



**DISCIPLINARY DECISION**  
**Cboe BZX Exchange, Inc.**  
**File No. URE-242-03**  
**Interactive Brokers LLC**

Pursuant to Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

**Applicable Rules**

- Cboe BZX Rules 5.1—Written Procedures, 16.1—Definitions (Professional) (as further described in SR-BATS-2011-041), 18.1—Adherence to Law, 18.2—Conduct and Compliance with the Rules, 20.7—Audit Trail, and 24.1—Maintenance, Retention and Furnishing of Books, Records and Other Information.
- Section 17(a) of the Exchange Act and Rule 17a-3—Records to Be Made by Certain Exchange Members, Brokers and Dealers, thereunder.

**Sanction**

A censure and a monetary fine in the amount of \$620,000 of which \$70,000 is allocated to Cboe BZX.<sup>1</sup>

**Effective Date**

July 23, 2025

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

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<sup>1</sup> This settlement relates to a settlement the Firm reached with Cboe EDGX Exchange, Inc.

**Cboe BZX Exchange, Inc.**  
**LETTER OF CONSENT**  
**File No. URE-242-03**

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In the Matter of:

Interactive Brokers LLC  
One Pickwick Plaza  
Greenwich, CT 06830

Subject

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Pursuant to the provisions of Cboe BZX Exchange, Inc. ("Cboe BZX" or the "Exchange") Rule 8.3 – Expedited Proceeding, Interactive Brokers LLC ("IBKR" 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") and Exchange Act rules have been committed, and the stipulations described herein do not constitute such an admission.

**BACKGROUND**

1. During all relevant periods herein, IBKR was a registered Broker-Dealer and was an Exchange Member. The Firm's registrations remain in effect.
2. This matter originated from a Firm self-report and subsequent Exchange review of the Firm's compliance with rules related to order capacity code reporting.

**VIOLATIVE CONDUCT**

**Applicable Rules**

3. During all relevant periods herein, the following laws and rules were in full force and effect: Section 17 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 17a-3—Records to Be Made by Certain Exchange Members, Brokers and Dealers thereunder; and Cboe BZX Rules 5.1—Written Procedures, 16.1—Definitions (Professional) (as further described in SR-BATS-2011-041), 18.1—Adherence to Law, 18.2—Conduct and Compliance with the Rules, 20.7—Audit Trail, and 24.1—Maintenance, Retention and Furnishing of Books, Records and Other Information.
4. During all relevant periods herein, Exchange Act Section 17(a)(1) provided that every member of a national securities exchange shall make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Securities and Exchange Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this title.

5. During all relevant periods herein, Exchange Act Rule 17a-3(a)(6) required member firms to create a memorandum of each order, and any other instruction, showing the terms and conditions of the order.
6. During all relevant periods herein, Cboe BZX Rule 18.1 provided that no Options Member shall engage in conduct in violation of the Exchange Act or rules thereunder, Cboe BZX rules or the rules of the Options Clearing Corporation ("OCC") insofar as they relate to the reporting or clearance of any Cboe BZX transaction, or any written interpretation thereof, and that every Options Member shall supervise persons associated with the Member to assure compliance therewith.
7. During all relevant periods herein, Cboe BZX Rule 18.2(a)(6) provided, among other things, that in accordance with the Cboe BZX rules and in connection with business conducted on Cboe BZX Options, each Options Member shall ensure that accurate information is input into the automated trading system used by Cboe BZX Options for the trading of options contracts including, but not limited to, the Options Member's capacity.
8. During all relevant periods herein, Cboe BZX Rule 20.7(a) provided that when entering orders on Cboe BZX Options, each Options Member shall submit order information in such form as may be prescribed by the Exchange in order to allow Cboe BZX Options to properly prioritize and match orders and report resulting transactions to the OCC.
9. During all relevant periods herein, Cboe BZX Rule 20.7(b) provided that order records relating to Cboe BZX Options must contain, among other things, user capacity.
10. During all relevant periods herein, Cboe BZX Rule 24.1(a) provided that each Options Member shall make, keep current and preserve such books and records as the Exchange may prescribe pursuant to Exchange rules and as may be prescribed by the Exchange Act and the rules and regulations thereunder.
11. During all relevant periods herein, Cboe BZX Rule 16.1 provided that the "term 'Professional' means any person or entity that: (A) is not a broker or dealer in securities, and (B) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s)." In addition, "[a]ll Professional orders shall be appropriately marked by Options Members."
12. According to SR-BATS-2011-041, the rule filing regarding adoption of the Professional customer definition, to comply with Exchange requirements, Options Members are required to review their customers' activity on at least a quarterly basis to determine whether orders that are not for the account of a broker or dealer should be represented as Professional customer orders. Orders for any customer that had an average of more than 390 orders per day during any month of a calendar quarter must be represented as Professional customer orders for the next calendar quarter. Members are required to conduct a quarterly review and make any appropriate changes to the way in which they are representing orders within five business days after the end of each calendar quarter.

13. During all relevant periods herein, Cboe BZX Rule 5.1 provided that each Member “shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.”

