

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

_____)
In the Matter of:)
)
Lakeshore Securities, L.P.)
401 S. LaSalle Street, Suite 1000)
Chicago, IL 60605)
)
and)
)
Joseph Williams)
401 S. LaSalle Street, Suite 1000)
Chicago, IL 60605)
)
and)
)
Salvatore LoBianco)
401 S. LaSalle Street, Suite 1000)
Chicago, IL 60605)
)
and)
)
Mark Burzycki)
401 S. LaSalle Street, Suite 1000)
Chicago, IL 60605)
)
Subjects)
_____)

File No.19-0003 Star No. 20170550796

DECISION ACCEPTING LETTER OF CONSENT

This proceeding was instituted by the Business Conduct Committee (the "Committee") of the Cboe Exchange, Inc. (the "Exchange") as a result of an investigation by the staff of the Exchange. In order to resolve this matter, the subjects, Lakeshore Securities, L.P., Joseph Williams, Salvatore LoBianco and Mark Burzycki have submitted a Letter of Consent. Such Letter of Consent was submitted solely for the purposes of this proceeding without admitting or denying that a violation of Exchange Rules has been committed. With due regard to the stipulated facts and findings and

the proposed sanction contained therein, the Committee believes it is appropriate to accept the Letter of Consent for File No. 19-0003 (STAR No. 20170550796) which is attached to and made a part of this Decision.

**SO ORDERED
FOR THE COMMITTEE**

Dated: January 31, 2019

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

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

In the Matter of:)

Lakeshore Securities, L.P.)
401 S. LaSalle Street, Suite 1000)
Chicago, IL 60605)

and)

Joseph Williams)
1550 S. Indiana Avenue)
Unit 610)
Chicago, IL 60605)

and)

Salvatore LoBianco)
1214 Montego)
Elk Grove Village, IL 60007)

and)

Mark Burzycki)
12423 South 73rd Ave.)
Palos Heights IL, 60463)

Subjects)

STAR No. 20170550796¹

LETTER OF CONSENT

In order to avoid the time, expense, and uncertainty of a formal disciplinary proceeding, the undersigned hereby submits a Letter of Consent, pursuant to the provisions of Cboe Exchange, Inc. ("Cboe" or the "Exchange") Rule 17.3, in the above-captioned matter.

Only for the purposes of this Letter of Consent, and without admitting or denying either the allegations of STAR No. 20170550796, or that a violation of Exchange Rules has been committed (and the Consent to Judgment and the Stipulation of Facts and Findings contained herein do not constitute such an admission), Lakeshore Securities, L.P. ("Lakeshore"), Salvatore LoBianco ("LoBianco"), Joseph Williams ("Williams") and Mark Burzycki ("Burzycki"),

¹ STAR No. 20170550796 incorporates STAR Nos. 20170558841 and 20180572721 which have been merged into this matter.

collectively, the subjects ("Subjects"), consent to the Stipulation of Facts and Findings and Sanction as set forth below.

Consent to Judgment and Sanction

Pursuant to Exchange Rule 17.3, the Subjects submit this Letter of Consent. The Subjects consent to the issuance of a decision based upon the Stipulation of Facts and Findings below and the imposition of the following sanction:

Sanction: (i) A joint and several \$60,000 fine for Lakeshore, LoBianco and Williams, and a censure of each; and (ii) a censure and ten consecutive business day suspension from association with any Exchange Trading Permit Holder or TPH organization for Burzycki.

Stipulation of Facts and Findings

1. During all relevant periods, Lakeshore was an Exchange Trading Permit Holder registered to conduct business as a Floor Broker on the Exchange.
2. During all relevant periods, Lakeshore was acting as a registered Broker-Dealer.
3. From in or about February 1986, LoBianco has been an Associated Person of Lakeshore Securities, L.P. ("Lakeshore"). During all relevant periods, LoBianco was employed by Lakeshore as a Floor Broker on the Exchange.
4. From in or about August 2005, Williams has been an Associated Person of Lakeshore Securities, L.P. ("Lakeshore"). During all relevant periods, Williams was employed by Lakeshore as a Floor Broker on the Exchange.
5. From on or about January 29, 2018, Burzycki has been an Associated Person of Lakeshore Securities, L.P. ("Lakeshore"). During all relevant periods, Burzycki was employed by Lakeshore as a Floor Broker on the Exchange.
6. During all relevant periods herein, Exchange Rules 4.1 – Just and Equitable Principles of Trade, 4.2 – Adherence to Law, 4.24 – Supervision, 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 results 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).” During all relevant periods, the facilitation entitlement percentage in Standard & Poor’s 500 Stock Index (“SPX”) options was 40%, and the solicitation entitlement percentage in SPX was 0%.
11. On or about July 28, 2017, LoBianco, acting in the capacity of a Lakeshore Floor Broker, received a public customer order to sell 962 SPX December 2000 put option contracts (“customer order”) and a contra-side order to buy 200 SPX December 2000 put option contracts, or 21% of the customer order. LoBianco and Lakeshore failed to properly represent to the SPX trading crowd the customer order to be crossed, in that LoBianco and Lakeshore 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, LoBianco and Lakeshore exceeded any applicable permissible participation entitlement by executing 100 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 October 6, 2017, Williams, acting in the capacity of a Lakeshore Floor Broker, received a public customer order to buy 5,000 SPX December 2400-2525 put option contracts (“customer order”) and a contra-side order to sell up to 500 SPX December 2400-2525 put options, or 10% of the customer order. Williams and Lakeshore failed to properly represent to the SPX trading crowd the customer order to be crossed, in that Williams and Lakeshore failed to disclose, by public outcry, 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, Williams and Lakeshore exceeded any applicable permissible participation entitlement by executing 500 option contracts, or 10%, of the customer order with two solicited orders without determining other in-crowd market participant interest had been exhausted.
13. On or about February 1, 2018, Burzycki, acting in the capacity of a Lakeshore Floor Broker, received a public customer order to buy 3702 SPXW February 2880-3000 call option contracts (“customer order”) and a contra-side order to sell up to 2,000 SPXW February 2880-3000 call option contracts. Burzycki and Lakeshore failed to properly represent to the SPX trading crowd the customer order to be crossed, in that he 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 Lakeshore exceeded any applicable permissible participation entitlement by crossing 1,702 contracts, or 46%, of the customer order without determining other in-crowd market participant interest had been exhausted and executing 200 options contracts, or 5.4%, of the customer order with a solicited order without determining other in-crowd market participant interest had been exhausted.

