



DISCIPLINARY DECISION

Cboe Exchange, Inc.

Star Nos. 20180562511 and 20180571704/File No. USE-2005

Lupo 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)

- 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

February 4, 2020

/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

Cboe Exchange, Inc.
LETTER OF CONSENT
Star Nos. 20180562511 and 20180571704
File No. USE-2005

In the Matter of:

Lupo Securities, LLC
144 W. Jackson Blvd.
Suite 2200A
Chicago, IL 60604

Subject

Pursuant to the provisions of Cboe Exchange, Inc. ("Cboe" or the "Exchange") Rule 13.3 – Expedited Proceeding, Lupo Securities, 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") is Cboe.
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.¹

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.
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 May 9, 2018, 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 constitutes a violation 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 20, 2018, the Firm failed to provide notice within two business days to the Exchange and the SEC of a capital withdrawal, which in aggregate with capital withdrawals on January 30, 2018 and January 31, 2018, exceeded \$500,000 and was approximately 29% of the Firm’s excess net capital.

¹ Cboe amended and restructured its rulebook effective October 7, 2019. Because the conduct at issue in this matter occurred prior to October 7, 2019, this Letter of Consent will reference and cite the relevant Cboe rules in effect prior to that date.

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 a capital withdrawal that resulted in the Firm withdrawing over \$500,000 and 29% of its excess net capital within a thirty (30) calendar day period.

Supervision

12. From in or about January 2018 through in or about December 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 as they relate to the conduct described above. Specifically, the Firm’s WSPs related to net capital requirements lacked reasonably designed procedures regarding how the Firm would account for the impact of recent capital withdrawals or the Firm’s trading activity on the Firm’s ability to maintain its required minimum net capital.
13. From in or about January 2018 through in or about December 2019, the Firm failed to establish, maintain, and enforce WSPs reasonably designed to prevent and detect violations of capital withdrawal notice requirements. Specifically, the Firm’s WSPs related to capital withdrawal notification requirements lacked reasonably designed procedures regarding how the Firm tracks withdrawals of capital on a rolling 30-day basis so as to reasonably comply with capital withdrawal notice requirements.
14. 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.

SANCTIONS

15. The Firm has relevant prior disciplinary history, in that the Firm was previously censured and fined \$25,000 for failing to maintain its minimum net capital requirement for two days in August 2011, 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

² See Cboe File No. 11-0037. At the time of this action, Lupo was known as Sallerson-Troob, LLC. Lupo is the successor broker-dealer to Alphagen Securities, LLC, which was the successor broker-dealer to Sallerson-Troob, LLC. All three broker-dealers were registered under CRD No. 43761 and SEC No. 8-50403.

16. 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.

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 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 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 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: 2/3/20

Lupo Securities LLC
By: 

Name: JOSEPH STAUDEN

Title: MANAGER