### **Capacity Code Mismarkings**

14. From in or about January 2012 through in or about August 2022 (the “Review Period”), IBKR routed and executed approximately 37,000 Professional customer orders on Cboe BZX (totaling approximately 657,000 executed contracts) that were incorrectly marked in the capacity of “C” or “Priority Customer.”<sup>1</sup>
15. The incorrectly marked orders resulted from two issues with the coding logic used to count customer options orders for purposes of Professional customer designations (i.e., to identify any customers that placed 390 or more orders per day on average during one or more calendar months of the prior quarter). Specifically, during the Review Period, the order counting logic failed to include complex orders or certain cancel/replace orders in its order count.<sup>2</sup>
16. Instances in which IBKR routed orders to the Exchange with incorrect capacity codes potentially had adverse consequences, such as creating an inaccurate audit trail and inaccurate order records and potentially impeding Cboe BZX’s ability to surveil for and detect potential violations of its rules and federal securities laws.
17. The acts, practices and conduct described in Paragraphs 14 through 16 constitute violations of Cboe BZX Rules 16.1 (as further described in SR-BATS-2011-041), 18.1, 18.2(a)(6), 20.7, and 24.1(a) and Section 17(a)(1) of the Exchange Act and Rule 17a-3(a)(6) thereunder by the Firm, in that the Firm submitted and executed Professional customer orders to the Exchange that were incorrectly marked with a Priority Customer capacity code.

### **Supervision**

18. During the Review Period, IBKR had Written Supervisory Procedures (“WSPs”) addressing Professional customer order capacity marking requirements, and it regularly tested and reviewed certain automated reports designed to identify customers that should be classified as Professional customers based on their U.S. option order activity levels. When the relevant coding logic to count customer orders for purposes of Professional customer designations was released in 2009 and updated in 2012, however, IBKR did not test the logic for inclusion of complex orders and certain cancel/replace orders.
19. Additionally, during the Review Period, the Firm failed to respond to certain circumstances that potentially could have alerted the Firm that it was mismarking Professional customer orders as Priority Customer orders.

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<sup>1</sup> During the Review Period, Cboe BZX Rule 16.1 defined the “C” capacity code to be that of a “Priority Customer” and Cboe BZX Rule 16.1 defined “Priority Customer” as “any person or entity that is not: (A) a broker or dealer in securities; or (B) a Professional.”

<sup>2</sup> IBKR remediated these issues in early June 2022 and early August 2022.

20. The acts, practices, and conduct described in Paragraphs 18 and 19 constitute violations of Cboe BZX Rule 5.1 by the Firm in that it failed to reasonably supervise and to comply with the order marking and recordkeeping rules described herein.

### **SANCTIONS**

21. 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 of \$620,000 of which \$70,000 is allocated to Cboe BZX.<sup>3</sup>

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 8.3, 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 further waives any claim that a person violated the ex parte prohibitions of Exchange Rule 8.16, in connection with such person's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including its acceptance or rejection.

The Firm agrees to pay the monetary sanctions upon notice that this Letter of Consent has been accepted 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 CRO, pursuant to Exchange Rule 8.3. 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 BZX or any other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange in accordance with Exchange Rule 8.18.

The Firm understands that it may not deny the charges or make any public statement that is inconsistent with the Letter of Consent. The Firm may not take any position in any proceeding brought on or behalf of the Exchange, or to which the Exchange is a party, that is inconsistent

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<sup>3</sup> This settlement relates to a settlement the Firm reached with Cboe EDGX Exchange, Inc.

with any part of this Letter of Consent. Nothing in this provision affects the Firm's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party. 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 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: 7-16-25

Interactive Brokers LLC

By: 

Name: Elaine H. Mandelbaum

Title: General Counsel

## **STATEMENT OF CORRECTIVE ACTION BY INTERACTIVE BROKERS LLC**

This Corrective Action Statement is submitted by Interactive Brokers LLC (“IBKR” or the “Firm”). It does not constitute factual or legal findings by Cboe BZX Exchange, Inc. (“Cboe BZX” or the “Exchange”), nor does it reflect the views of Cboe BZX or Cboe BZX staff.

IBKR submits this Statement of Corrective Action in connection with the foregoing Letter of Consent (“LOC”). As set forth in detail below, IBKR acted promptly to address the issues set forth in the LOC and invested substantial resources in investigating and remediating the items identified in this matter, including but not limited to via significant enhancements to the Firm’s policies and procedures and preparation of a complex lookback analysis.

**IB’s Response to the Conduct at Issue:** Once IBKR became aware of the inadvertent exclusion of complex orders from order counting for purposes of Professional customer designations, IBKR promptly investigated and, through its own thorough investigation, identified the similar inadvertent exclusion of certain cancel-replace orders. IBKR self-reported both items to the Financial Industry Regulatory Authority (“FINRA”) on June 1, 2022 and completed its remediation with respect to complex orders within days of the June 2022 self-report, and with respect to the cancel/replace orders by early August 2022.

**Updated Policies and Procedures:** The Firm has made significant changes to its code development and release processes since the coding for purposes of determining Professional customer designations was originally released in 2009 to, among other things, catch issues like those described in the LOC before newly developed code is released.