



DISCIPLINARY DECISION
Cboe Futures Exchange, LLC
File No. URE-169-09
Eagle Seven, LLC

Pursuant to Exchange Rule 703, attached to and incorporated as part of this Decision is a Letter of Consent, accepted by the CFE Business Conduct Committee.

Applicable Rules

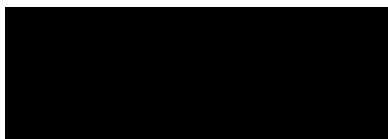
CFE Rule 609 - Supervision
CFE Rules 620(b)(iv) and (v) – Disruptive Practices

Sanction

A monetary fine in the amount of \$75,000.

Effective Date

May 1, 2023



Richard Bruder
Chair, CFE Business Conduct Committee

Cboe Futures Exchange, LLC
LETTER OF CONSENT
File No. URE-169-09

In the Matter of:

Eagle Seven, LLC
550 W. Jackson Blvd., Suite 1400
Chicago, IL 60661
Subject

Pursuant to the provisions of Cboe Futures Exchange, LLC ("CFE" or the "Exchange") Rule 703 – Expedited Proceeding, Eagle Seven, LLC ("Eagle Seven" 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, Eagle Seven was a CFE Trading Privilege Holder ("TPH") and Market Participant. The Firm's registration remains in effect.

VIOLATIVE CONDUCT

Applicable Rules

2. During all relevant periods herein (as applicable), CFE Rules 609 – Supervision and 620 – Disruptive Practices were in full effect.
3. During all relevant periods herein, CFE Rule 620(b)(iv) provided, in relevant part, that "[n]o Person shall intentionally or recklessly submit or cause to be submitted an actionable or non-actionable message(s) that has the potential to disrupt the systems of the Exchange or other market participants[.]"
4. During all relevant periods herein, CFE Rule 620(b)(v) provided that "[n]o Person shall enter or cause to be entered an actionable or non-actionable message(s)

with intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions.”

5. During all relevant periods herein, CFE Rule 609(a) provided, in relevant part, that “[e]ach Trading Privilege Holder shall be responsible for establishing, maintaining and administering reasonable, written supervisory procedures to ensure that its . . . automated trading systems . . . comply with . . . the Rules of the Exchange . . . Each Trading Privilege Holder shall be responsible for supervising its . . . automated trading systems and may be held accountable for the actions of its . . . automated trading systems.”
6. During all relevant periods herein, CFE Rule 609(b) provided, in relevant part, that “[e]ach Market Participant shall supervise that Market Participant’s activities and automated trading systems to ensure that they comply with . . . the Rules of the Exchange . . . to the extent those provisions are applicable to Market Participants.”

March 30, 2022 Disruptive Event

7. During all relevant periods herein, the Exchange provided a simulation environment that functionally replicated the production trading environment. This environment is made available to Market Participants for testing purposes.
8. On March 30, 2022, during extended trading hours, Eagle Seven deployed an update to its automated trading system (“ATS”) that was used to submit orders to CFE.
9. The upgrade to Eagle Seven’s ATS was intended to connect to multiple CFE unique ports. Eagle Seven, however, tested the updated code on only one physical port in the CFE test environment.
10. After deployment, code in Eagle Seven’s updated ATS caused the ATS to get caught in a loop when connecting to one of the ports and sent an excessive number of log-in messages to the CFE network, which resulted in a Code Red at the Exchange and severely degraded the performance of an Exchange matching engine for 12 minutes. Additionally, market participants became disconnected from CFE and some market participants’ customer and proprietary orders were deleted from order books.

11. The acts, practices, and conduct described in Paragraphs 8 through 10 constitute violations of CFE Rule 620(b)(iv) and (iv) by the Firm in that it recklessly submitted messages that had the potential to disrupt the systems of the Exchange or other market participants and entered messages with reckless disregard for the adverse impact on the orderly conduct of trading.

Supervision

12. Eagle Seven's written supervisory procedures ("WSPs") required that an ATS pass automated unit tests and regression testing. These WSPs were not reasonably designed in that they failed to describe in any detail how and what to test and how to evaluate the results of testing prior to deployment.
13. Additionally, as a final test step in the testing process, Eagle Seven's WSPs stated that the ATS model must be run "in the CFE Certification Environment and the specific events involved in the change are verified to function as desired in the environment." Eagle Seven did not administer this WSP as it tested the updated code on only one port rather than the multiple ports in which it intended to deploy the ATS. As such, the Firm did not verify the upgrade functioned as it was intended to be deployed in production.
14. The acts, practices, and conduct described in Paragraphs 12 through 13 constitute violations of CFE Rule 609 in that the Firm failed to establish, maintain, and administer reasonable WSPs to ensure that its ATS complied with Exchange Rules.

SANCTIONS

15. The Firm has the following relevant disciplinary history specifically related to alleged violations of Exchange Rule 620(b). In 2022, the Firm was sanctioned \$45,000 by CFE for allegedly violating CFE Rule 620(b) by entering 3,502 non bona fide orders over a three-month period in 2021, during the Pre-Open in the VX contract that were modified and/or cancelled during the Pre-Open for the purpose of ensuring proper code path initialization and reducing latency.
16. In light of the alleged rule violations described above, the Firm consents to the imposition of the following sanction:
 - a. A monetary fine in the amount of \$75,000.

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 703, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a CFE Business Conduct Committee ("BCC"). The Firm further waives the right to appeal any such decision to the Commodity Futures Trading 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 BCC in connection with the BCC'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 sanctions upon notice that this Letter of Consent has been accepted by the BCC and that such payments 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 sanctions 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 BCC, pursuant to Exchange Rule 703. 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 Letter of Consent will be published on a website maintained by the Exchange.

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: 3-31-23

Eagle Seven, LLC

By: 

Name: STV SHALOWITZ

Title: GENERAL COUNSEL