



DISCIPLINARY DECISION

Cboe Exchange, Inc.

Star No. 20190643117 / File No. URE-22-01

Wells Fargo Securities, LLC

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

Applicable Rules

- Cboe Rules 4.13 and 8.43 – Reports Related to Position Limits.

Sanction

A censure and a monetary fine in the amount of \$50,000.

Effective Date

April 5, 2023

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

Cboe Exchange, Inc.
LETTER OF CONSENT
Star No. 20190643117/File No. URE-22-01

In the Matter of:

Wells Fargo Securities, LLC
550 South Tryon Street, 6th Floor
Charlotte, NC 28202

Subject

Pursuant to the provisions of Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Rule 13.3 – Expedited Proceeding, Wells Fargo Securities, LLC (“Wells Fargo” or 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 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, Wells Fargo was acting as a registered Broker-Dealer and was an Exchange Trading Permit Holder. The Firm’s registrations remain in effect.
2. This matter originated from a quarterly review conducted by FINRA’s Department of Market Regulation regarding the Firm’s compliance with its obligations to report certain options positions and related information to the Large Options Position Report (“LOPR”).

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: Exchange Rules 4.13 and 8.43 - Reports Related to Position Limits.¹
4. During all relevant periods (as applicable), Exchange Rules 4.13 and 8.43 provided, in relevant part: “In a manner and form prescribed by the Exchange, each Trading Permit Holder shall report to the Exchange, the name, address, and social security

¹ Cboe Rule 4.13 was renumbered to Cboe Rule 8.43 as of October 7, 2019.

or tax identification number of any customer who, acting alone, or in concert with others, on the previous business day maintained aggregate long or short positions on the same side of the market of 200 or more contracts of any single class of option contracts dealt in on the Exchange. The report shall indicate for each such class of options, the number of option contracts comprising each such position and, in the case of short positions, whether covered or uncovered.”

5. Regulators use the information required by Exchange Rules 4.13 and 8.43 (LOPR information) to surveil for potentially manipulative behavior including, but not limited to, attempting to corner the market in the underlying security, leveraging an option position to affect the price, volatility and/or trading of the option, or moving the underlying equity to change the value of a large option position. The accuracy of LOPR information, therefore, is essential to regulators’ reviews.

Overreported Positions Assigned Prior to Expiration

6. From November 7, 2014 through May 31, 2019, due to a programming error within the system at the Firm’s third-party LOPR service provider, Wells Fargo overreported positions to the LOPR that underwent exercise or assignment prior to expiration in approximately 626 instances.²
7. The acts, practices, and conduct described in Paragraph 6 constitute violations of Exchange Rule 4.13 by the Firm, in that the Firm failed to accurately report all information required to be reported to the LOPR.

Deleted Reportable Equity Option Positions on Expiration

8. From May 31, 2019, through November 15, 2019, Wells Fargo’s remediation of a prior system error caused the Firm to erroneously delete reportable equity options positions that were exercised or assigned on expiration in approximately 4,184 instances.
9. The acts, practices, and conduct described in Paragraph 8 constitute violations of Exchange Rules 4.13 (from May 31, 2019 through October 6, 2019) and 8.43 (from October 7, 2019 through November 15, 2019) by the Firm, in that the Firm failed to report reportable positions to the LOPR.

Deleted Reportable Index Option Positions on Expiration

10. From February 13, 2015, through January 13, 2020, due to another issue within the system at the Firm’s third-party LOPR service provider, Wells Fargo erroneously deleted reportable index option positions in approximately 8,408 instances on

² An “instance” is a single failure to report or to accurately report a reportable option position. The number of instances is determined by multiplying a reportable position by the number of trade dates the position was not reported or was not reported accurately.

expiration. An incorrect configuration in the third-party LOPR service provider's options assignment system caused Wells Fargo to submit a delete record to the LOPR after the assignment or exercise of an in-the-money index option at expiration.

11. The acts, practices, and conduct described in Paragraph 10 constitute violations of Exchange Rules 4.13 (from February 13, 2015 through October 6, 2019) and 8.43 (from October 7, 2019 through January 13, 2020) by the Firm, in that the Firm failed to report reportable positions to the LOPR.

Reported Both Long and Short Positions to the LOPR That Should Have Been Netted

12. From November 7, 2014, through December 31, 2020, Wells Fargo reported to the LOPR certain positions as both long and short, when those positions should have been netted. This occurred when the Firm facilitated client trades and those trades were left overnight in an average price facilitation account. Wells Fargo incorrectly deleted the client positions in the account the day after it transferred the positions, causing both the long and short positions to be reported to the LOPR for one day. This issue caused approximately 1,181 positions during this period to be incorrectly reported to the LOPR for one day.
13. The acts, practices, and conduct described in Paragraph 12 constitute violations of Exchange Rules 4.13 (from November 7, 2014 through October 6, 2019) and 8.43 (from October 7, 2019 through December 31, 2020) by the Firm, in that the Firm failed to accurately report all information required to be reported to the LOPR.

SANCTIONS

14. The Firm does not have prior relevant disciplinary history.
15. 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 \$50,000.

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 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 upon notice that this Letter of Consent has been accepted and that such payment is 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 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: 3/29/2023

Wells Fargo Securities, LLC

By: 

Name: Jonathan Weiss

Title: CEO, CIB WF.