



**DISCIPLINARY DECISION**  
**Cboe Exchange, Inc.**  
**File No. URE-145-01**  
**Susquehanna 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 5.30 - Availability of Orders and Quotes for Electronic Processing; 5.33 – Complex Orders; 5.86(e) – Facilitated and Solicited Transactions; 5.9 – Order Exposure; 8.1 – Just and Equitable Principles of Trade; and 8.16 – Supervision.

**Sanction**

- A censure, and
- Monetary fine in the amount of \$115,000.

**Effective Date**

August 1, 2023

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

**Cboe Exchange, Inc.**  
**LETTER OF CONSENT**  
**File No. URE-145-01**

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In the Matter of:

Susquehanna Securities, LLC  
401 City Avenue, Ste. 220  
Bala Cynwyd, PA 19004

Subject.

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Pursuant to the provisions of Cboe Exchange, Inc. (the "Exchange") Rule 13.3 – Expedited Proceeding, Susquehanna Securities, LLC ("SSUS" 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 or the Securities Exchange Act of 1934, as amended ("Exchange Act") 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. The Firm's registration remains in effect.

**VIOLATIVE CONDUCT**

**Applicable Rules**

2. During all relevant periods herein, the following rules were in full force and effect: Cboe Rules 5.30 - Availability of Orders and Quotes for Electronic Processing; 5.33 – Complex Orders; 5.86(e) – Facilitated and Solicited Transactions; 5.9 – Order Exposure; 8.1 – Just and Equitable Principles of Trade; and 8.16 – Supervision.
3. Cboe Rule 5.30 - Availability of Orders and Quotes for Electronic Processing, states in relevant part: "... (a) RTH Trading Session. The Exchange may make the following order types, Order Instructions, and Times-in-Force available for electronic processing during RTH: ... (4) Complex Orders: complex orders (see Rule 5.33 for types of complex orders) with a ratio greater than or equal to one-to-three (.333) and less than or equal to three-to-one (3.00) (except for Index Combo orders)". . . .<sup>1</sup>
4. Cboe Rule 5.33 - Complex Orders, states in relevant part: "... The term "complex order" is defined in Rule 1.1. In classes determined by the Exchange, a complex order with a ratio less than one-to-three (.333) or greater than three-to-one (3.00) (except for an Index Combo order) is not eligible for electronic processing, including COA, COB, C-AIM, and C-SAM." An Index Combo order is an order to purchase or sell one or more index option series and the offsetting number of Index Combinations defined by the delta. For purposes of an Index Combo order, the following

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<sup>1</sup> Relevant conforming ratios for Index Combo orders during the Review Period are described in the Relevant Trade Desk Updates C2020060900, C2021070700 and C2022060301.

terms have the following meanings: . . . (3) An Index Combo order may not have a ratio greater than eight options to one Index Combination (8.00) and will be subject to all provisions applicable to complex orders (excluding the one-to-three/three-to-one ratio) in the Rules. . . ”

5. Cboe Rule 5.86 - Facilitated and Solicited Transactions, states in relevant part: “A Trading Permit Holder or TPH organization representing an order respecting an option traded on the Exchange (an “original order”), including a complex order, may solicit a Trading Permit Holder or TPH organization or a public customer or broker-dealer (the “solicited person”) to transact in person or by order (a “solicited order”) with the original order. In addition, whenever a Floor Broker who is aware of, but does not represent, an original order solicits one or more persons or orders in response to an original order, the persons solicited, and any resulting orders are solicited persons or solicited orders subject to this Rule. Original orders and solicited orders are subject to the following conditions. . . (e) Trading based on knowledge of imminent undisclosed solicited transaction. It will be considered conduct inconsistent with just and equitable principles of trade and a violation of Rule 8.1 for any Trading Permit Holder or person associated with a Trading Permit Holder, who has knowledge of all material terms and conditions of an original order and a solicited order, including a facilitation order, that matches the 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.”
6. Cboe Rule 8.1 - Just and Equitable Principles of Trade, states: “No Trading Permit Holder shall engage in acts or practices inconsistent with just and equitable principles of trade. Persons associated with Trading Permit Holders shall have the same duties and obligations as Trading Permit Holders under the Rules of this Chapter.”
7. Cboe Rule 5.9. - Order Exposure, states in relevant part:  
“(a) Principal Orders. Trading Permit Holders may not execute as principal orders they represent as agent unless:  
    (1) the TPH first exposes the agency order on the System for at least one second;  
    (2) the TPH has been bidding and offering for at least one second prior to receiving an agency order that is executable against such bid or offer; or  
    (3) the TPH crosses the principal order and agency order pursuant to Rule 5.37, 5.38, or 5.87. . .  
(b) Solicited Orders. Trading Permit Holders must expose orders they represent as agent for at least one second before such orders may, in whole or in part, execute electronically against TPHs and non-TPH broker-dealers on the System. . . ”
8. Cboe Rule 8.16(e) – Supervision, states in relevant part: “ . . . (e) Written Supervisory Procedures. 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 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.”

