

BEFORE THE BUSINESS CONDUCT COMMITTEE
OF THE
CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED

_____)	
In the Matter of:)	
)	
Geneva Trading, LLC)	
440 S. LaSalle)	Consolidated
Suite 1758)	File Nos. 12-0004 and 12-0053
Chicago, IL 60605)	
)	
Respondent/Subject)	
_____)	

DECISION ACCEPTING OFFER OF SETTLEMENT AND LETTER OF CONSENT

This proceeding was instituted by the Business Conduct Committee (the “Committee”) of the Chicago Board Options Exchange, Incorporated (the “Exchange”) 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 respondent/subject (“Respondent/Subject”), Geneva Trading, LLC (“Geneva”), submitted an offer of settlement and letter of consent (“Offer of Settlement and Letter of Consent”).

In submitting the Offer of Settlement and Letter of Consent, the Respondent/Subject neither admitted nor denied the violations alleged in the Statement of Charges and Letter of Consent.

The Respondent/Subject has agreed that the determination of the Committee to accept the Offer of Settlement and Letter of Consent shall constitute a final Decision, and, as provided in Exchange Rule 17.8, the Respondent/Subject may not seek review thereof.

The Respondent/Subject 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/Subject’s Offer of Settlement and Letter of Consent based on the following stipulated facts and findings and thereby to impose the sanction specified below.

FACTS

1. During all relevant periods herein, Geneva was registered with the Exchange to conduct business as a Designated Primary Market-Maker (“DPM”) organization.
2. During all relevant periods herein, Exchange Rules 8.7 – Obligations of Market Makers and 8.85 – DPM Obligations were in full force and effect.

3. During all relevant periods herein, pursuant to Exchange Rule 8.85(a)(i), DPMs must provide continuous electronic quotes (as defined in Rule 1.1 (ccc)) in at least 90% of the non-adjusted option series of each multiply-listed option class allocated to it and in 100% of the non-adjusted option series of each singly-listed option class allocated to it.
4. During all relevant periods herein, pursuant to Exchange Rule 8.85(a)(iii), DPMs must comply with the bid/ask differential requirements determined by the Exchange on a class by class basis.
5. During all relevant periods herein, pursuant to Exchange Rule 8.7(b)(iv), DPMs are required to price options contracts fairly by, among other things, bidding and/or offering in accordance with the bid/ask differential requirements determined by the Exchange on a class by class basis.
6. Attached hereto and made a part of the Statement of Charges in File No. 12-0004 as “Appendix A” (i), (ii), (iii) and (iv) is a sampling of Geneva’s DPM option classes involving quote width exceptions for May 2011, August 2011, September 2011 and October 2011, respectively.
7. Attached hereto and made a part of the Statement of Charges in File No. 12-0004 as “Appendix B” is a sampling of Geneva’s DPM option classes involving Geneva’s failure to continuously disseminate option quotations in accordance with Rule 8.85(a)(i) for September 2011.
8. In or about January 2011 through in or about January 2012, respectively, Geneva’s DPM, in various option classes, exceeded the maximum allowable quote width on numerous trade dates in various option classes, as more fully described in Appendix A (i), (ii), (iii) and (iv).
9. In or about September 2011, Geneva’s DPM, in various option classes various, failed to continuously disseminate option quotations in accordance with Rule 8.85(a)(i) as more fully described in Appendix B.
10. During the approximate period from in or about January 2011 through in or about January, 2012, Geneva failed to adequately supervise its DPM employees to assure compliance with its Market-Making quoting obligations as outlined in Geneva’s written supervisory Procedures (“WSPs”), as well as in accordance with Exchange Rules 8.7 and 8.85.

FINDINGS

The acts, practices and conduct described in Paragraph 8 above, constitute violations of Exchange Rules 8.7(b)(iv) and 8.85(a)(iii) by Geneva, in that Geneva’s DPM, in various option classes, exceeded the maximum allowable quote width on numerous trade dates in various option classes.

The acts, practices and conduct described in Paragraph 9 above, constitute violations of Exchange Rule 8.85(a)(i) by Geneva, in that in or about September 2011, Geneva’s DPM, in various option classes, failed to continuously disseminate option quotations in accordance with Rule 8.85(a)(i).

The acts, practices and conduct described in Paragraph 10 above, constitute violations of Exchange Rule 4.2 by Geneva, in that Geneva failed to adequately supervise its DPM employees to assure compliance with its Market-Making quoting obligations as outlined in Geneva’s WSPs, as well as in accordance with Exchange Rules 8.7 and 8.85.

SANCTION

The sanction to be imposed shall consist of a \$150,000 fine and a censure. In addition, an undertaking whereby Geneva Trading shall hire an independent consultant acceptable to the Exchange to evaluate and enhance its written supervisory procedures, including enhancements related to ensure compliance with Rules 8.7 and 8.85. Geneva shall submit to the Office of Enforcement and the Department of Market Regulation, within 90 days of the issuance of this Decision, a copy of the enhanced written supervisory procedures.

ORDER

ACCORDINGLY IT IS ORDERED THAT, the Respondent, Geneva Trading, LLC shall be and hereby is censured and fined in the amount of one hundred fifty thousand dollars (\$150,000). In addition, an undertaking whereby Geneva Trading shall hire an independent consultant acceptable to the Exchange to evaluate and enhance its written supervisory procedures, including enhancements related to ensure compliance with Rules 8.7 and 8.85. Geneva shall submit to the Office of Enforcement and the Department of Market Regulation, within 90 days of the issuance of this Decision, a copy of the enhanced written supervisory procedures.

**SO ORDERED
FOR THE COMMITTEE**

Dated: November 12, 2012

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