



**DISCIPLINARY DECISION**

**Cboe Exchange, Inc.**

**Star Nos. 20160491749 and 20170523838/File No. USRI-8707**

**Simplex Trading, LLC**

Pursuant to Exchange Rule 17.3, attached to and incorporated as part of this Decision is a Letter of Consent.

**Applicable Rule(s)**

- Cboe Rules 4.2 – Adherence to Law, 4.24 – Supervision, 6.49A – Transfer of Positions, 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information and 15.5 – Financial Reports
- Section 15(c) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Rule 15c3-1 – Net Capital Requirements for Brokers and Dealers, thereunder; and Section 17(a) of the Exchange Act and Rules 17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers and 17a-5 – Reports to be Made by Certain Brokers and Dealers, thereunder

**Sanction**

A censure and a monetary fine in the amount of \$40,000

**Effective Date**

June 7, 2019

By: /s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

CBOE EXCHANGE, INC.

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In the Matter of: ) )  
 ) )  
Simplex Trading, LLC ) )  
230 South LaSalle Street ) )  
Suite 4-100 ) )  
Chicago IL, 60604 ) )  
 ) )  
Subject ) )  
\_\_\_\_\_)

STAR Nos. 20160491749 and 20170523838

LETTER OF CONSENT

In order to resolve these proceedings pursuant to Cboe Exchange, Inc. (the "Exchange") Rule 17.3 – Expedited Proceeding, the Subject, Simplex Trading, LLC ("Simplex" or the "Firm"), hereby submits this Letter of Consent in the above captioned matter. Only for purposes of this proceeding, and without admitting or denying that a violation of Exchange Rules has been committed, Simplex consents to the Stipulation of Facts and Findings and Sanction set forth below.

Stipulation of Facts and Findings

1. During all relevant periods herein, Simplex was an Exchange Trading Permit Holder registered to conduct business on the Exchange as a Market-Maker and Floor Broker.
2. During all relevant periods herein, Simplex was acting as a registered Broker-Dealer.
3. During all periods noted herein, Exchange Rules 4.2 – Adherence to Law, 4.24 – Supervision, 6.49A – Transfer of Positions, 15.1 – Maintenance, Retention and Furnishing of Books, records and Other Information and 15.5 – Financial Reports; Section 15(c) of the Exchange Act and Rule 15c3-1 – Net Capital Requirements for Brokers and Dealers; and Section 17(a) of the Exchange Act and Rules 17a-3 – Records to be Made by Certain Brokers and Dealers and 17a-5 – Reports to be Made by Certain Brokers and Dealers, were in full force and effect.
4. During all relevant periods, Exchange Rule 6.49A(a)(1) provided that "Notwithstanding the prohibition set forth in Rule 6.49(a), the following transfers involving a Trading Permit Holder's positions may be effected off the floor: (i) the dissolution of a joint account in which the remaining Trading Permit Holder assumes the positions of the joint account; (ii) the dissolution of a corporation or partnership in which a former nominee of the corporation or partnership assumes the positions; (iii) positions transferred as part of a Trading Permit Holder's capital contribution to a new joint account, partnership, or

corporation; (iv) the donation of positions to a not-for-profit corporation; (v) the transfer of positions to a minor under the 'Uniform Gifts to Minor' law; and (vi) a merger or acquisition where continuity of ownership or management results."

5. During all relevant periods, Exchange Rule 6.49A(a)(2) provided that "Each Trading Permit Holder seeking to transfer positions in any class of options listed on the Exchange as principal or agent may effect such transactions on (i) the Exchange pursuant to the procedure set forth in paragraph (c) of this Rule or on (ii) another exchange on which such option contracts are listed and traded, if the transfer results in a discontinuation of management or ownership of all or substantially all of the assets or options positions of the Transferor."
6. During all relevant periods, Exchange Rule 6.49A *Interpretation and Policy* .03 provided that the position transfer procedure "is not to be used repeatedly or routinely in circumvention of the normal auction market process."
7. From on or about March 9, 2016 through on or about September 26, 2016, Simplex submitted eight on-floor bulk position transfer packages and two off-floor position transfer packages that failed to meet the criteria as set forth under Exchange Rule 6.49A, and that constituted a repeated and routine use of the transfer process in circumvention of the normal auction process.
8. From on or about March 9, 2016 through on or about September 26, 2016, Simplex failed to accurately compute its net capital.
9. For the month of March 2016, Simplex failed to file an accurate monthly FOCUS Report with the Exchange.
10. From on or about March 9, 2016 through in or around September 2016, Simplex failed to establish, maintain, and enforce written supervisory procedures and a separate system of follow-up and review reasonably designed to ensure Simplex's compliance with Exchange Rule 6.49A.<sup>1</sup>
11. From on or about March 9, 2016 through on or about September 26, 2016, Simplex failed to supervise so as to assure compliance with Exchange Rule 6.49A.
12. The acts, practices, and conduct described in Paragraph 7 above constitute violations of Exchange Rule 6.49A by Simplex, in that Simplex submitted eight on-floor bulk position transfer packages and two off-floor position transfer packages that failed to meet the criteria as set forth under Exchange Rule 6.49A, and that constituted a repeated and routine use of the transfer process in circumvention of the normal auction process.
13. The acts, practices, and conduct described in Paragraph 8 above constitute violations of Exchange Rules 4.2 and 15.1; Section 15(c) of the Exchange Act and Rule 15c3-1 thereunder; and Section 17(a) of the Exchange Act and Rule 17a-3 thereunder by Simplex, in that Simplex failed to accurately compute its net capital.

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<sup>1</sup> Simplex revised the relevant WSPs effective October 2016.

14. The acts, practices, and conduct described in Paragraph 9 above constitute violations of Exchange Rules 4.2 and 15.5; and Section 17(a) of the Exchange Act and Rule 17a-5 thereunder by Simplex, in that for the month of March 2016, Simplex failed to file an accurate monthly FOCUS Report with the Exchange.
15. The acts, practices, and conduct described in Paragraph 10 above constitute violations of Exchange Rule 4.24 by Simplex, in that Simplex failed to establish, maintain, and enforce written supervisory procedures and a separate system of follow-up and review reasonably designed to ensure compliance with Exchange Rule 6.49A.
16. The acts, practices, and conduct described in Paragraph 11 above constitute violations of Exchange Rule 4.2 by Simplex, in that Simplex failed to supervise so as to assure compliance with Exchange Rule 6.49A.

Sanction: A censure and a fine of \$40,000.

Subject acknowledges that it has read the foregoing Letter of Consent, that no promise or inducement of any kind has been made to it by the Exchange or its staff, and that this Letter of Consent is voluntary on its part.

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

Subject also acknowledges that the Chief Regulatory Officer's decision to accept or reject this Letter of Consent is final, and that it may not seek review thereof in accordance with Exchange Rule 17.3.

04/29/2019

Date

Simplex Trading, LLC

Print Name

Chief Compliance Officer

Title