

BEFORE THE BUSINESS CONDUCT COMMITTEE PANEL
OF
CBOE FUTURES EXCHANGE, LLC

)	
In the Matter of:)	
)	
Exchange Connectivity)	
222 S. Riverside Plaza)	
Suite 1100)	File No. CFE 14-0001
Chicago, Il 60606)	
)	
Respondent)	
)	

DECISION ACCEPTING OFFER OF SETTLEMENT

This proceeding was instituted by the Business Conduct Committee Panel (the “Committee”) of CBOE Futures Exchange, LLC (the “Exchange” or “CFE”) as a result of an investigation by the staff of the Exchange, which indicated that there was probable cause for finding a violation within the disciplinary jurisdiction of the Exchange. In accordance with that determination, the Committee directed the issuance of a Statement of Charges (“Statement of Charges”). Pursuant to Exchange Rule 708, the respondent (“Respondent”), Exchange Connectivity (“Connectivity”), submitted an offer of settlement (“Offer of Settlement”).

In submitting the Offer of Settlement, the Respondent neither admitted nor denied the violations alleged in the Statement of Charges.

The Respondent has agreed that the determination of the Committee to accept the Offer of Settlement shall constitute a final Decision, and, as provided in Exchange Rule 708, the Respondent may not seek review thereof.

The Respondent understands and acknowledges that the Committee’s decision in this matter will become part of its disciplinary record and may be considered in any future Exchange proceeding.

With due regard to the particulars of this matter, the Committee believes it is appropriate to accept the Respondent’s Offer of Settlement based on the following stipulated facts and findings and thereby to impose the sanction specified below.

FACTS

1. During all relevant periods herein, Connectivity was a CFE Trading Permit Holder registered to conduct proprietary trading business.

2. During all relevant periods herein, CFE Rules 403- Order Entry, 501 - Books and Records, 502 - Inspection and Delivery and 604 - Adherence to Law; and CFTC Regulation 17 CFR 1.31 - Books and Records, were in full force and effect.
3. In or about August 2012, the CFE conducted a routine audit trail examination of Exchange Connectivity. The examination included a review of the Exchange Connectivity's audit trail procedures, audit trail records, large trade reporting, CBOE Account Type Usage, and overall firm structure.
4. Pursuant to CFE Rule 501(a), "each Trading Privilege Holder and Clearing Member shall prepare and keep current all books, ledgers, and other similar records required to be kept by it pursuant to the CEA, Commission Regulations, the Exchange Act, Exchange Act Regulations, and the Rules of the Exchange, and shall prepare and keep current such other books and records and adopt such forms as the Exchange may from time to time prescribe. Such books and records shall be made available to the Exchange upon request." In addition, CFE Rule 501(b) provides, "with respect to each order, bid, offer or other message transmitted to the CBOE System by an Authorized Trader of a Trading Privilege Holder, the Trading Privilege Holder shall keep a record of which Authorized Trader of the Trading Privilege Holder caused that order, bid offer or other message to be transmitted to the CBOE System."
5. Pursuant to CFE Rule 502, "each Trading Privilege Holder and Clearing Member shall keep all books and records required to be kept by it pursuant to the Rules of the Exchange for a period of five years from the date on which they are first prepared, unless otherwise provided in the Rules of the Exchange or required by law. Such books and records shall be readily accessible during the first two years of such five-year period. During such five-year period, all such books and records shall be made available for inspection by, and copies thereof shall be delivered to, the Exchange and its authorized representatives upon request."
6. On numerous trade dates between on or about July 2, 2012 through on or about November 19, 2013, Exchange Connectivity Traders failed to maintain audit trail records required by the CFE.

FINDINGS

The acts, practices and conduct described in Paragraph 6 above constitute a violation of CFE Rules 403, 501, 502 and 604; and CFTC Regulation 17 CFR 1.31 by Exchange Connectivity, in that Exchange Connectivity, on numerous trade dates between on or about July 2, 2012 through on or about November 19, 2013, failed to maintain audit trail records required by the Exchange.

SANCTION

The sanction to be imposed shall consist of a \$25,000 fine, a censure and an undertaking whereby Exchange Connectivity shall provide an attestation to the Office of Enforcement of the Firms Audit Trail retention compliance within 30 calendar days from the issuance of the Decision in this matter.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Exchange Connectivity, shall be and hereby is censured and fined in the amount of \$25,000. In addition, an undertaking whereby Exchange Connectivity shall provide an attestation to the Office of Enforcement of the Firm's Audit Trail retention compliance within 30 calendar days from the issuance of the Decision in this matter.

**SO ORDERED
FOR THE COMMITTEE**

Dated: August 8, 2014

**By: /s/ Bruce Andrews
Bruce Andrews
Chairman
Business Conduct Committee Panel**