



DISCIPLINARY DECISION
Cboe Exchange, Inc.
Star No. 20170553577/File No. USRI-8694
Consolidated Trading LLC

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

Applicable Rule(s)

- Cboe Rules 4.1 – Just and Equitable Principles of Trade, 4.24 – Supervision and 11.1 – Exercise of Option Contracts

Sanction

A censure, and a monetary fine in the amount of \$12,500¹

Effective Date

November 15, 2019

/s/ Stephanie Marrin

Stephanie Marrin, Deputy Chief Regulatory Officer, Vice President

¹ As reflected in the attached Letter of Consent, the total fine imposed was \$25,000, which was split equally between Cboe and NYSE American LLC.

Cboe Exchange, Inc.
LETTER OF CONSENT
Star No. 20170553577
File No. USRI-8694

In the Matter of:

Consolidated Trading LLC
71 S. Wacker Dr. Suite 2300
Chicago, IL 60606

Respondent

Pursuant to the provisions of Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Rule 17.3 – Expedited Proceeding, Consolidated Trading 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 allegations of the Letter of Consent for Star No. 20170553577 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. The Firm’s registrations remain in effect.
2. This matter originated from a review by FINRA’s Department of Market Regulation of an Expiring Exercise Declaration (“EED”) submitted by the Firm to its clearing firm on July 15, 2016.

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: Cboe Rules 4.1 – Just and Equitable Principles of Trade, 4.24 – Supervision, and 11.1 – Exercise of Option Contracts.
4. During all relevant periods herein, Cboe Rule 11.1, as further discussed in Cboe Regulatory Circular RG08-172, set a deadline of 4:30 p.m. Central Time of the business day before expiration for option holders to decide whether to exercise an expiring option. In particular, an option holder with an expiring option may take

no action and allow automatic exercise determinations to be made in accordance with the Options Clearing Corporation's ("OCC") Exercise-by-Exception ("Ex-by-Ex") procedure, or may submit an expiring exercise declaration ("EED") to their clearing firm by 4:30 p.m. to either exercise or not exercise their position. The rule provides exceptions to the 4:30 cut-off deadline for errors made in good faith, to take appropriate action as the result of a failure to reconcile unmatched option transactions, or upon a showing of exceptional circumstances that adversely impacted an option holder's ability to inform its clearing firm of an exercise decision or a clearing firm's ability to receive an option holder's exercise decision by the designated cut-off time.

5. During all relevant periods herein, a violation of Cboe Rule 11.1 also constituted a violation of Cboe Rule 4.1, which prohibits TPHs from engaging in practices that are inconsistent with just and equitable principles of trade.
6. During all relevant periods herein, Cboe Rule 4.24 required that TPHs establish, maintain, and enforce written supervisory procedures ("WSPs"), and a system of applying such procedures, to supervise the types of business in which the member engages and the activities of its associated persons. The WSPs and the system for applying such procedures must be reasonably designed to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules. Cboe Rule 4.24 imposed on the Firm, among other things, a duty to monitor the activities and trading practices of its associated persons, and to implement policies and procedures reasonably designed to detect and prevent violations of Cboe Rule 11.1.

Expiring Exercise Declaration

7. On or about July 15, 2016, the Firm submitted an EED to its clearing firm after the 4:30 p.m. cut-off time due to the public dissemination of a sizeable geo-political news event, and without an allowable exception.
8. The acts, practices and conduct described in Paragraph 7 constitute a violation of Cboe Rules 4.1 and 11.1 by the Firm, in that the Firm submitted an EED to its clearing firm after the 4:30 p.m. cut-off time due to the public dissemination of a sizeable geo-political news event, and without an allowable exception.

Supervision

9. On or about July 15, 2016, the Firm failed to establish, maintain, and enforce WSPs and a system of applying such procedures reasonably designed to prevent and detect violations of Cboe Rule 11.1, as it relates to the conduct described above. Specifically, Consolidated failed to enforce its relevant WSPs in that the Firm did not review the EED at issue in order to determine if it complied with applicable Cboe rules.

10. The acts, practices and conduct described in Paragraph 9 constitute violations of Cboe Rule 4.24 by the Firm, in that the Firm failed to establish, maintain, and enforce WSPs and a system of applying such procedures reasonably designed to prevent and detect violations of Cboe Rule 11.1, as it relates to the conduct described above.

SANCTIONS

11. The Firm does not have any prior relevant disciplinary history specifically related to EED submissions.
12. 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 \$25,000, of which \$12,500 shall be paid to Cboe.¹

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 Cboe 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 prejudice 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 Cboe 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.

¹ The remainder of the fine total shall be paid to NYSE American LLC.

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: 11/14/2019

Consolidated Trading LLC

By: 

Name: Whitney Peluse

Title: Chief Administrative Officer