



**DISCIPLINARY DECISION**

**Cboe Exchange, Inc.**

**Star No. 20190617181 / File No. USRI-8872-01**

**Belvedere 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 4.2 – Adherence to Law, 4.24 – Supervision, 6.51 – Reporting Duties, and 6.67– Cboe Trade Match System.

**Sanction**

A censure and a total monetary fine in the amount of \$25,000.

**Effective Date**

November 4, 2020

/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

**Cboe Exchange, Inc.**  
**LETTER OF CONSENT**  
**Star No. 20190617181**  
**File No. USRI-8872-01**

---

In the Matter of:

Belvedere Trading LLC  
10 S Riverside Plaza, Suite 2100  
Chicago, IL 60606

Subject

---

Pursuant to the provisions of Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Rule 13.3 – Expedited Proceeding, Belvedere Trading LLC (“Belvedere” 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 the allegations for STAR No. 20190617181/File No. USRI-8872-01 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. The Firm’s registrations remain in effect.
2. This matter originated from an investigation of Belvedere conducted by FINRA’s Department of Market Regulation on behalf of Cboe during the period between March 1, 2018 and June 30, 2019. The investigation evaluated Belvedere’s compliance with Cboe Rules 6.51 and 6.67 with respect to trade reporting and Trade Match System (“CTM”) adjustments and included a review of the Firm’s related supervisory system and written supervisory procedures (“WSPs”).<sup>1</sup>

---

<sup>1</sup> As of October 7, 2019, Cboe Rules 6.51 and 6.67 were renumbered as Cboe Rules 6.1 and 6.6, respectively. These rules’ texts remain unchanged.

## VIOLATIVE CONDUCT

### Applicable Rules

3. During all relevant periods, the following rules were in full force and effect: Cboe Rules 4.2 – Adherence to Law, 4.24 – Supervision, 6.51 – Reporting Duties, and 6.67– Cboe Trade Match System.<sup>2</sup>
4. During all relevant periods, Cboe Rule 6.51(a) provided that a participant in a transaction on Cboe must report the transaction, or ensure the transaction is reported, to Cboe within 90 seconds of execution, so that the trade information may be reported to time and sales reports. A transaction that was not reported within 90 seconds after execution was designated as late, and a pattern or practice of late reporting without exceptional circumstances was considered conduct inconsistent with just and equitable principles of trade.
5. During all relevant periods, Interpretation and Policy .02 to Cboe Rule 6.51 required each TPH, when entering orders on Cboe, “to submit trade information in such form as may be prescribed by Cboe in order to allow Cboe to properly prioritize and route orders pursuant to the rules of Cboe and report resulting transactions to the Clearing Corporation.”
6. During all relevant periods, Cboe Rule 6.67 related to the CTM functionality. CTM was used to enter and report transactions that were effected on Cboe in accordance with Cboe rules, to update information entered pursuant to Rule 6.51, Interpretation and Policy .04, or to correct certain *bona fide* errors, provided the CTM transactions were also reported to Cboe for trade matching and tape reporting. Rule 6.67 codified which post-trade modifications *via* CTM were permitted and specified which changes would require notification to Cboe.
7. During all relevant periods, Interpretation and Policy .01 to Cboe Rule 6.67 provided that any “improper change made through CTM shall be processed and given effect, but would be subject to appropriate disciplinary action in accordance with the Rules of the Exchange.”
8. During all relevant periods, Cboe Rule 4.2 provided, in relevant part, that every TPH shall supervise persons associated with the TPH so as to assure compliance with the Bylaws or the Rules of Cboe.
9. During all relevant periods, Cboe 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

---

<sup>2</sup> As of October 7, 2019, Cboe Rules 4.2 and 4.24 were renumbered as Cboe Rules 8.2 and 8.16, respectively. These rules’ text remain unchanged.

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.”

