



DISCIPLINARY DECISION
Cboe Exchange, Inc.
Star No. 20190610582 / File No. USE-2188-01
CTC, LLC

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

Applicable Rules

- Cboe Rule 4.2 – Adherence to Law
- Rule 200(g) of Regulation SHO of the Securities Exchange Act of 1934 – Definition of “Short Sale” and Marking Requirements

Sanction

A censure and a monetary fine in the amount of \$14,166.67.

Effective Date

July 2, 2021

/s/Greg Hoogasian

Greg Hoogasian, CRO, SVP

Cboe Exchange, Inc.
LETTER OF CONSENT
Star No. 20190610582/File No. USE-2188-01

In the Matter of:

CTC, LLC
425 South Financial Place, 4th Floor
Chicago, IL 60605

Subject

Pursuant to the provisions of Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Rule 13.3 – Expedited Proceeding, CTC, LLC (“CTC” or 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 Exchange Rules or the Securities Exchange Act of 1934, as amended (“Exchange Act”) 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, CTC was acting as a registered Broker-Dealer and was an Exchange Trading Permit Holder registered to conduct a floor brokerage business. The Firm’s registrations remain in effect.
2. This matter originated from CTC’s self-identification and disclosure of order marking deficiencies during the Relevant Period. The Financial Industry Regulatory Authority, Inc.’s (“FINRA”) Market Regulation Department conducted a further review of the firm’s compliance with Rule 200(g) of Regulation SHO of the Securities Exchange Act of 1934 as part of its Trading and Financial Compliance Examinations (“TFCE”) 2019 Options Cycle Examination on behalf of Cboe and other options exchanges.¹

¹ In addition to the Exchange, the resulting investigation was conducted on behalf of Cboe C2 Exchange, Inc. (“C2”), Cboe BZX Exchange, Inc. (“BZX”), Nasdaq Phlx LLC (“Phlx”), Nasdaq ISE, LLC (“ISE”), and NYSE American LLC (“NYSE American”).

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: Exchange Rule 4.2 – Adherence to Law² and Rule 200(g) of Regulation SHO of the Securities Exchange Act of 1934 (“Reg SHO”) – Definition of “Short Sale” and Marking Requirements.
4. During all relevant periods herein, Rule 200(g) required a broker or dealer to mark all sell orders of any equity security as “long,” “short,” or “short exempt.” The Rule provided that an order to sell shall be marked “long” only if the seller is deemed to own the security being sold as detailed in the Rule and either: (i) the security to be delivered is in the physical possession or control of the broker or dealer; or (ii) it is reasonably expected that the security will be in the physical possession or control of the broker or dealer no later than the settlement of the transaction.

Reg SHO Rule 200(g) Violations

5. From October 13, 2017 through May 20, 2018, the Firm mismarked 1,737 long sale orders as short due to four intermittent system issues, which the Firm self-identified and addressed. From May 16, 2018 through August 1, 2019, the Firm also mismarked 118,050 short sale orders as long due to two programming errors in its proprietary equity hedging system. The Firm self-identified these programming issues in late July 2019 and implemented corrective programming to its equity hedging system as of August 2, 2019.
6. In total, during the Relevant Period, CTC incorrectly marked 119,787 sell orders as long or short. This conduct constitutes separate and distinct violations of Exchange Rule 4.2 and Rule 200(g).

SANCTIONS

7. The Firm does not have any prior relevant disciplinary history specifically related to its compliance with Reg SHO Rule 200(g).
8. In light of the alleged rule violations described above and taking into consideration the following: (i) the Firm self-reported the violations prior to detection or initiation of an investigation by FINRA or other regulators; (ii) after self-reporting, the Firm promptly conducted follow-up investigation and provided FINRA staff with information quantifying the number of violations and specifying root causes of order marking violations, which was of substantial assistance to Market Regulation staff; and (iii) the prompt remedial measures implemented by the Firm, the Firm consents to the imposition of the following sanctions:

² Exchange Rule 4.2 renumbered to Rule 8.2 On October 7, 2019.

- a. A censure; and
- b. A monetary fine in the amount of \$14,166.67.³

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 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 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.

³ This settlement relates to other settlements the Firm reached with C2, BZX, Phlx, ISE, and NYSE American.

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: July 1, 2021

CTC, LLC

By: _____

Name: Melvin Williams, Jr

Title: Chief Legal Officer