

BEFORE THE BUSINESS CONDUCT COMMITTEE
OF THE
CBOE EXCHANGE, INC.

_____)	
In the Matter of:)	
)	
MNR Executions, LLC)	
141 West Jackson Blvd.)	
Suite 3900)	
Chicago, IL 60604)	
)	
and)	File No. 18-0007
)	STAR No. 20160486165
Ronald Myers)	
233 S. Wacker Drive)	
Suite 8000)	
Chicago, IL 60606)	
)	
and)	
)	
Andrew Clouthier)	
233 S. Wacker Drive)	
Suite 8000)	
Chicago, IL 60606)	
)	
Respondents)	
_____)	

DECISION ACCEPTING OFFER OF SETTLEMENT

This proceeding was instituted by the Business Conduct Committee (the “Committee”) of the Cboe Exchange, Inc. (the “Exchange” or “Cboe”) 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 17.8, the respondents (“Respondents”), MNR Executions, LLC (“MNR”), Ronald Myers (“Myers”), and Andrew Clouthier (“Clouthier”), submitted an offer of settlement (“Offer of Settlement”).

In submitting the Offer of Settlement, the Respondents neither admit nor deny the violations alleged in the Statement of Charges.

The Respondents have agreed that the determination of the Committee to accept the Offer of Settlement shall constitute a final Decision, and, as provided in Exchange Rule 17.8, the Respondents may not seek review thereof.

The Respondents understand and acknowledge that the Committee’s decision in this matter will become part of their 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 Respondents' 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, MNR was an Exchange Trading Permit Holder registered to conduct business as a Floor Broker on the Exchange.
2. During all relevant periods, MNR was acting as a registered Broker-Dealer.
3. During all relevant periods, Burzycki was an Associated Person of MNR and was employed by MNR as a Floor Broker on the Exchange.¹
4. During all relevant periods, Myers was an Associated Person of MNR and was employed by MNR as a Floor Broker on the Exchange.
5. During all relevant periods, Clouthier was an Associated Person of MNR and was employed by MNR as a Floor Broker on the Exchange.
6. During all relevant periods herein, Exchange Rules 4.1 — Just and Equitable Principles of Trade, 6.20 — Admission to and Conduct on the Trading Floor; Trading Permit Holder Education, 6.73 — Responsibilities of Floor Brokers, 6.74 — Crossing Orders, and 6.9 — Solicited Transactions, were in full force and effect.
7. Exchange Rule 6.73(a) provides, in relevant part, that "[a] Floor Broker handling an order is to use due diligence to execute the order at the best price or prices available to him, in accordance with the Rules."
8. Interpretation and Policy .04 of Exchange Rule 6.20 states that a violation of Rule 6.74 may result due to a TPH "[e]ffecting or attempting to effect a transaction with no public outcry."
9. Interpretation and Policy .04 of Exchange Rule 6.9 states that "[e]xcept as provided in Rule 6.9(a), the procedures set forth in Rule 6.74 (Crossing Orders) govern the crossing of original orders with facilitation orders or solicited orders as determined by the Exchange pursuant to Rule 6.74(d)."
10. Exchange Rule 6.74(d) provides, in relevant part, that "[n]otwithstanding the provisions of paragraphs (a) and (b) of this Rule, when a Floor Broker holds an option order for the eligible order size or greater ('original order'), the Floor Broker is entitled to cross a certain percentage of the order with other orders that he is holding or in the case of a public customer order with a facilitation order of the originating firm (i.e., the firm from which the original customer order originated) . . . In accordance with his responsibilities for due diligence, a Floor Broker representing an order of the eligible order size or greater that he wishes to cross shall request bids and offers for such option series and make all persons in the trading crowd, including the Order Book Official or the PAR Official, aware of his request." Further, "[t]he percentage of the order which a Floor Broker is entitled to cross . . . is either 20% or 40% (as determined by the Exchange on a class-by-class basis)." Pursuant to Regulatory Circular RG15-055, during all relevant periods, the facilitation entitlement percentage in Standard & Poor's 500 Stock Index ("SPX") options was 20%, and the solicitation entitlement percentage in SPX was 0%.

¹ On October 19, 2018, the Cboe Business Conduct Committee issued a Decision for File No. 18-0007 (STAR No. 20160486165), addressing the personal liability of Mark Burzycki for his conduct cited below.

