preceding 30 days, exceeds \$500,000 and 30% of the firm’s excess net capital.
6. 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.”
7. 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.”

Net Capital

8. On or about July 14, 2017, August 17, 2017, and November 15, 2017, the Firm operated while below its net capital requirement of the greater of \$100,000 or 6 2/3% of aggregate indebtedness.
9. The acts, practices, and conduct described in Paragraph 8 constitute separate and distinct violations of Exchange Rules 4.2 and 13.1; and Section 15(c) of the Exchange Act and Rule 15c3-1 thereunder by the Firm, in that the Firm operated while below its minimum net capital requirement.

Notification of Capital Withdrawals

10. On or about February 21, 2018, the Firm failed to provide two business days prior notice to the Exchange and the SEC of a capital withdrawal which exceeded \$500,000 and approximately 31% of the Firm's excess net capital. In addition, on or about March 14, 2018, the Firm failed to provide two business days prior notice to the Exchange and the SEC of a capital withdrawal which, in aggregate with the February 21, 2018 capital withdrawal, exceeded \$500,000 and constituted approximately 53% of the Firm's excess net capital.
11. The acts, practices, and conduct described in Paragraph 10 constitute separate and distinct violations of Exchange Rule 4.2, and Section 15(c) of the Exchange Act and Rule 15c3-1 thereunder by the Firm, in that the Firm failed to provide timely notifications of two capital withdrawals that resulted in the Firm withdrawing over \$500,000 and 30% of its excess net capital within a thirty (30) calendar day period.

Supervision

12. From in or about July 2017 through in or about June 2019, the Firm failed to establish, maintain, and enforce written supervisory procedures ("WSPs") reasonably designed to prevent and detect violations of its minimum net capital requirements. Specifically, while the Firm maintained WSPs related to net capital requirements, the WSPs were not reasonably designed in that they limited the role of the Firm's Financial/Operations Principal ("FINOP") in ensuring that the Firm maintained its minimum net capital requirement on a continuous, intraday basis, and failed to otherwise state the manner and frequency of supervision extended by the FINOP to individuals to whom such responsibilities were delegated.
13. From in or about July 2017 through in or about May 2019, the Firm failed to establish, maintain, and enforce WSPs reasonably designed to prevent and detect violations of capital withdrawal notice requirements. Specifically, the WSPs permitted the Firm's Class A Member to make capital withdrawals based on his sole discretion without consulting the Firm's FINOP.
14. From in or about August 2017 through in or about November 2017, the Firm failed to supervise its Associated Persons¹ to assure the Firm's compliance with minimum net capital requirements. Specifically, the Firm limited the role of its FINOP in supervising the Firm's Associated Persons who created and maintained certain of the Firm's financial books and records, and in ensuring that the Firm's books and records were accurate and maintained in accordance with applicable rules, which led to repeated net capital deficiencies after the Firm's first net capital deficiency occurred in July 2017.

¹ The term "Associated Person" is defined by Section 3(a)(18) of the Exchange Act as any partner, officer, director, branch manager, or non-clerical employee of a broker or dealer.

15. The acts, practices, and conduct described in Paragraphs 12 and 13 constitute violations of Exchange Rule 4.24 by the Firm, in that the Firm failed to establish, maintain, and enforce WSPs reasonably designed to prevent and detect violations of minimum net capital and capital withdrawal notice requirements.
16. The acts, practices, and conduct described in Paragraph 14 constitute violations of Exchange Rule 4.2 by the Firm, in that the Firm failed to supervise its Associated Persons to assure the Firm's compliance with minimum net capital requirements.

SANCTIONS

17. The Firm has relevant prior disciplinary history, in that the Firm was previously censured and fined \$7,500 for failing to maintain its minimum net capital requirement for one day in January 2008, in violation of Exchange Rules 4.2 – Adherence to Law and 13.1 – Minimum Requirements; and Section 15(c) of the Exchange Act, and Rule 15c3-1 – Net Capital, thereunder.²
18. 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 \$30,000.³

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 17.3, 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.

² See Cboe File No. 08-0034.

³ The Exchange factored the Firm's filing of a full Broker-Dealer Withdrawal, effective as of September 29, 2019, into its sanction consideration.

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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 17.3. 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 Cboe or any other regulator against the Firm.

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: 11-7-19

CMZ Trading, LLC

By: 

Name: _____

Title: _____