14. From on or about July 28, 2017 through on or about February 1, 2018, and as of September 17, 2018,² Lakeshore failed to establish adequate supervisory systems, including adequate written supervisory procedures and separate system of follow-up and review, reasonably designed to ensure compliance with Exchange Rules 4.1, 6.73 and 6.74.
15. From on or about July 28, 2017 through on or about February 1, 2018, Lakeshore failed to reasonably supervise its Associated Persons so as to ensure compliance with Exchange Rules 4.1, 6.73 and 6.74.
16. The acts, practices and conduct described in Paragraph 11 constitute violations of Exchange Rules 4.1, 6.73 and 6.74 by Lakeshore and LoBianco on or about July 28, 2017, as Lakeshore and LoBianco 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 to be executed either through a participation entitlement or otherwise, and exceeding any applicable permissible participation entitlement by executing 100 option contracts, or 10%, of the customer order with a solicited order without determining other in-crowd market participant interest had been exhausted.
17. The acts, practices and conduct described in Paragraph 12 constitute violations of Exchange Rules 4.1, 6.73 and 6.74 by Lakeshore and Williams on or about October 6, 2017, as Lakeshore and Williams failed to properly represent to the SPX trading crowd the customer order to be crossed, by failing to disclose, by public outcry, the total quantity of the customer order, failing to disclose, by public outcry, the portion of the trade to be executed either through a participation entitlement or otherwise, and exceeding any applicable permissible participation entitlement by executing 500 option contracts, or 10%, of the customer order with two solicited orders without determining other in-crowd market participant interest had been exhausted.
18. The acts, practices and conduct described in Paragraph 13 constitute violations of Exchange Rules 4.1, 6.73 and 6.74 by Lakeshore and Burzycki on or about February 1, 2018, as Lakeshore and Burzycki 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 to be executed either through a participation entitlement or otherwise, and exceeding any applicable permissible participation entitlement by crossing 1,702 contracts, or 46%, of the customer order and executing 200 options contracts, or 5.4%, of the customer order with a solicited order without determining other in-crowd market participant interest had been exhausted.

² September 17, 2018 represents the date the Exchange Rule 17.2(d) Notification Letter (i.e., "Wells" Letter) was issued to the Firm in this matter.

19. The acts, practices and conduct described in Paragraph 14 constitute a violation of Exchange Rule 4.24 by Lakeshore in that from on or about July 28, 2017 through on or about February 1, 2018 and as of September 17, 2018, Lakeshore failed to establish adequate supervisory systems, including adequate written supervisory procedures and separate system of follow-up and review, reasonably designed to ensure compliance with Exchange Rules 4.1, 6.73 and 6.74.
20. The acts, practices and conduct described in Paragraph 15 constitute a violation of Exchange Rule 4.2 by Lakeshore in that from on or about July 28, 2017 through on or about February 1, 2018, Lakeshore failed to reasonably supervise its Associated Persons so as to ensure compliance with Exchange Rules 4.1, 6.73 and 6.74.

Waiver of Review

Subjects understand and acknowledge that the Business Conduct Committee's decision in this matter will become part of their disciplinary records and may be considered in any future Exchange proceeding.

Should the Business Conduct Committee determine to accept this Letter of Consent, the Subjects acknowledge that they shall be bound by all the terms, conditions, representations, and acknowledgments of this Letter of Consent, and in accordance with the provisions of Exchange Rule 17.3, they may not seek review of the decision rendered by the Business Conduct Committee upon such acceptance in accordance with the provisions of Exchange Rule 17.3.

Subjects state that they have read the foregoing Letter of Consent, that no promise or inducement of any kind has been made to them by the Exchange or its staff, and that this Letter of Consent is a voluntary act on their part. Subjects approve entry of a decision and order embodying the contents of this Letter of Consent.

7/1-~~28~~-18
Date

Salvatore LoBianco
Salvatore LoBianco

SALVATORE LOBIANCO
Print Name

11/8/18
Date

Joseph Williams
Joseph Williams

Joseph Williams
Print Name

11-8-2018
Date

Mark Burzycki

Print Name

11/8/2018
Date

Lakeshore Securities, L.P.

Print Name

CCO
Title