



## **DISCIPLINARY DECISION**

**Cboe Exchange, Inc.**

**File No. URE-126-01**

**Dash Financial Technologies 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 4.4 – Withdrawal of Approval of Underlying Securities, 8.1 – Just and Equitable Principles of Trade, and 8.16 – Supervision.

### **Sanction**

A censure and a monetary fine in the amount of \$22,500.

### **Effective Date**

February 13, 2023

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

**Cboe Exchange, Inc.**  
**LETTER OF CONSENT**  
**File No. URE-126-01**

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In the Matter of:

Dash Financial Technologies LLC  
200 S Wacker Drive, Suite 2450  
Chicago, IL 60606,

Subject

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Pursuant to the provisions of Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Rule 13.3 – Expedited Proceeding, Dash Financial Technologies LLC (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, the Firm was acting as a registered Broker-Dealer and was an Exchange Trading Permit Holder (“TPH”). The Firm’s registrations remain in effect.

**VIOLATIVE CONDUCT**

**Applicable Rules**

2. During all relevant periods herein, the following rules were in full force and effect: Exchange Rules 4.4 – Withdrawal of Approval of Underlying Securities, 8.1 – Just and Equitable Principles of Trade, and 8.16 – Supervision.
3. During all relevant periods herein, Exchange Rule 8.1 provided, in relevant part: “No Trading Permit Holder shall engage in acts or practices inconsistent with just and equitable principles of trade.”

4. During all relevant periods herein, Exchange Rule 4.4 provided, in relevant part: “Whenever the Exchange determines that an underlying security previously approved for Exchange option transactions does not meet the then current requirements for continuance of such approval or for any other reason should no longer be approved, the Exchange will not open for trading any additional series of options of the class covering that underlying security and therefore two Floor Officials, in consultation with a designated senior executive officer of the Exchange, may prohibit any opening purchase or sale transactions in series of options of that class previously opened (except that (a) opening transactions by Market-Makers executed to accommodate closing transactions of other market participants and (b) opening transactions by TPH organizations to facilitate the closing transactions of public customers executed as crosses pursuant to and in accordance with Rule 5.87(d) and (f) may be permitted), to the extent it deems such action necessary or appropriate.”
5. During all relevant periods herein, Interpretation and Policy .04 to Exchange Rule 4.4 required each TPH to inform the customer that a security was restricted and that the Exchange may prohibit further transactions in such option contracts prior to the Firm effecting any transaction in a restricted security for the customer.
6. During all relevant periods herein, Exchange Rule 8.16 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 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.”

#### **Test Order**

7. On or about July 1, 2021, the Firm entered one order on the Exchange by staging one order to a PAR device which was never represented in the marketplace for purposes of testing whether an option series (“Series A”) was restricted to closing only transactions, without a genuine intention to execute a bona fide transaction.
8. The acts, practices, and conduct described in Paragraph 7 constitute violations of Exchange Rule 8.1 by the Firm, in that the Firm entered one non-bona fide order on the Exchange, conduct inconsistent with just and equitable principles of trade.

### **Opening Transactions in Restricted Options**

9. On or about July 9, 2021, the Firm effected one opening transaction by executing 10,000 contracts in Series A that, at the time, was restricted to closing only transactions.<sup>1</sup> The Firm entered the order with a Position Effect value of “close” and later made post-trade updates via the Exchange’s Clearing Editor that changed the Position Effect from “close” to “open.” Moreover, on or about July 9, 2021 and prior to effecting the transaction in an option contract that was restricted to closing only transactions, the Firm did not inform the customer of such fact and of the fact that the Exchange may prohibit further transactions in such option contracts to the extent it shall deem such action necessary and appropriate.
10. On or about July 19, 2021, the Firm effected a second opening transaction, executing an additional 20,000 contracts in Series A that, at the time, was restricted to closing only transactions. The Firm entered the order with a Position Effect value of “close.” Moreover, on or about July 19, 2021 and prior to effecting the transaction in an option contract that was restricted to closing only transactions, the Firm did not inform the customer of such fact and of the fact that the Exchange may prohibit further transactions in such option contracts to the extent it shall deem such action necessary and appropriate.
11. The acts, practices, and conduct described in Paragraphs 9 and 10 constitute violations of Exchange Rule 4.4 by the Firm, in that the Firm effected opening transactions in an option series that was restricted to closing only transactions and did not inform the customer that the security was restricted prior to the Firm effecting the transactions for the customer.

### **Supervision**

12. While the Firm had written supervisory procedures (“WSPs”) in place from in or about July 2021 through the present, the WSPs did not include a process by which the Firm would inform its customers if and when a security was restricted and that the Exchange may prohibit further transactions in such option contracts prior to the Firm effecting any transaction in a restricted security for the customer. Further, the WSPs did not include a process by which the Firm reviewed post-trade changes made to the Position Effect (open/close) field through the Clearing Editor and/or tools available at The Options Clearing Corporation so as to monitor for opening transactions that the Firm may have

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<sup>1</sup> Series A was restricted by the Exchange on July 2, 2021.

effected in an option series that was restricted to closing only transactions. Additionally, the Firm's order management system was configured to use a default value of "close" for the Position Effect, including for orders in series that were restricted to closing-only transactions.<sup>2</sup>

13. The acts, practices and conduct described in Paragraph 12 constitute violations of Exchange Rule 8.16 by the Firm, in that the Firm failed to establish, maintain, and enforce WSPs, and a system for applying such procedures, reasonably designed to prevent and detect potential violations of applicable Exchange rules that prohibit effecting opening transactions in restricted securities.

### **SANCTIONS**

14. The Firm does not have any prior relevant disciplinary history specifically related to effecting opening transactions in restricted options and/or non-bona fide transactions.
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 \$22,500.

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.

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<sup>2</sup> As described in Cboe Regulatory Circular RG17-083, TPHs may not use a default value to circumvent a rule in instances where knowledge of a specified element, including the Position Effect value, is required for compliance. RG17-083 provides that "for example, in series that are restricted to closing-only transactions pursuant to CBOE Rule 5.4, a closing indicator should not be used as a default value." Cboe Rule 5.4 was renumbered to Cboe Rule 4.4 as of October 7, 2019.

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:** 2/13/2023

**Dash Financial Technologies LLC**

**By:** Jaclyn L Butler

**Name:**

**Title:** CCO