### **Trade Reporting**

10. From on or about January 1, 2019 through on or about June 30, 2019, Belvedere failed to report approximately 7,150 trades to Cboe within 90 seconds after execution.
11. From on or about March 1, 2018 through on or about June 30, 2019, Belvedere added approximately 800 trades directly to CTM without disseminating the trade information for trade matching and tape reporting.
12. The acts, practices and conduct described in Paragraph 10 constitute a violation of Cboe Rule 6.51 by Belvedere, in that Belvedere failed to report approximately 7,150 trades to Cboe within 90 seconds of execution.
13. The acts, practices and conduct described in Paragraph 11 constitute a violation of Cboe Rules 6.51 and 6.67 by Belvedere, in that Belvedere added approximately 800 trades directly to CTM without disseminating the trade information for trade matching and tape reporting.<sup>3</sup>

### **Supervision and Written Supervisory Procedures**

14. From on or about March 1, 2018 through in or around July 2020, the Firm’s WSPs detailed which post-trade modifications via CTM were permitted and specified which changes would require notification to Cboe. Further, the WSPs stated that the Firm’s on-floor traders have the capability to manually report trades on their handhelds, and that the Firm’s Trading Supervisor and individual traders are responsible for monitoring the Firm’s trading activity and making determinations of when to request a nullification, clearly erroneous request, or an adjustment. This procedure was to be conducted on an “upon occurrence” basis. If the Trading Supervisor or trader executing the trade determined that the trade needs to be nullified or adjusted, they were to escalate the issue to Trading Operations Analyst (“TOA”), who, in turn, was responsible for submitting a nullification/adjustment form to Cboe. The TOA was also responsible for following up with Cboe to ensure that the request was processed and accepted.
15. The Firm’s WSPs were not reasonably designed to detect and prevent violations of Cboe Rules 6.51 and 6.67. The procedures did not set forth the details of the process of the Trading Supervisor’s monitoring of trading activity. The Firm’s WSPs also failed to reference the policies concerning the 90 second reporting

---

<sup>3</sup> In or around May and June 2019, the Firm activated the auto-accept functionality for its on-floor market makers which remediated the conduct described in paragraphs 10 and 11.

requirement addressed in Rule 6.51(a). Lastly, Belvedere's WSPs were not reasonably designed because the frequency with which the Firm conducted its review (*i.e.* upon occurrence), was unreasonable in light of the Firm's on-floor trading activity.

16. From on or about March 1, 2018 through on or about June 30, 2019, the Firm failed to supervise its on-floor trading personnel so as to assure compliance with Cboe Rules 6.51 and 6.67. In particular, despite the Exchange's outreach to remind Belvedere of its trade reporting obligations, the Firm failed to reasonably supervise to assure compliance with Cboe Rules 6.51 and 6.67. Moreover, although approximately 20 of the Firm's on-floor market makers were responsible for the violative activity at issue, the Firm failed to detect any of the violations.
17. The acts, practices and conduct described in Paragraph 15, above, constitute a violation of Cboe Rule 4.24 from on or about March 1, 2018 through on or about October 6, 2019, and a violation of Cboe Rule 8.16 from October 7, 2019 through in or around July 2020 by Belvedere, in that Belvedere failed to establish, maintain and enforce WSPs, and a system for applying such procedures, reasonably designed to prevent and detect violations of Cboe Rules 6.51 and 6.67.<sup>4</sup>
18. The acts, practices and conduct described in Paragraph 16, above, constitute a violation of Cboe Rule 4.2 by Belvedere, in that Belvedere failed to supervise to assure compliance with Cboe Rules 6.51 and 6.67.

### **SANCTIONS**

19. The Firm does not have any relevant regulatory or disciplinary history that was taken into consideration in the sanction set below.
20. 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.

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.

---

<sup>4</sup> In or around June 2019, the Firm implemented a supervisory system related to the conduct described above. However, the Firm did not memorialize this supervisory system in its WSPs until July 2020.

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.

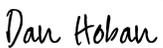
The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by Cboe or any other regulator against the Firm.

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.

**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: 10/29/2020

**Belvedere Trading LLC**

By:   
C98B8676564A4BC...

Name: Dan Hoban

Title: CCO