11. On or about January 20, 2016, Burzycki, acting in the capacity of an MNR Floor Broker, received a public customer order to buy 5,000 SPX February 1650 put option contracts ("customer order") and a contra-side order to sell either 2,500 or up to 5,000 SPX February 1650 put option contracts. Burzycki and MNR failed to properly represent to the SPX trading crowd the customer order to be crossed, in that Burzycki and MNR failed to identify the total quantity of the customer order and failed to disclose, by public outcry, the portion of the trade he was executing either through a participation entitlement or otherwise. Further, Burzycki and MNR exceeded any applicable permissible participation entitlement by crossing 2,400 option contracts, or 48%, of the customer order without determining other in-crowd market participant interest had been exhausted and executing 500 option contracts, or 10%, of the customer order with a solicited order without determining other in-crowd market participant interest had been exhausted.
12. On or about May 6, 2016, Burzycki, acting in the capacity of an MNR Floor Broker, received a public customer order to buy 1,000 SPX March 1970-2000 put option contracts ("customer order") and a contra-side order to sell either 500 or up to 1,000 SPX March 1970-2000 put option contracts. Burzycki and MNR failed to properly represent to the SPX trading crowd the customer order to be crossed, in that Burzycki and MNR failed to identify the total quantity of the customer order and failed to disclose, by public outcry, the portion of the trade he was executing either through a participation entitlement or otherwise. Further, Burzycki and MNR exceeded any applicable permissible participation entitlement by crossing 500 contracts, or 50%, of the customer order without determining other in-crowd market participant interest had been exhausted.
13. On or about January 26, 2016, Myers, acting in the capacity of an MNR Floor Broker, received a public customer order to buy 2,000 SPX March 1700-1800 put option contracts ("customer order") and a contra-side order to sell either 1,000 or up to 2,000 SPX March 1700-1800 put option contracts. Myers and MNR failed to properly represent to the SPX trading crowd the customer order to be crossed, in that Myers and MNR failed to identify the total quantity of the customer order and failed to disclose, by public outcry, the portion of the trade to be executed either through a participation entitlement or otherwise. Further, Myers and MNR exceeded any applicable permissible participation entitlement by crossing 1,000 contracts, or 50%, of the customer order without determining other in-crowd market participant interest had been exhausted.
14. On or about October 14, 2016, Myers, acting in the capacity of an MNR Floor Broker, received a Broker-Dealer customer order to buy 290 SPX November 2135 call option and put option contracts ("BD customer order") and a contra-side order to sell either 145 or up to 290 SPX November 2135 call option and put option contracts. Myers and MNR failed to meet the required conditions outlined in Paragraph 10 above. In addition, even if the conditions outlined in Paragraph 10 above had been met, Myers and MNR failed to properly represent to the SPX trading crowd the BD customer order to be crossed, in that Myers and MNR failed to identify the total quantity of the BD customer order and failed to disclose, by public outcry, the portion of the trade to be executed either through a participation entitlement or otherwise. Further, Myers and MNR exceeded any applicable permissible participation entitlement by crossing 145 contracts, or 50%, of the BD customer order without determining other in-crowd market participant interest had been exhausted.
15. On or about October 6, 2016, Clouthier, acting in the capacity of an MNR Floor Broker, received a public customer order to buy 1,600 SPX January 2350 call option contracts ("customer order") and a contra-side order to sell 800 SPX January 2350 call option contracts. Clouthier and MNR failed to properly represent to the SPX trading crowd the customer order to be crossed, in that Clouthier and MNR failed to identify the total quantity of the customer order and failed to disclose, by public outcry, the portion of the trade to be executed either through a participation entitlement or otherwise. Further, Clouthier and MNR exceeded any applicable permissible participation entitlement by crossing 800 contracts, or 50%, of the customer order without determining other in-crowd market participant interest had been exhausted.

16. From on or about January 20, 2016 through on or about October 14, 2016, MNR failed to reasonably supervise its associated persons so as to ensure compliance with Exchange Rules 4.1, 6.73, and 6.74 in conjunction with the conduct cited above.
17. From on or about January 20, 2016 through on or about October 14, 2016, MNR failed to establish supervisory systems, including written supervisory procedures and a separate system of follow-up and review, reasonably designed to ensure compliance with Exchange Rules 4.1, 6.73, and 6.74 in conjunction with the conduct cited above.

FINDINGS

The acts, practices and conduct described in Paragraph 11 constitute violations of Exchange Rules 4.1, 6.73 and 6.74 by MNR, in that on or about January 20, 2016, Burzycki, acting in the capacity of an MNR Floor Broker, failed to properly represent to the SPX trading crowd the customer order to be crossed, by failing to identify the total quantity of the customer order, failing to disclose, by public outcry, the portion of the trade he was executing either through a participation entitlement or otherwise, and exceeding any applicable permissible participation entitlement by crossing 2,400 option contracts, or 48%, of the customer order without determining other in-crowd market participant interest had been exhausted and executing 500 option contracts, or 10%, of the customer order with a solicited order without determining other in-crowd market participant interest had been exhausted.