## **Non-Conforming Ratios**

9. On 16 occasions from February 4, 2021 through June 3, 2021, SSUS, for the purpose of facilitating customer orders, separated orders comprised of Russell 2000 ("RUT") multi-legged spreads tied to RUT combinations (together referred to as "RUT Index Combos") for purposes of executing the separate components electronically rather than executing via open outcry on the Cboe trading floor. Each of the RUT Index Combos maintained ratios that exceeded the ratios eligible for electronic handling and execution that were in place during the period under review.
10. On one occasion on June 4, 2021, SSUS, for the purpose of facilitating a customer order, separated an order comprised of a VIX single-legged option contract order tied to a VIX combination order ("VIX Index Combo") for purposes of executing the separate components electronically rather than executing via open outcry on the Cboe trading floor. The VIX Index Combo maintained a ratio that exceeded the ratios eligible for electronic handling and execution that were in place during the period under review.
11. Finally, on one occasion on September 9, 2022, SSUS, for the purpose of facilitating a customer order, separated an order comprised of a SPX multi-legged spread tied to an SPX combination ("SPX Complex Order") for purposes of executing the separate components electronically rather than executing via open outcry on the Cboe trading floor. The SPX Complex Order maintained a ratio that exceeded the ratio eligible for electronic handling and execution.
12. The acts, practices and conduct described in Paragraphs 9, 10 and 11 constitute violations of Exchange Rules 5.30 – Availability of Orders for Electronic Processing and 5.33 – Complex Orders by the Firm, in that the Firm entered and executed 18 Index Combination orders that were not eligible for electronic handling and execution.
13. As a result of the Firm's separation of the RUT Index Combos, the VIX Index Combo and the SPX Complex Order described in Paragraphs 9 through 11 (hereinafter referred to as the "Original Orders"), the Original Orders could not have been, and therefore were not, exposed for a full second prior to the Firm executing orders as Principal against the Original Orders.
14. The acts, practices and conduct described in Paragraph 13 constitute violations of Exchange Rule 5.9 – Order Exposure by the Firm, in that the full terms of the Original Orders were not exposed, prior to execution.
15. As a result of the Original Orders being separated and executed electronically in separate components, other market participants on the Exchange trading floor lost the opportunity to potentially participate in the execution of the Original Orders. Another result of the separation and electronic execution of the separate components is that as contra, the Firm effectively entered orders to buy or sell options of the same class as the Original Orders.
16. The acts, practices and conduct described in Paragraph 15 constitutes violations of Exchange Rules 5.86 – Facilitated and Solicited Transactions and 8.1 – Just and Equitable Principles of Trade by the Firm, in that the Firm's actions impacted the opportunity of other market participants to potentially participate in the execution of the Original Orders, and through the separation of the Original Orders, as contra, the Firm effectively entered orders to buy or sell options in the same options classes as the options that were part of the Original Orders without there being a public disclosure of the full terms and conditions of the Original Orders.

## **Supervision**

17. From on or about February 4, 2021 through September 9, 2022, SSUS failed to properly establish, maintain, and enforce written supervisory procedures ("WSPs") pertaining to Exchange rules concerning the above-referenced conduct. Specifically:
  - a. The Firm did not have any written policies or procedures in place referencing Exchange Rules pertaining to the eligibility of certain orders to be executed electronically.
  - b. The Firm's written policies and procedures surrounding the appropriate use and handling of non-public information in situations where employees are dually registered/associated with affiliates of the Firm were unreasonably designed, in that the WSPs were silent on such a situation.
18. The acts, practices, and conduct described in Paragraph 17 constitute a violation of Exchange Rule 8.16 – Supervision by the Firm, in that the Firm failed to establish, maintain and enforce WSPs related to the above-referenced conduct.

## **SANCTIONS**

19. The Firm does not have any prior relevant formal disciplinary history specifically related to its compliance with the Rules above.
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 \$115,000.

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(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 the Exchange 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: 7/27/23

Susquehanna Securities, LLC

By: 

Name: Brian Sopinsky

Title: Secretary