



DISCIPLINARY DECISION

Cboe Exchange, Inc.

Star No. 20180603309/File No. USRI-8834-01

National Financial Services, 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 4.11 – Position Limits and 4.24 – Supervision

Sanction

A censure and a monetary fine of \$7,500

Effective Date

September 30, 2020

/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

Cboe Exchange, Inc.
LETTER OF CONSENT
Star No. 20180603309
File No. USRI-8834-01

In the Matter of:

National Financial Services, LLC
200 Seaport Boulevard
Boston, MA 02210,

Respondent

Pursuant to the provisions of Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Rule 13.3 – Expedited Proceeding, National Financial Services, 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 that violations of Cboe rules 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 registered to conduct business on the Exchange to conduct a clearing and floor brokerage business. The Firm’s registrations remain in effect.
2. This matter originated from a review conducted by FINRA’s Department of Market Regulation to determine whether the Firm violated listed position limits in violation of Cboe Rule 4.11.

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: Cboe Rule 4.11 – Position Limits, and Cboe Rule 4.24 – Supervision.¹
4. During all relevant periods herein, Cboe Rule 4.11 – Position Limits required, in pertinent part, that “should a Trading Permit Holder have reason to believe that a position in any account in which it has an interest or for the account of any customer

¹ As of October 7, 2019, Cboe Rule 4.11 was re-numbered as Cboe Rule 8.30 – Position Limits, and Cboe Rule 4.24 was re-numbered as Cboe Rule 8.16 – Supervision.

is in excess of the applicable limit, such Trading Permit Holder shall promptly take the action necessary to bring the position into compliance.”

5. During all relevant periods herein, Cboe Rule 4.24 required “[e]ach 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.”

Position Limits

6. From October 26, 2018 through October 31, 2018, the Firm allowed a customer to establish an options position in excess of the allowable limit. The Firm discovered the overage on the Firm’s LOPR Position Limit Report on October 29, 2018, but did not notify its customer of the overage until October 31, 2018.
7. The acts, practices and conduct described in Paragraph 6 constitutes a violation of Cboe Rule 4.11 by the Firm, in that the Firm failed to take prompt action to bring the position into compliance.

Written Supervisory Procedures

8. During all relevant periods herein, the Firm utilized a report to identify options positions of customers that exceeded 80% of the applicable position limit. However, the Firm failed to implement, maintain, and enforce a written procedure providing the steps the Firm should take in the event an overage was identified so that the Firm could take prompt action to bring the position into compliance, nor did it have a process to prevent the execution of option trades in accounts in which the firm had an interest that would result in the breach of the position limit.
9. The acts, practices and conduct described in Paragraph 8 constitute a violation of Cboe Rule 4.24 by the Firm, in that the Firm failed to implement, maintain and enforce written supervisory procedures reasonably designed to detect and prevent violations of Cboe Rule 4.11.

SANCTIONS

10. The Firm does not have any prior relevant disciplinary history that was taken into consideration for the sanction set below.
11. 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 \$7,500.

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 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 Cboe 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: 9/18/2020

National Financial Services, LLC

By: 

Name: Janet Dyer

Title: Vice President