The acts, practices and conduct described in Paragraph 12 constitute violations of Exchange Rules 4.1, 6.73 and 6.74 by MNR, in that on or about May 6, 2016, Burzycki, acting in the capacity of an MNR Floor Broker, failed to properly represent to the SPX trading crowd the customer order to be crossed, by failing to identify the total quantity of the customer order, failing to disclose, by public outcry, the portion of the trade he was executing either through a participation entitlement or otherwise, and exceeding any applicable permissible participation entitlement by crossing 500 contracts, or 50%, of the customer order without determining other in-crowd market participant interest had been exhausted.

The acts, practices and conduct described in Paragraph 13 constitute violations of Exchange Rules 4.1, 6.73 and 6.74 by MNR and Myers, in that on or about January 26, 2016, Myers, acting in the capacity of an MNR Floor Broker, received a public customer order to buy 2,000 SPX March 1700-1800 put option contracts ("customer order") and a contra-side order to sell either 1,000 or up to 2,000 SPX March 1700-1800 put option contracts. Myers and MNR failed to properly represent to the SPX trading crowd the customer order to be crossed, in that Myers and MNR failed to identify the total quantity of the customer order and failed to disclose, by public outcry, the portion of the trade to be executed either through a participation entitlement or otherwise. Further, Myers and MNR exceeded any applicable permissible participation entitlement by crossing 1,000 contracts, or 50%, of the customer order without determining other in-crowd market participant interest had been exhausted.

The acts, practices and conduct described in Paragraph 14 constitute violations of Exchange Rules 4.1, 6.73 and 6.74 by MNR and Myers, in that on or about October 14, 2016, Myers, acting in the capacity of an MNR Floor Broker, received a Broker-Dealer customer order to buy 290 SPX November 2135 call option and put option contracts ("BD customer order") and a contra-side order to sell either 145 or up to 290 SPX November 2135 call option and put option contracts. Myers and MNR failed to meet the required conditions outlined in Paragraph 10 above. In addition, even if the conditions outlined in Paragraph 10 above had been met, Myers and MNR failed to properly represent to the SPX trading crowd the BD customer order to be crossed, in that Myers and MNR failed to identify the total quantity of the BD customer order and failed to disclose, by public outcry, the portion of the trade to be executed either through a participation entitlement or otherwise. Further, Myers and MNR exceeded any applicable permissible participation entitlement by crossing 145 contracts, or 50%, of the BD customer order without determining other in-crowd market participant interest had been exhausted.

The acts, practices and conduct described in Paragraph 15 constitute violations of Exchange Rules 4.1, 6.73 and 6.74 by MNR and Clouthier, in that on or about October 6, 2016, Clouthier, acting in the capacity of an MNR Floor Broker, received a public customer order to buy 1,600 SPX January 2350 call option contracts ("customer order") and a contra-side order to sell 800 SPX January 2350 call option contracts. Clouthier and MNR failed to properly represent to the SPX trading crowd the customer order to be crossed, in that Clouthier and MNR failed to identify the total quantity of the customer order and failed to disclose, by public outcry, the portion of the trade to be executed either through a participation entitlement or otherwise. Further, Clouthier and MNR exceeded any applicable permissible participation entitlement by crossing 800 contracts, or 50%, of the customer order without determining other in-crowd market participant interest had been exhausted.

The acts, practices and conduct described in Paragraph 16 constitute violations of Exchange Rule 4.2 by MNR, in that MNR failed to reasonably supervise its Associated Persons so as to ensure compliance with Exchange Rules 4.1, 6.73, and 6.74 in conjunction with the conduct cited above.

The acts, practices and conduct described in Paragraph 17 constitute violations of Exchange Rule 4.24 by MNR, in that MNR failed to establish adequate supervisory systems, including written supervisory procedures and a separate system of follow-up and review, reasonably designed to ensure compliance with Exchange Rules 4.1, 6.73, and 6.74 in conjunction with the conduct cited above.

SANCTION

The sanction to be imposed shall consist of a \$100,000 joint and several fine to MNR, Myers and Clouthier and a censure of each Respondent.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondents, MNR Executions, LLC, Ronald Myers and Andrew Clouthier shall be and hereby are censured and jointly and severally fined in the amount of one hundred thousand dollars (\$100,000).

**SO ORDERED
FOR THE COMMITTEE**

Dated: January 31, 2019

**By: /s/ Richard Bruder
Richard Bruder
Chairman
Business Conduct Committee**