



## **DISCIPLINARY DECISION**

**Cboe Exchange, Inc.**

**Star No. 20190639291-02/File No. USRI-9504-01/URE-27-01**

**Justin Adam Egan**

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

### **Applicable Rules**

- Cboe Rules 4.1 and 8.1 – Just and Equitable Principles of Trade.
- Cboe Rules 6.9 - Solicited Transactions and 5.86 – Facilitated and Solicited Transactions.

### **Sanction**

A censure.

### **Effective Date**

June 7, 2022

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

**Cboe Exchange, Inc.**  
**LETTER OF CONSENT**  
**STAR No. 2019063929102/File No. URE-27-01<sup>1</sup>**

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In the Matter of:

Justin Adam Egan  
CRD No. 3094346

Subject

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Pursuant to the provisions of Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Rule 13.3 – Expedited Proceeding, Justin Adam Egan (“Egan” or the “Subject”) submits this Letter of Consent for the purpose of proposing a settlement of the alleged rule violations described below.

Egan neither admits nor denies that violations of Exchange 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, Egan was an Associated Person of RBC Capital Markets, LLC (“RBC”), employed as a trader on RBC’s Global Equity Derivatives Flow Trading Desk.
2. This matter originated from an investigation conducted by FINRA’s Department of Market Regulation concerning anticipatory hedging activity on September 17, 2019.

**VIOLATIVE CONDUCT**

**Applicable Rules**

3. During all relevant periods herein, Exchange Rules 4.1 – Just and Equitable Principles of Trade and 6.9 – Solicited Transactions were in full force and effect.<sup>2</sup>
4. During all relevant periods herein, Exchange Rule 6.9(e) provided, in relevant part: “It will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 4.1 for any Trading Permit Holder or person associated with a Trading Permit Holder, who has knowledge of all material terms of an original order and a solicited order, including a facilitation order, that matches the

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<sup>1</sup> This matter was previously handled under File No. USRI-9504-01.

<sup>2</sup> Cboe Rules 4.1 and 6.9 were re-numbered to Cboe Rules 8.1 and 5.86, respectively, as of October 7, 2019.

original order's limit, the execution of which are imminent, to enter, based on such knowledge, an order to buy or sell an option of the same class as an option that is the subject of the original order, or an order to buy or sell the security underlying such class, or an order to buy or sell any related instrument until either (1) all the terms and conditions of the original order and any changes in the terms and conditions of the original order of which that Trading Permit Holder or associated person has knowledge are disclosed to the trading crowd or (2) the solicited trade can no longer reasonably be considered imminent in view of the passage of time since the solicitation."

### **Anticipatory Hedging**

5. On September 17, 2019, at 10:33:24 a.m.,<sup>3</sup> Egan, on behalf of RBC, received an order to sell 40,000 VIX 18SEP19 18 call options ("the September 18 calls") for six cents and to buy a 20,000 VIX 16OCT19 22-23 call spread ("the October 22-23 call spread") for 12 cents. The customer asked, and Egan agreed, to attempt to execute the order at seven cents for the September 18 calls and at 12 cents for the October 22-23 call spread. Between 10:37:13 a.m. and 10:37:58 a.m., Egan communicated the customer's order to a broker at a price of seven cents for the September 18 calls and a price of 12 cents for the October 22-23 call spread. Egan also told the broker that RBC was "committed at a level better" to its customer than the price Egan had communicated to the broker. Between 10:41:42 a.m. and 10:42:15 a.m., the broker communicated to Egan that the broker had spoken with at least three counterparties about the customer's order. At 10:42:47 a.m., Egan communicated to the customer that the seven cent price on the September 18 calls and the 12 cent price on the October 22-23 call spread were "not working" and that he was going to use the price at which he was originally committed. At 10:44:11 a.m., prior to disclosing the six cent price of the customer order to the marketplace, Egan traded for RBC's proprietary account in the same options class to hedge RBC's anticipated facilitation of the customer order by executing an order to sell 15,000 VIX 18SEP19 19 call options against a bid resting in the Cboe electronic order book. Egan, on behalf of RBC, then announced the six cent price of the customer's order to the trading crowd at 10:44:44 a.m., and the customer's order was fully executed by 10:59:27 a.m. Egan thereby engaged in an anticipatory hedging transaction on behalf of RBC.
6. The acts, practices, and conduct described in Paragraph 5 constitute a violation of Exchange Rules 4.1 and 6.9 by Egan in that he entered an order in the same options class prior to the public disclosure of the original customer order's terms and conditions.

### **SANCTION**

7. Egan does not have any prior disciplinary history.

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<sup>3</sup> All times referenced herein are Central time.

8. In light of the alleged rule violations described above, Egan consents to the imposition of the following sanctions:

- a. A censure.<sup>4</sup>

If this Letter of Consent is accepted, the Subject acknowledges that he 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 Subject 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 Subject 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 Subject 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 Subject.

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

The Subject understands that he may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Subject 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.

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<sup>4</sup> RBC’s liability for the above-referenced conduct is addressed in a separate Letter of Consent issued under the same STAR and File numbers.

**The Subject certifies that he 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 he 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 him to submit it.**

**Date:** May 31, 2022

**Justin Adam Egan**

**By:**  \_\_\_\_\_

**Name:** Justin Egan